

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

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Abbreviation

CPO

Crude Palm Oil

PK

Palm Kernel

PKO

Palm Kernel Oil

PKE

Palm Kernel Expeller

RBDPO

Refined Bleached Deodorised Palm Oil

RBDPKO

Refined Bleached Deodorised Palm Kernel Oil

PFAD

Palm Fatty Acid Distillate

PKFAD

Palm Kernel Fatty Acid Distillate

PO

Palm Oil

PKO

Palm Kernel Oil

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

Table of Content

- 1. Introduction**
- 2. Scope**
- 3. Normative References**
- 4. Terms and Definition**
- 4. Normative References**
- 5. Requirements for Supply Chain Management System**
 - 5.1 Policy**
 - 5.2 Management Representative**
 - 5.3 Record Keeping**
 - 5.4 Procedures**
 - 5.5 Internal Audit**
 - 5.6 Management Review**
- 6. Resource Management**
- 7. Sales and Purchase**
- 8. Traceability System**
 - 8.1 Segregated**
 - 8.2 Mass balance**
- 9. Outsource contractor**
- 10. Claim**
- 11. Complaints and Grievances**
- 12. IT Platform**

Malaysian Sustainable Palm Oil (MSPO) Supply Chain Certification Standard

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 product. Each group of players must perform their respective roles to enable traceability of all activities throughout the oil palm 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 This assures that the product origin and its quantity can be uniquely identified and that the quantity which has been withdrawn at the respective stage of the value chain does not exceed the supply.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 a sustainably managed oil palm plantation throughout the supply chain.

2. Scope

Applies to organisations which 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 products throughout the supply chain.

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

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 Certified palm oil products

MSPO certified palm oil products throughout the palm oil supply chain. Palm oil products refer to products such as CPO, PK, PKO, PKE or product derived thereof RBDPO, RBDPKO, PFAD, PKFAD, olein and stearin and other products from fractionation/derivative of PO and PKO, palm biofuel and palm biomass

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

4.2 Organisation

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

4.3 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 at a stated proportion.

4.4 Segregation

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

4.5 Origin

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

4.6 Real time basis

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

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

4.7 Outsourced Contractors

Parties that are responsible for transporting, handling and storing certified palm oil products who are engaged by the organisation.

4.8 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.

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, 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 supply chain

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

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 have established documented procedures for its supply chain to ensure the implementation of all elements in the standards specified.

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

5.5 Internal audit

The organisation shall conduct internal audits including outsourced contractors at planned intervals to determine whether the supply chain requirements are effectively implemented and maintained.

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

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

5.6 Management review

The management review of the organisation's supply chain 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 audit
 - 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 supply chain system
 - vii) Recommendation for improvement
 - viii) Appeals and complaints
- b) Review output
 - i) Improvement of effectiveness of the supply chain 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 supply chain are competent with appropriate training, skill and experience.

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

6.1.2 The organisation shall establish a training plan according to the roles and responsibilities and/or training measures defined for each procedure.

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

7. Sales and Purchase

7.1 The organisation shall ensure that the following minimum information is made available in document form.

7.2 The document(s) associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:

- a) Supplier/customer identification;
- b) Product(s) identification including the applicable traceability system (mass balance, segregated);
- c) The quantity of the product delivered;
- d) The loading or delivery date;
- e) Related transportation documentation;
- f) MSPO Supply chain certificate number; and
- g) MSPO Supply chain certificate validity.

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

8. Traceability System

8.1 Segregation

8.1.1 General

The Segregation (SG) traceability system 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.

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 a list of 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.

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

8.2 Mass balance

8.2.1 General

The Mass Balance (MB) traceability system 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).

The MB traceability system 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. MSPO Certified palm oil products delivered to the end user under the MB traceability system shall be traceable to MSPO certified sources.

8.2.2 Requirements

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

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

8.2.2.3 The site 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 and/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 within a fixed inventory period which does not exceed three (3) months.

8.2.4.1 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.

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

8.2.4.2 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.

8.2.4.3 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 sustainable products including the respective yields/conversion factor must be available/ accessible during assessment.

9. Outsourced contractor

The certificate holders who outsource their activities to independent third parties, shall ensure the following:

- a) The organisation has legal ownership of all input materials during outsourced processes;
- b) The organisation has a contract covering the outsourced process with each contractor.

This contract shall include a clause reserving the right of the certification body to audit the outsourced contractor;

- c) The organisation has documented control system with procedures for the outsourced process, which are shared with the relevant contractor.

The organization shall take full responsibility for activities that has been outsourced

Malaysian Sustainable Palm Oil (MSPO)
Supply Chain Certification Standard

10. Claim

The organisation shall make 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.

In reference to, *Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme* documents.

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 stakeholders.

12. IT Platform

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

*This is a work in progress and only applicable with the system is operational.