



# Malaysian Sustainable Palm Oil (MSPO) Supply Chain Certification Standard

DRAFT 2

19 December 2017



**Abbreviation**

***CPO***

Crude Palm Oil

***CPKO***

Crude Palm Kernel Oil

***PFAD***

Palm Fatty Acid Distillate

***PKFAD***

Palm Kernel Fatty Acid Distillate

***PO***

Palm Oil

***PK***

Palm Kernel

***PKE***

Palm Kernel Expeller

***PKO***

Palm Kernel Oil

***RBDPO***

Refined Bleached Deodorised Palm Oil

***RBDPKO***

Refined Bleached Deodorised Palm Kernel Oil



## **Content**

<b><u>1. Introduction</u></b>	<b>3</b>
<b><u>2. Scope</u></b>	<b>3</b>
<b><u>3. Normative Reference</u></b>	<b>4</b>
<b><u>4. Terms and Definitions</u></b>	<b>4</b>
<b><i>4.1 Palm Oil Products</i></b>	<b>4</b>
<b><i>4.2 Certified Palm Oil Products</i></b>	<b>5</b>
<b><i>4.3 Supply Chain</i></b>	<b>5</b>
<b><i>4.4 Organisation</i></b>	<b>5</b>
<b><i>4.5 Mass Balance</i></b>	<b>5</b>
<b><i>4.6 Segregation</i></b>	<b>5</b>
<b><i>4.7 Origin</i></b>	<b>5</b>
<b><i>4.8 Real-time basis</i></b>	<b>5</b>
<b><i>4.9 Outsourced Contractors</i></b>	<b>6</b>
<b><i>4.10 Stakeholders</i></b>	<b>6</b>
<b><i>4.11 Physically handle</i></b>	<b>6</b>
<b><u>5. Requirements for Supply Chain Management System</u></b>	<b>6</b>
<b><i>5.1 Sustainability Policy</i></b>	<b>6</b>
<b><i>5.2 Management Representative</i></b>	<b>6</b>
<b><i>5.3 Record Keeping</i></b>	<b>7</b>
<b><i>5.4 Procedures</i></b>	<b>7</b>
<b><i>5.5 Internal Audit</i></b>	<b>7</b>
<b><i>5.6 Management Review</i></b>	<b>8</b>
<b><u>6. Resource Management</u></b>	<b>9</b>
<b><i>6.1 Competency and Training</i></b>	<b>9</b>
<b><u>7. Purchase and Sales</u></b>	<b>9</b>
<b><u>8. Supply Chain Models</u></b>	<b>10</b>
<b><i>8.1 Segregation</i></b>	<b>10</b>
8.1.1 General	10
8.1.2 Requirements	11
<b><i>8.2 Mass balance</i></b>	<b>11</b>
8.2.1 General	11
8.2.2 Requirements	12
8.2.3 Continuous Accounting System	13
8.2.4 Fixed Inventory Periods	13
<b><u>9. Outsourced Activities</u></b>	<b>14</b>
<b><u>10. Claim</u></b>	<b>15</b>
<b><u>11. Complaints and Grievances</u></b>	<b>15</b>
<b><u>12. IT Platform</u></b>	<b>15</b>



## **1. Introduction**

The Malaysian Sustainable Palm Oil Supply Chain Certification Standard (MSPO SCCS) addresses management requirements and traceability of the production throughout the supply chain from the raw materials until processing and manufacturing of palm oil and palm oil based products. Each group of players must perform their respective roles to enable traceability of all activities throughout the palm oil supply chain.

For organisations that comply with MSPO SCCS, traceability can be achieved by mass balance or segregation systems via corresponding traceability attributes and declarations. This assures that the product origin and its quantity can be uniquely identified and that the quantity which has been withdrawn at the respective stage of the value chain does not exceed the supply.

The MSPO Supply Chain Standard is designed to provide a credible guarantee to the end user that the palm oil raw material originated from sustainably managed oil palm growers throughout the supply chain.

## **2. Scope**

Applies to organisations which process, manufacture, supply and/or export palm oil products using raw materials which originate from MSPO certified oil palm planted area and/or take legal ownership and physically handle MSPO certified palm oil products throughout the supply chain.



### **3. Normative Reference**

#### **3.1 Malaysian Standard MS 2530-1:2013 Malaysian Sustainable Palm Oil**

**Part 1:** *General principles*

#### **3.2 Malaysian Standard MS 2530-2:2013 Malaysian Sustainable Palm Oil**

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

#### **3.3 Malaysian Standard MS 2530-3:2013 Malaysian Sustainable Palm Oil**

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

#### **3.4 Malaysian Standard MS 2530-4:2013 Malaysian Sustainable Palm Oil**

**Part 4:** *General principles for palm oil mills*

#### **3.5 MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme**

### **4. Terms and Definitions**

#### **4.1 Palm oil products**

Palm oil products refer to products derived from FFB such as CPO, PK, CPKO, PKE or product derived thereof RBDPO, RBDPKO, PFAD, PKFAD, olein, stearin and other products from its fractionations/derivatives-

#### **4.2 Certified palm oil products**

Palm oil products that has been successfully certified to the MSPO series of standard.



### ***4.3 Supply Chain***

The series of steps through which palm products are transferred from the smallholders/plantations to the end user.

### ***4.4 Organisation***

MSPO SCCS Organisation is the operating unit which take legal ownership and physically handles certified palm oil products at respective stage of the palm oil supply chain.

### ***4.5 Mass Balance***

Mass balance allows the mixing of batches of certified and non-certified palm oil products at every stage of the palm oil supply chain.

### ***4.6 Segregation***

Segregation is a complete physical separation of certified and non-certified palm oil products at every stage of the palm oil supply chain.

### ***4.7 Origin***

Designated geographic location and area in Malaysia where certified palm oil products are produced.

### ***4.8 Real-time basis***

The actual time during which a process takes place, or an event occurs, as defined or practiced by the organisation.



#### **4.9 Outsourced Contractors**

Parties engaged by the organisation specifically to provide services for transporting, handling and storing certified palm oil products.

#### **4.10 Stakeholders**

An individual or group with legitimate and demonstrable interest in, or who is directly affected by the activities of an organisation and the consequences of those activities.

#### **4.11 Physically handle**

Activities which may include risk during receipt, storage, process and dispatch.

### **5. Requirements for Supply Chain Management System**

#### **5.1 Sustainability Policy**

A sustainability policy for the implementation of MSPO shall be established by the organisation to demonstrate its commitment towards the production of certified palm oil products.

Organisation commitment shall be communicated to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.

#### **5.2 Management Representative**

The organisation shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation's MSPO SCCS management.





### **5.3 Record Keeping**

The organisation shall maintain accurate and up-to-date records that demonstrate compliance with MSPO SCCS to provide evidence of conformity. The records shall be maintained for a minimum period of three (3) years.

### **5.4 Procedures**

The organisation shall establish documented procedures for its supply chain to demonstrate compliance with MSPO SCCS as follows:

- a) Description of the material flow within the production process;
- b) Organisational structure, responsibilities and authorities with respect to MSPO SCCS;
- c) Procedures on the supply chain models that enables the identification of incoming sustainable material from the suppliers and the distribution to the buyer;
- d) A documented procedure shall be established to define the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results.

### **5.5 Internal Audit**

5.5.1 The organisation shall conduct internal audits at planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.

5.5.2 The organisation shall establish corrections and corrective actions for any non-conformity raised.





## **5.6 Management Review**

The management review of the organisation's MSPO SCCS system shall be conducted at planned intervals to ensure its adequacy and effectiveness, and shall include the following aspects:

- a) Review input
  - i) Results of internal and external audits
  - ii) Customer feedback
  - iii) Process performance and product conformity
  - iv) Status of corrections and corrective actions
  - v) Follow-up actions from previous management reviews
  - vi) Changes that could affect the MSPO SCCS system
  - vii) Recommendation for improvement
  - viii) Complaints and grievances
- b) Review output
  - i) Improvement in the effectiveness of the MSPO SCCS system and its processes
  - ii) Resources needed



## **6. Resource Management**

### ***6.1 Competency and Training***

6.1.1 The organisation shall ensure that all personnel engaged in the implementation and maintenance of the MSPO SCCS are competent with appropriate training, skill and experience.

6.1.2 The organisation shall establish an effective training plan according to the roles and responsibilities.

6.1.3 The organisation shall keep records of the trainings provided to personnel in relation to the implementation of the MSPO SCCS.

## **7. Purchase and Sales**

7.1 The organisation shall ensure that the documents associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:

- a) The name and address of the seller/buyer;
- b) Product(s) identification including the applicable supply chain models (mass balance, segregated);
- c) The quantity of the product delivered;
- d) The loading or delivery date;
- e) Related transportation documentation with a unique identification number;
- f) MSPO Supply chain certificate number; and
- g) MSPO Supply chain certificate validity;



7.2 The organisation shall have a mechanism in place for handling non-conforming palm oil products and/or documents.

## 8. Supply Chain Models

### 8.1 Segregation

#### 8.1.1 General

The Segregation (SG) Model assures that MSPO certified palm oil products delivered to the end user come only from MSPO SG certified sources. It permits the mixing of certified palm oil products from a variety of MSPO SG certified sources.

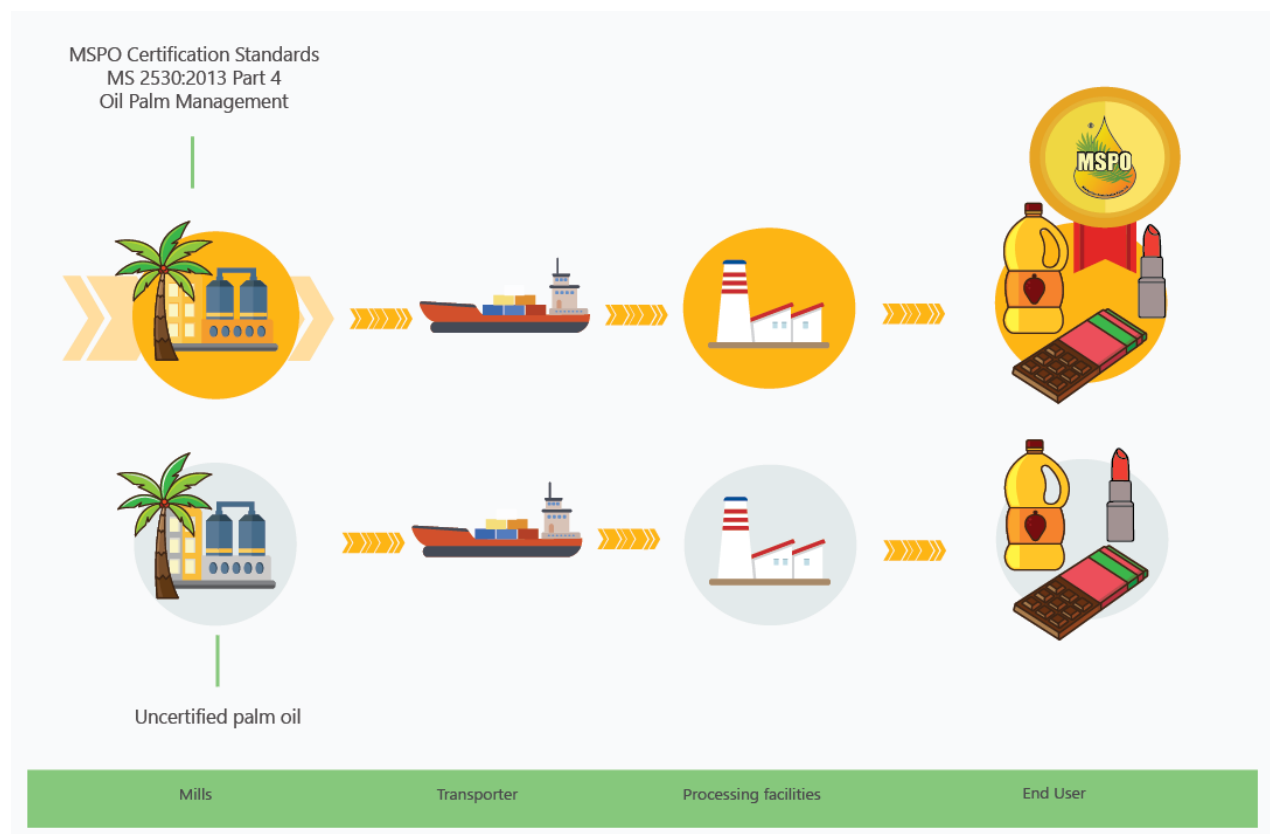


Figure 1: Segregation Model



### 8.1.2 Requirements

8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.

8.1.2.2 The site shall assure and verify through clear procedures and record keeping that the MSPO certified oil palm product is kept segregated from non-certified palm oil products including during transport and storage to strive for 100% separation.

## **8.2 Mass balance**

### 8.2.1 General

The Mass Balance (MB) Model administratively monitors the trade of MSPO certified palm oil products throughout the entire supply chain. MB can only be operated at site level (mass balance claims cannot be transferred from site to site administratively).

The MB Model allows for mixing of MSPO and non-MSPO certified palm oil products at any stage in the supply chain provided that overall site quantities are controlled.



Figure 2: Mass Balance Model

### 8.2.2 Requirements

8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. There are no requirements for separate storage, transportation or controls in the production process.

8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.

8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not exceed the input of MSPO



certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.

### 8.2.3 Continuous accounting system

8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.

8.2.3.2 Where a continuous accounting system is in operation, the organization shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.

### 8.2.4 Fixed inventory periods

8.2.4.1 Where a fixed inventory period is in operation, the organization shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.

8.2.4.2 Where a fixed inventory period is in operation, the organization may overdraw data when there is evidence that MSPO MB palm oil product purchases for delivery within the inventory period cover the MSPO output quantity supplied.

8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.



8.2.4.4 Where a fixed inventory period is in operation, the organisation shall ensure that the material accounting system is not overdrawn at the end of inventory period. Only MSPO data which has been recorded in the material accounting system within the inventory period shall be allocated to outputs supplied within the inventory period.

Records of any internal processing of MSPO certified sustainable products including the respective yields/conversion factor must be available/ accessible during assessment audits.

## **9. Outsourced Activities**

9.1 The organisation which outsources its activities to independent third party or parties shall ensure that it:

- a) has legal ownership of all input materials during the outsourced activities;
- b) has a contract covering the outsourced activities with each contractor. This contract shall include a clause reserving the right of the certification body to audit the outsourced contractor; and
- c) has a documented control system with procedures for the outsourced activities which are shared with the relevant outsourced contractor.

9.2 The organisation shall take full responsibility for activities that have been outsourced (as defined in 4.9 *Outsourced Contractor*).





## **10. Claim**

The organisation shall only make a claim on the product that it contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.

Reference: Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme document.

## **11. Complaints and Grievances**

The organisation shall have in place and maintain documented procedures for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.

## **12. IT Platform**

The organisation within the supply chain must register its production and sale of certified products in the available system\*.

NOTE 1 This shall be applicable when the IT Platform is operational.