

Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

Seminar on Reinforcing the Sustainability
Awareness & Adoption of Sustainable Palm
Oil Practices

3 October 2017

Sibu, Sarawak



- Why sustainability certification is needed for oil palm?
- About MPOCC
- MSPO Certification Scheme
- Status of MSPO Certification
- Timelines for Mandatory MSPO Certification
- Challenges
- Conclusion



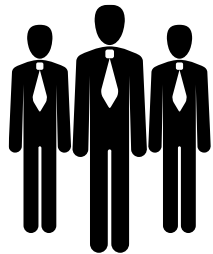
Why sustainability certification is needed for oil palm?

Sustainable Development



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“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” – *Brundtland Report, 1987*



People (Social)
Protecting the
rights of employees
and stakeholders



Planet (Environment)
Protecting the
environment and
reducing environmental
impacts



**Profitability
(Economic)**
Best practices to
ensure continuity in
business

- Palm oil – contributed to the economy & social well being; is a major foreign exchange earner
- Raising the standard of living and household income, particularly of smallholders
- Has been instrumental in alleviating rural poverty in the country
- However, negative perception has gathered pace in recent years
- Issues such as biodiversity loss, deforestation, protection of high conservation value areas, planting on peat lands are now in the fore front

Growing demand for Certified Sustainable Palm Oil globally



1. European Union (EU)

- Amsterdam Declaration (2015) calls for imports of CSPO by 2020
- EU currently developing parameters for CSPO
- EU accounts for 12.8% Malaysia's export globally (CPO & PPO) in 2016

2. France

- Proposal to **restrict** the use of palm based **biofuels** on sustainability grounds

3. Norway

- Parliament voted to **ban** the public procurement and use of **palm oil-based biofuel**

4. Other markets

- Proposal by EU may cascade to other market for CSPO, i.e. US (3.7% export of global exports of CPO & PPO), China (11.7% export) and India (17.6% export) in 2016

Promoting Values & Benefits through MSPO Certification



- **Enhanced productivity**

- Optimise yields and profits, protects the environment, workers and affected communities
- Effective cost management
- Better waste management
- Fair work conditions



- **Traceability**

- Known FFB origin
- Farm details & yield records
- Addresses concerns of affected stakeholders



- **Positive impact**

- Increase awareness
- Legality compliance
- Reduced work place accidents
- Best agricultural practices
- Market Access
- Meets demands from environmentally sensitive markets for CSPO
- Negates negative perception
- Enhances Malaysian palm oil competitiveness and acceptance in global market
- Tax deduction

Need for Malaysian Standard for Palm Oil



- Pragmatic & inclusive standard, applicable to all sectors in the supply chain, especially for smallholders
- Ensure sustainable practices are implemented by oil palm industry
- All palm oil exported from Malaysia is sustainably certified
- Smallholders are included in sustainability certification
- Industry is worth more than RM60 billion (USD 13 billion) in 2016



About MPOCC

- Incorporated on December 2014 under Companies Act 1965
- Tasked to develop and operate **Malaysian Sustainable Palm Oil (MSPO) Certification Scheme**
- Started operations in October 2015
- Governed by 13-Member Board of Trustees

Representatives from:

- | | |
|----------------------------------|-----------------|
| • Oil palm industry associations | • Government |
| • Academic and R&D institutes | • NGOs |
| • Smallholders organisation | • Civil society |



MPOCC Board of Trustees (as of September 2017)



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Under Secretary BISS of MPIC



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Representatives from Palm Oil Industry



Mr Chew Jit Seng
*Malaysian Palm Oil
Association (MPOA)*



Mr. Khoo Chee Hong
*Federation of PO Millers
Association of Malaysia
(POMA)*



Mr. Masri Pudín
*East Malaysia Planters'
Association (EMPA)*



Mr. Simon Siburat
*Palm Oil Refiners
Association of Malaysia
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MPOCC Board of Trustees (as of September 2017)



Appointed by YBM



Datuk Jublee KK Zen
Persatuan Beluran Sabah



Datuk Dr Dominic Lau
*Malaysian Management Systems
Certification Association for
Chinese Association*

Representatives Smallholders Association



**Ybhg. Dato' Haji Aliasak Hj
Ambia**
*National Association of
Smallholders Malaysia (NASH)*

MPOCC Board of Trustees (as of September 2017)



Representatives from Academic or Research and Development Institutions



**YBrs Prof Dr Ahmad
Hariza Hashim**
*Universiti Putra Malaysia
(UPM)*



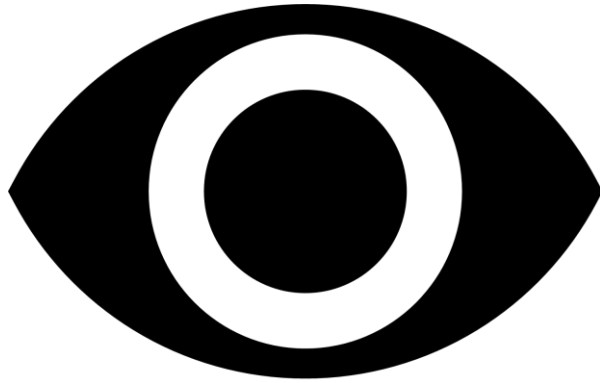
**YBrs Prof Dr Mohd
Raihan Taha**
*Institut Alam Sekitar dan
Pembangunan (LESTARI)
UKM*

Representatives from Environmental NGO



Mr Omar Abdul Kadir
*Malaysian Environmental NGOs
(MENGO)*

MPOCC's Vision & Mission



Vision

To be recognised as a leading organisation for palm oil certification



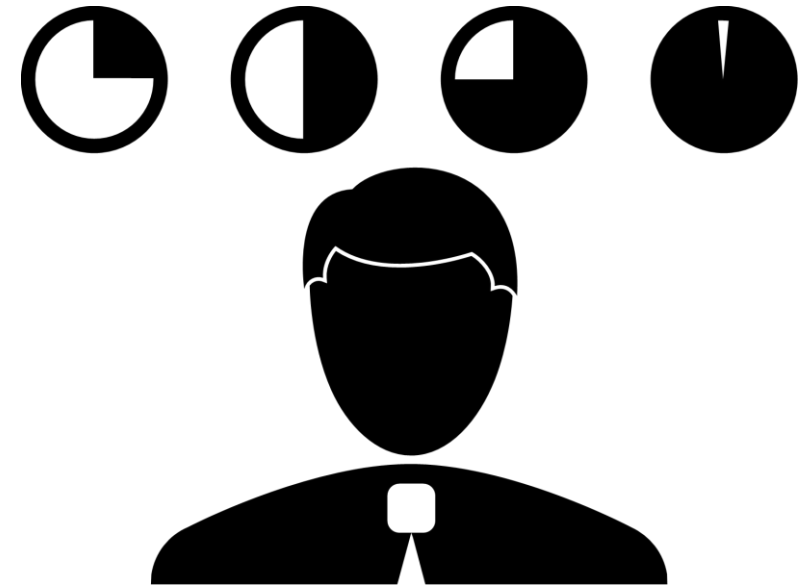
Mission

To establish and operate a credible and internationally recognised national palm oil certification scheme towards promoting sustainable management of oil palm in Malaysia

MPOCC Objectives



- To establish & operate a sustainable palm oil certification scheme in Malaysia
- To engage with NGOs, institutions of higher learning, trade associations, & accreditation & certification bodies in Malaysia
- To establish a mechanism for the certification of entities complying to the requirements of auditable sustainability standards





MSPO Certification Scheme



- ❑ MSPO Standards launched in 2013
- ❑ Implemented on a voluntary basis since January 2015
- ❑ Mandatory implementation by December 2019

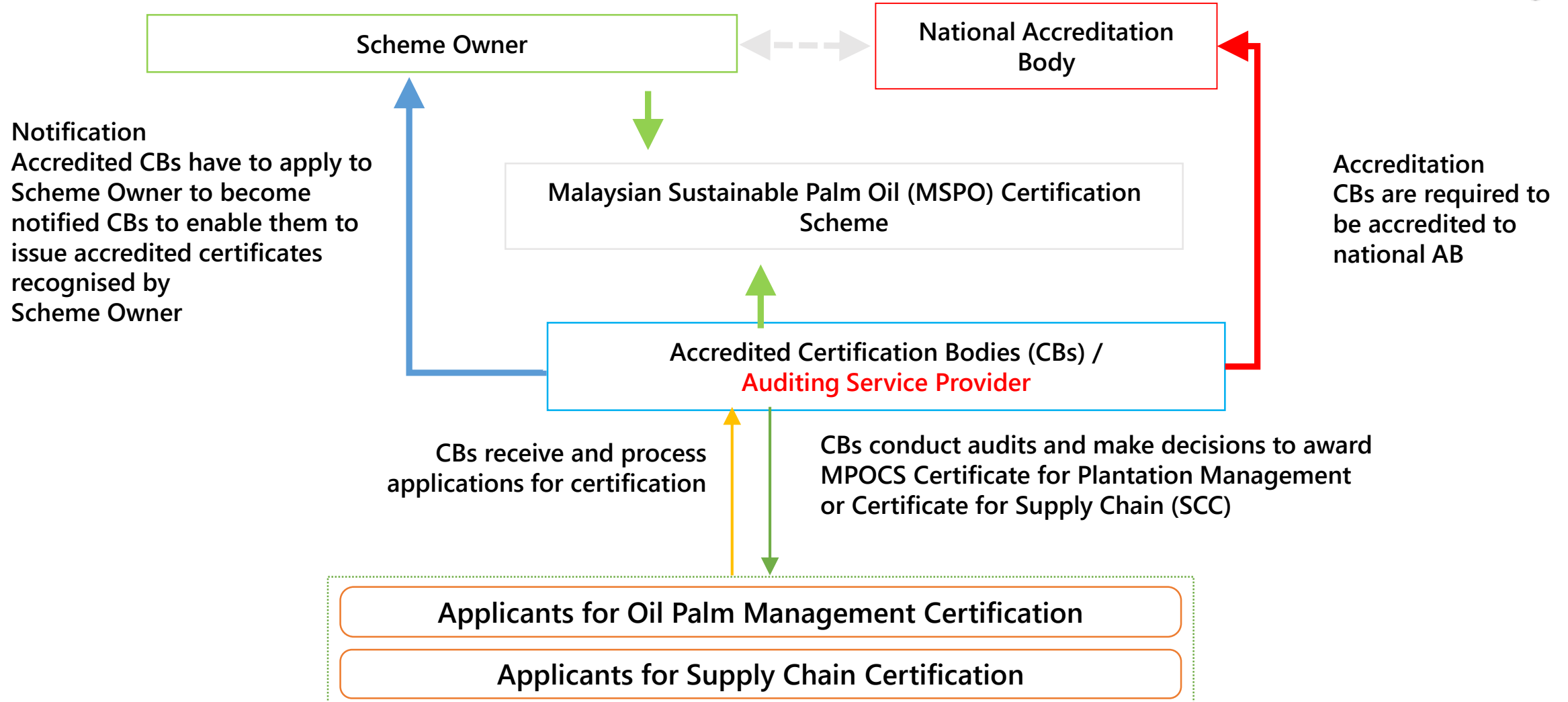




- **MSPO Standards**
 - Sets the requirements & which must be met when audits are done
- **Certification System**
 - Defines the operations of the scheme, implementation agreement with accredited CBs
- **Accreditation Programme**
 - To ensure that organisation who undertake audits are credible and have competent auditors

Institutional Arrangement for MSPO Certification Scheme

(Accreditation of CBs & Certification Process)



MSPO Certification Scheme



provides for:



Application by potential clients for certification audits



Development of certification standards & scheme documents



Accreditation & notification of CBs



Peer reviewing of audit reports



Supply chain traceability



Issuance of logo usage licenses



Handling of complaints



Training & briefing to auditors & other stakeholders

Auditing & Certification Process



Application
for
Certification
to
Certification
Body (CB)



Field Audit
by CB



Corrective
action &
closing of
any Non-
Compliances



Issuance of
the
Certificate

3-6 months, subject to meeting areas of Non-Compliance

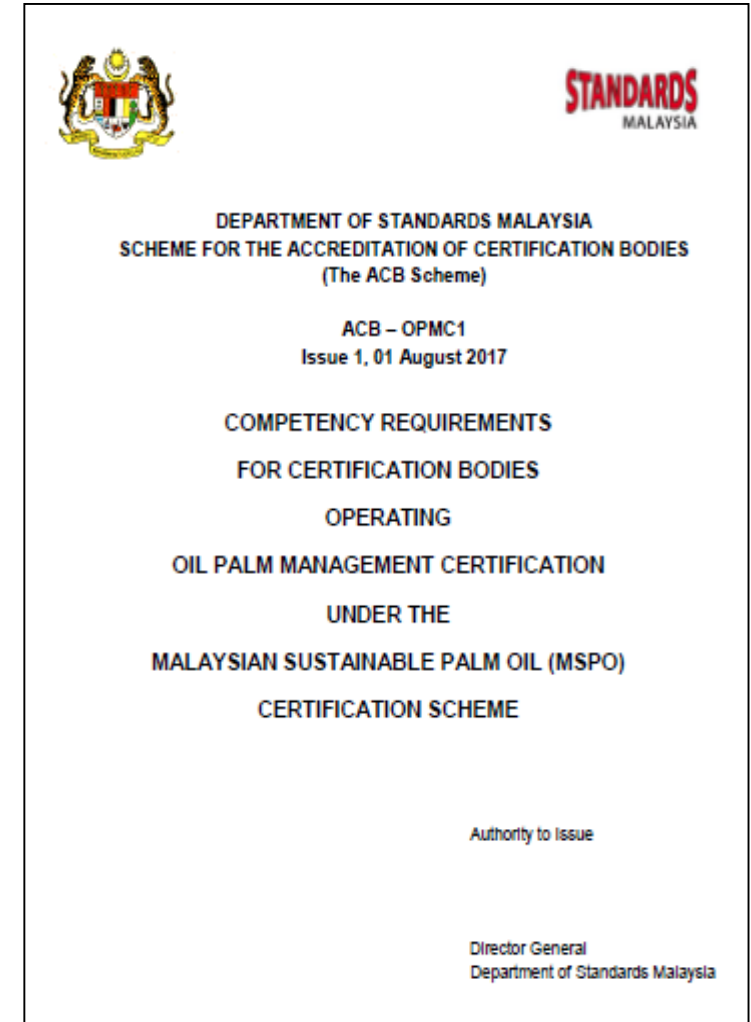
Certification Procedure



MSPO Accreditation Programme for CBs



- Launched on 1 June 2016 for CBs seeking accreditation with STANDARDS MALAYSIA, to certify entities for oil palm management certification
- Revised Accreditation of Certification Bodies launched on 1 August 2017 for oil palm management certification
- Similar accreditation programme is being developed for supply chain certification
- Accredited CBs will implement MSPO audits
- 5 CBs have been accredited
- Another 6 CBs being assessed for accreditation



Accreditation Requirements for Oil Palm Management Certification



ACB-OPMC 1	Competency Requirements for CBs Operating OPMC Under The MSPO Certification Scheme
ACB-OPMC 2	Audit Duration for CBs Operating OPMC Under The MSPO Certification Scheme
ACB-OPMC 3	Peer Review Process Requirements for CBs Operating OPMC Under The MSPO Certification Scheme
ACB-OPMC 4	Stakeholder Consultation Requirements for CBs Operating OPMC Under The MSPO Certification Scheme

ISO 17021 - Conformity assessment -- Requirements for bodies providing audit and certification of management systems

11 CBs operating under MSPO Certification Scheme



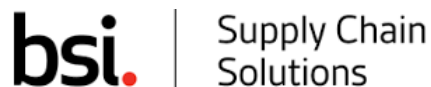
5 Accredited CBs

- DQS Certification (M) Sdn Bhd
- SGS (Malaysia) Sdn Bhd
- Bureau Veritas (M) Sdn Bhd
- TUV NORD (Malaysia) Sdn Bhd
- SIRIM QAS International Sdn Bhd



6 more CBs undergoing Accreditation

- CARE Certification International (M) Sdn Bhd
- BSI Services Sdn Bhd
- Prima Cert International Sdn Bhd
- Control Union (Malaysia) Sdn Bhd
- NIOSH Certification Sdn Bhd
- Global Gateway Certification Sdn Bhd





MSPO Standards

Standard Setting Process



MS 2530:2013 Series (Part 1-4)

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Smallholders

**MS 2530-1:2013 – Malaysian Sustainable Palm Oil (MSPO)
Part 1: General principles**

**MS 2530-2:2013 – Malaysian Sustainable Palm Oil (MSPO)
Part 2: General principles for independent smallholders**

Companies

**MS 2530-3:2013 – Malaysian Sustainable Palm Oil (MSPO)
Part 3: General principles for oil palm plantations and organised smallholders**

Mills

**MS 2530-4:2013 – Malaysian Sustainable Palm Oil (MSPO)
Part 4: General principles palm oil mills**

MSPO Standards : 7 Principles



1 Management commitment and responsibility

2 Transparency

3 Compliance to legal requirements

4 Social responsibility, health, safety and employment conditions



5 Environment, natural resources, biodiversity and ecosystem services

6 Best practices

7 Development of new plantings

Contents of MS 2530:2013



Standards	Principles	Criteria	Indicators
<u>Part 2</u> General principles for independent smallholders	7	22	30
<u>Part 3</u> General principles for oil palm plantations and organised smallholders	7	33	114
<u>Part 4</u> General principles for palm oil mills	6	25	80

Management commitment and responsibility

- Implementation of MSPO Policy
- Conduct Internal Audit periodically
- Conduct Management review to ensure effectiveness of MSPO implementation
- Continual improvement plan in place





Transparency

- Relevant information & documents relevant to MSPO requirements
- Establish procedures for consultation & communication
- Implement procedures for traceability of products

Compliance to legal requirements

- Compliance to applicable laws and regulations
- Land use and Customary Land Rights respected
- Legal ownership of land demonstrated
- Free, Prior and Informed Consent (FPIC) in place



MSPO Principle 4



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Social responsibility, health, safety and employment condition

- Social impact assessment (SIA) conducted
- Complaints and grievances mechanism in place
- Commitment to contribute to local sustainable development
- Employees safety and health policy in place
- Good employment conditions established
- Appropriate training is provided

MSPO Principle 5



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Environment, natural resources, biodiversity and ecosystem services

- Environmental management plan in place
- Efficiency of energy use and use of renewable energy
- Waste management plan implemented
- Action plan to reduce scheduled & solid waste
- Water management plan implemented
- Identify High Biodiversity Value habitats & ERT species
- Zero burn practices for waste disposal & land preparation



Best practices

- Procedures to prevent soil erosion, disiltation, contamination of water developed and implemented
- Business or Management plan implemented
- Transparent and fair price dealing implemented
- Contractors shall understand and comply with MSPO requirements



Development of new plantings

- No planting on land with high biodiversity value
- No conversion of Environmentally Sensitive Areas (ESAs)
- New planting & replanting on peat lands as per MPOB guidelines & industry best practices
- Social & Environmental Impact Assessment (SEIA) conducted
- Information on soil types & topography
- Extensive planting on steep areas & fragile soils avoided
- Recognise customary land rights & owners (FPIC)





Status of MSPO Certification

Oil Palm Statistics for 2016



MALAYSIA

**5.70
Mn Ha**

**Matured
5.00
Mn Ha**

**Immatured
0.73
Mn Ha**



PEN. M'SIA

**2.67
Mn Ha**

**Matured
2.35
Mn Ha**

**Immatured
0.33
Mn Ha**



SABAH

**1.55
Mn Ha**

**Matured
1.38
Mn Ha**

**Immatured
0.16
Mn Ha**



SARAWAK

**1.5
Mn Ha**

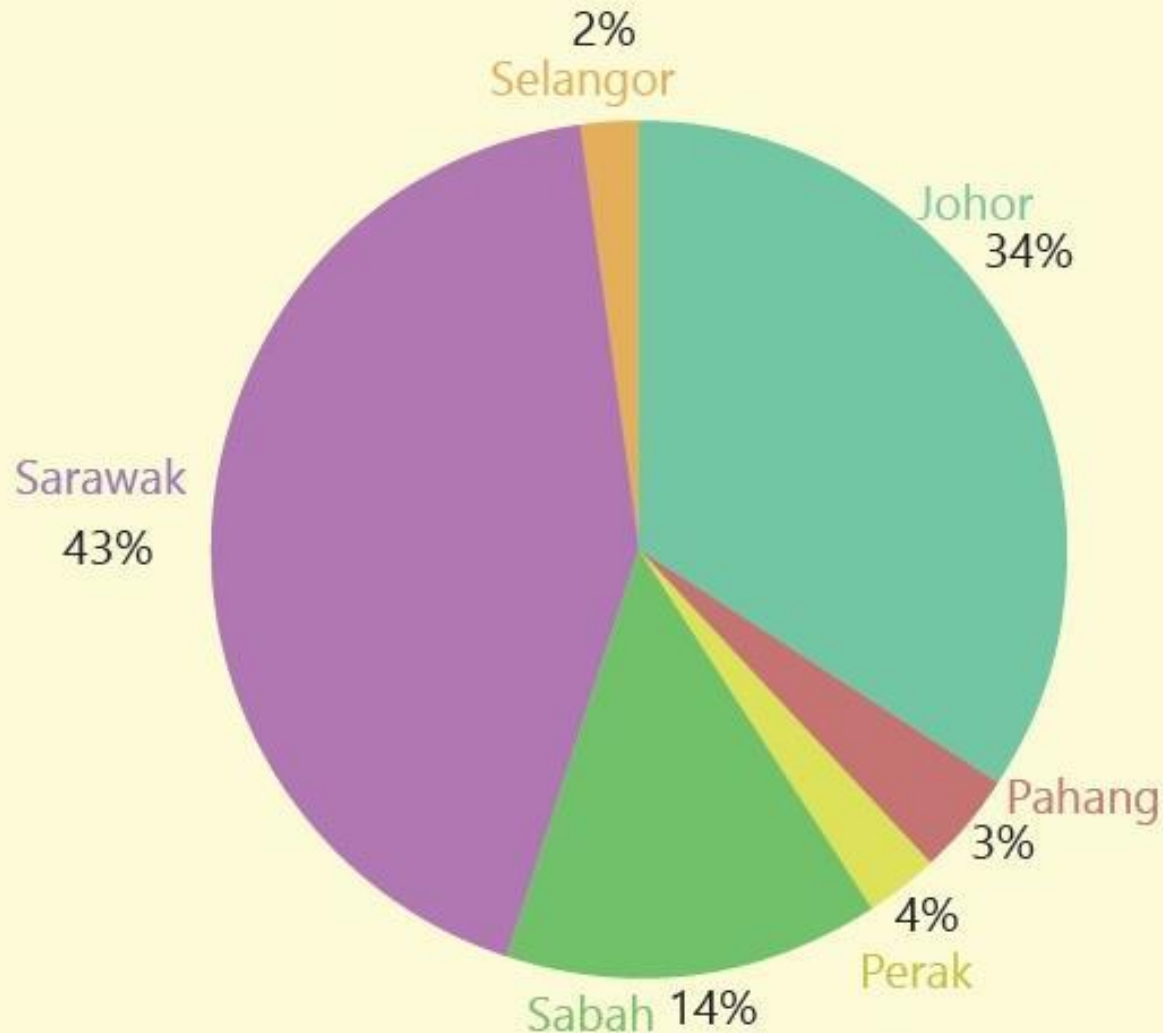
**Matured
1.26
Mn Ha**

**Immatured
0.23
Mn Ha**

Est. 19 million tonnes CPO production (2017)

Source: MPOB

<http://bepi.mpob.gov.my/index.php/en/statistics/production/168-production-2016/746-production-of-crude-oil-palm-2016.html>



Independent Smallholders

**Total Certified Area under
Independent Smallholders
(SPOCs*)
4,004.19 ha**

*SPOCs = Sustainable Palm Oil Clusters

As of September, 2017

<https://www.mpocc.org.my/facts-and-figures>

MSPO Certified Plantations & Organised S/H



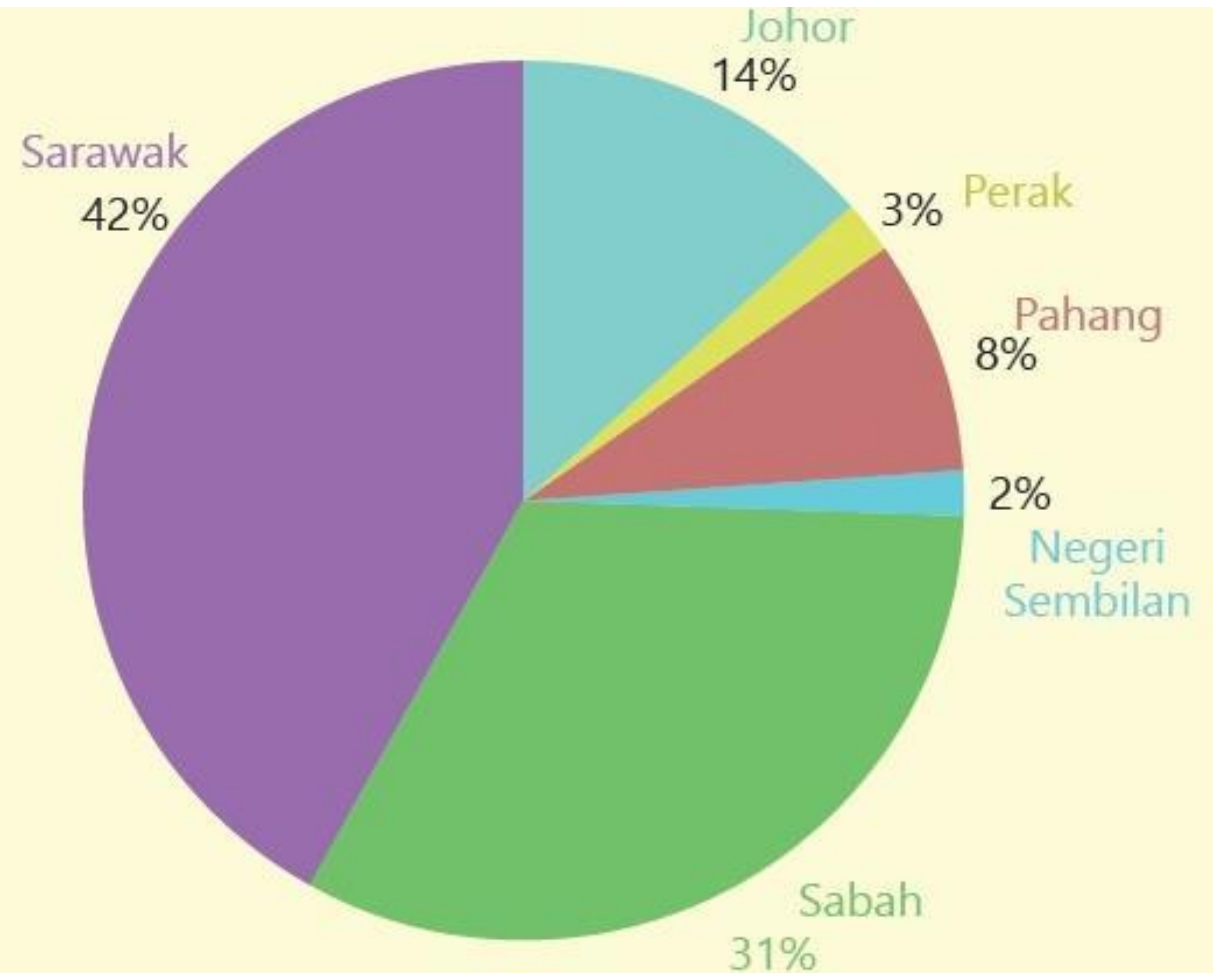
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Plantations & Organised Smallholders

**Total Certified Area under
Plantations & Organised
Smallholders
264,596.73 ha**

As of September, 2017

<https://www.mpooc.org.my/facts-and-figures>





Mills



MSPO Certified Companies (15)



- Achi Jaya Plantations
- Boustead Plantation Bhd
- Carotino Sdn Bhd/JC Chang Group
- FGV Plantations (M) Sdn Bhd
- Genting Plantations Bhd
- IJM Plantations Bhd
- Keresia Plantation Bhd
- PPB Oil Palms Bhd
- Rinwood Pelita (Mukah) Plantation
- Sabah Softwood Bhd
- Sarawak Oil Palm Bhd
- Sime Darby Plantation Sdn Bhd
- Ta Ann Holding Bhd
- KLK Bhd
- Federal Land Development Authority (FELDA)



As of May, 2017



Timelines for Mandatory MSPO Certification

Timelines for Mandatory MSPO Certification



Government offers incentives for adopting MSPO certification

PETALING JAYA: The government is offering incentives to facilitate and help reduce the audit costs of obtaining the Malaysian Sustainable Palm Oil (MSPO) certification.

In a statement yesterday, the Plantation Industries and Commodities Ministry said audit costs incentives of up to 70% would be offered to estates with planted area above 40.46ha to 1,000ha.

Additionally, an audit cost incentive of up to 30% would be given to estates above 1,001ha, as well as those processing facilities such as mills, refineries and crushers.

"As of Aug 2017, the total planted area that has been certified under the MSPO certification scheme is 245,381ha.

The certified area includes 237,509ha under plantation companies, 3,868ha under organised smallholders, and 4,004ha under independent smallholders.

"In addition, a total of 22 mills have also been MSPO-certified," the ministry said.

It added that Plantation Industries and

Commodities Minister Datuk Seri Mah Siew Keong held a dialogue session with representatives of oil palm plantation companies on Sept 27, with the objective of getting feedback and views from them on MSPO.

"This session was attended by more than 120 industry players representing small and medium-sized oil palm estates in Malaysia. The industry players were briefed on the main features of the MSPO Certification Scheme, including the MSPO standards and requirements, as well as certification procedures.

"At the briefing, while some concerns were raised, the participants generally pledged their support for the efforts undertaken by the Plantation Industries and Commodities Ministry and the Malaysian Palm Oil Certification Council to facilitate the implementation of MSPO certification," it added.

Details on the incentives are available at www.mpob.gov.my



Serious discussion: front row (from left) Datuk M.Nagarajan, Malaysian Palm Oil Certification Council chairman, Plantation Industries and Commodities Deputy Minister Datuk Datu Nasrun Datu Mansur, Mah and Ministry secretary-general Datuk K.Yogeesvaran at the dialogue session with representatives of oil palm plantation companies



Size of planted area (ha)	Audit cost incentive
40.47 - 1000	70%
1001 and above	30%
Processing facilities (mill, crusher, refinery)	30%



Challenges

- Recognition & acceptance of MSPO Scheme, particularly in environmentally sensitive markets for Malaysian palm oil products (EU, US, Australia)
- Existence of other palm-related sustainability standards
- To increase uptake of MSPO certification by plantations, estates, smallholders and processing facilities (mills, refineries, crushers etc...)

Conclusion



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- MSPO Standards are the **national sustainability certification standards** for the oil palm industry
- Sustainability and legality requirements of MSPO Standards are linked to **government laws and regulations**
- MSPO Standards adopt **BMPs** for existing planted areas and new plantings
- Development and review of MSPO Standards with thresholds to be conducted through a **broader stakeholder engagement** process
- Government is fully committed towards full implementation of MSPO certification for all planted areas & processing facilities in Malaysia

Invitation to:

CERTIFIED SUSTAINABLE PALM OIL FORUM: **THE WAY FORWARD**

13 November 2017 | 1.00 pm - 4.00 pm
KUALA LUMPUR CONVENTION CENTRE

In conjunction with



Registration is free



Thank You

Malaysian Palm Oil Certification Council (MPOCC)

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