Update and current development in the implementation of the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

Asia Palm Oil Conference (APOC) 2018, “A New Era for the Thai Palm Oil Industry: Future Energy and Sustainability”
Krabi, Thailand, 16-17 July 2018
OUTLINE

1. Development of the Palm Oil Industry in Malaysia and Moving Forward
2. MSPO and addressing sustainability
3. Approaches to MSPO Certification and Progress
4. Conclusion
Development of the Palm Oil Industry in Malaysia and Moving Forward
Total Oil Palm Planted Area in Malaysia = 5,811,145 ha (2017)

- Private Estates: 3.51 Mn Ha (61.2%)
- FELDA: 0.71 Mn Ha (12.3%)
- FELCRA: 0.17 Mn Ha (3.0%)
- RISDA: 0.07 Mn Ha (1.2%)
- State Agencies: 0.34 Mn Ha (6.0%)
- Independent Smallholders: 0.93 Mn Ha (16.3%)

Source: MPOB
Malaysian Palm Oil Industry contribution and shared value:

- **Average Annual Exports**
  - USD16.1 billion (2012-2016)

- **Contribution to Agriculture GDP**
  - 43% (2017)

- **Direct and Indirect Employment**
  - more than 1 million people

- **Raising Income of Small Farmers**
  - an average planted area 3.9 ha earns income of USD500/month

- **Development of rural infrastructure and other multiplier effects to the economy**
Trends in Major Importing Countries

• There is a growing demand for Certified Sustainable Palm Oil (CSPO)

• Amsterdam Declaration 2015 in support of fully sustainable palm oil supply chain by 2020 (Denmark, France, Germany, Italy, The Netherlands, Norway, United Kingdom)

• Directive 2009/28/EC established a regulatory framework for the promotion of the use of energy from renewable sources which set binding national targets on the share of renewable energy sources in energy consumption and transport to be met by 2020

• Palm oil has been correlated to negative image such as deforestation, child labour and loss of habitats/wildlife

• Certified sustainable palm oil (CSPO) through Malaysian Sustainable Palm Oil (MSPO) Certification will promote the image and brand of Malaysian palm oil
MOVING FORWARD – INCLUSIVE POLICIES

• Growing demand for certified sustainable palm oil – mandatory certification of growers and processing facilities under Malaysian Sustainable Palm Oil (MSPO) scheme by December 2019

• Issues such as biodiversity loss, deforestation, protection of high conservation value areas, planting on peat lands are now in the forefront of global agenda

• Need to introduce best practices to enhance productivity and raise income levels of small farmers

• Lack of suitable land for further expansion of planted area
MSPO and Addressing Sustainability
MALAYSIAN PALM OIL CERTIFICATION COUNCIL (MPOCC) – Governing Body for MSPO

- Incorporated in December 2014 under Companies Act 1965
- Started operations in Oct 2015
- Governed by a 13-Member Board of Trustees
  - Oil palm industry associations
  - Academic and R&D institutes
  - Smallholders organisation
  - Government
  - NGOs
  - Civil Society

MPOCC is responsible for the development of the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme in Peninsular, Sabah and Sarawak
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
About MSPO Certification Scheme

MSPO is a home grown initiative & a national agenda

MSPO subjects to legislative checks & balances

www.mpocc.org.my
About MSPO Certification Scheme

MSPO is not merely a national certification scheme, but is a catalyst for transforming the industry for its sustainability.

MSPO certified entities commits to contribute to local sustainable development.
About MSPO Certification Scheme

• Pragmatic & inclusive standard, applicable to all sectors in the supply chain

• Smallholders are included in sustainability certification

• Model bottom line: 3 pillars of sustainability
About MSPO Certification Scheme

- MSPO Standards launched in 2013
- Government mandated
- Implemented on a voluntary basis since January 2015
- Mandatory implementation by 31 December 2019
About MSPO Certification Scheme

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
About MSPO Certification Scheme

provides for:

- Application by potential clients for certification audits
- Accreditation & notification of CBs
- Supply chain traceability
- Handling of complaints
- Development of certification standards & scheme documents
- Peer reviewing of audit reports
- Issuance of logo usage licenses
- Training & briefing to auditors & other stakeholders
Institutional Arrangement for MSPO Certification Scheme
(Accreditation of CBs & Certification Process)

Scheme Owner

National Accreditation Body

Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

Accredited Certification Bodies (CBs) / Audit Service Provider (Badan Pensijilan)

CBs receive and process applications for certification

Notification
Accredited CBs have to apply to Scheme Owner to become notified CBs to enable them to issue accredited certificates recognised by Scheme Owner

Accreditation
CBs are required to be accredited to national AB

CBs conduct audits and make decisions to award MSPO Certificate for Plantation Management or Certificate for Supply Chain (SCC)

Applicants for Oil Palm Management Certification

Applicants for Supply Chain Certification
Approaches to MSPO Certification and Progress
Approaches for MSPO Certification

- Individual entity (plantation, mills, refineries)
- Group certification (plantation, smallholders)
- Supply Chain certification
MS 2530:2013 Series (Part 1-4)

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

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

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
Scope of MSPO Certification for Plantations & Smallholders

1. Individual certification

2. Group Certification

Estate ABC
Estate XYZ
Estate DEF

Group Manager

Certifying Malaysian palm oil for the world
Scope of MSPO Certification for Palm Oil Mills

1. Individual Certification

2. Multi-site Certification

.certifying Malaysian palm oil for the world
1. **Management System**
   1. Sustainability Policy
   3. Record keeping
   4. Procedures
   5. Internal Audit
   6. Management Review

2. **Resource Management**
   1. Competency & Training

3. **Purchase and Sales**

4. **Supply Chain Models**
   Segregation
   Mass balance

5. **Outsourced Activities**

6. **Claim**

7. **Complaints and Grievances**

8. **IT Platform**
MSPO Certified Areas & Mills latest statistic
Total MSPO Certified Area (30 June 2018)

Independent Smallholders

Total Certified Area Under MSPO Part 2

- Selangor: 1.8%
- Melaka: 2.4%
- Johor: 18.8%
- Pahang: 2.0%
- Sabah: 22.7%
- Perak: 7.4%
- Sarawak: 44.0%

Total Certified Area = 12,312.02 ha

Total number of certified Sustainable Palm Oil Clusters (SPOCs)* = 62
*independent smallholder groups

https://www.mpocc.org.my/certified-areas
Total MSPO Certified Area (30 June 2018)

Plantations & Organised Smallholders

Total Certified Area Under MSPO Part 3

<table>
<thead>
<tr>
<th>State</th>
<th>Certified Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kedah</td>
<td>2.7%</td>
<td></td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>6.9%</td>
<td></td>
</tr>
<tr>
<td>Pahang</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>Melaka</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Selangor</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Perak</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Johor</td>
<td>12.1%</td>
<td></td>
</tr>
<tr>
<td>Terengganu</td>
<td>3.0%</td>
<td></td>
</tr>
<tr>
<td>Sabah</td>
<td>33.7%</td>
<td></td>
</tr>
<tr>
<td>Sarawak</td>
<td>23.5%</td>
<td></td>
</tr>
</tbody>
</table>

Total Certified Area = 1,005,293.30 ha

Total planted area certified = 1,017,605.32 ha (17%)

https://www.mpocc.org.my/certified-areas
Total MSPO Certified Mills (30 June 2018)

Palm Oil Mills

Number of Mills Certified Under MSPO Part 4

Total Certified Mills = 94 (20%)

- Sabah: 30
- Sarawak: 28
- Terengganu: 2
- Johor: 9
- Perak: 4
- Selangor: 5
- Melaka: 2
- N.Sembilan: 5
- Kelantan: 1
- Kedah: 3
- Pahang: 5

https://www.mpocc.org.my/certified-areas
**MSPO Certified Companies (26)**

- Achi Jaya Plantations Sdn Bhd
- Boustead Plantations Bhd
- Carotino Sdn Bhd/JC Chang (Pte)Ltd
- FGV Plantations (M) Sdn Bhd
- Genting Plantations Bhd
- IJM Plantations Bhd
- Keresa Plantation Sdn Bhd
- PPB Oil Palm Bhd
- Rinwood Pelita (Mukah) Plantation Sdn Bhd
- Sabah Softwood Bhd
- Sarawak Oil Palms Bhd
- Sime Darby Plantation Bhd
- Ta Ann Holding Bhd
- Tradewinds Plantation Bhd
- KLK Bhd
- Federal Land Development Authority (FELDA)
- IOI Corporation Bhd
- Palmgroup Holdings Sdn Bhd
- TDM Plantations Bhd

https://www.mpocc.org.my/list-of-certified-companies
MSPO Certified Companies (26)

- United Malacca Bhd
- Jaya Tiasa Holdings Bhd
- Jayamax Plantation Sdn Bhd
- Far East Holdings
- WTK Holdings Berhad
- Hap Seng Plantations
- Abedon Sdn Bhd

https://www.mpocc.org.my/list-of-certified-companies
Implementation Timeline

**With RSPO Certification**
RSPO certified entities (plantations and mills) have to obtain MSPO certification by 31 December 2018.

**31 DEC 2018**

**30 JUNE 2019**

**Without any Certification**
Oil palm entities (plantations and mills) without RSPO certification will have to obtain MSPO certification by 30 June 2019.

**31 DEC 2019**

**Smallholders**
All independent and organised smallholders will have to obtain MSPO certification by 31 December 2019.
**INCENTIVES**
for MSPO Certification of Estates & Processing Facilities
are available now!

Available on MPOCC website:  https://www.mpocc.org.my/incentives

<table>
<thead>
<tr>
<th>Entities</th>
<th>MSPO auditing fee covers Stage 1 and Stage 2 audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smallholders &lt;40.46 ha</td>
<td>100%*</td>
</tr>
<tr>
<td>Estates 40.46 ha – 1,000 ha</td>
<td>70%</td>
</tr>
<tr>
<td>Estates &gt;1,000ha</td>
<td>30%</td>
</tr>
<tr>
<td>Processing facilities</td>
<td>30%</td>
</tr>
<tr>
<td>(Mills, Kernel Crushers, Refineries)</td>
<td></td>
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</tbody>
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* cost of stores for pesticides and fertilizers, Personal Protective Equipment (PPE), training and documentation
Creating shared value & benefits through MSPO Certification

**Increased productivity**
- Optimise yields and higher income
- Reduced costs
- Lower wastages

**Traceability**
- FFB origin
- Farm details
- Addresses concerns of prices of FFB especially to smallholders

**Promotes Image**
- Certified and sustainable palm oil (CSPO) from Malaysia
- Promotes legality compliance, safety & health
- Meets demands from environmentally sensitive markets for CSPO
- Addresses negative perception
- Enhances Malaysian palm oil competitiveness and acceptance in global market
We love constructive feedback! Work with us to create a sustainable future.

Contact us at
Phone: +603 2181 0192
Email: info@mpocc.org.my

Appropriate training is provided MS2530-3:2013
Impacts of MSPO implementation

**Deforestation**
- Government and businesses have made ambitious pledges to end deforestation and restore landscapes, and recognise the importance of credible national certification in achieving these goals.

**Better work conditions**
- improve workers’ safety, rights and wellbeing

**Smallholder livelihoods**
- Improve smallholders’ livelihoods and increase incomes by improving yield and quality
- support economic productivity and entrepreneurship,

**Climate change / carbon**
- reduce emissions, increase energy efficiency and the use of renewable energy.
International recognition

MSPO Certification Scheme has been adopted as a tool for the Tokyo 2020 Olympics and Paralympic Games Sustainable Sourcing Code for Palm Oil
CONCLUSION

• 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

• **Development and review of MSPO Standards** through a inclusive and broader stakeholder engagement **process**

• **Commitment towards full implementation of MSPO certification** for all planted areas & processing facilities in Malaysia
Need help with MSPO Certification? Call us at +603-2181 0192