Sourcing Malaysian Sustainable Palm Oil (MSPO)

Regional Palm Oil Processing Seminar (RPOPS) 2018
5 Sept 2018, Johor Bahru
OUTLINE

1. Development of the Palm Oil Industry in Malaysia and Moving Forward
2. MSPO and addressing sustainability
3. Progress on MSPO implementation
4. Approaches to MSPO Certification and Progress
Background
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**
1. Development of the Palm Oil Industry in Malaysia and Moving Forward
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)

• EU Resolution 2018 proposed only certified sustainable palm oil to be imported into EU after 2030

• 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 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
2. MSPO Certification Scheme & 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 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

www.mpocc.org.my

MSPO subjects to legislative checks & balances

www.mpocc.org.my
About MSPO Certification Scheme

Model bottom line:
3 principle 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) / Auditing Service Provider

CBs receive and process applications for certification

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

Applicants for Oil Palm Management Certification

Applicants for Supply Chain 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
Leading Certification Bodies under MSPO Certification Scheme

https://www.mpocc.org.my/certification-bodies
3. Progress on MSPO implementation
Major MSPO achievements

2013
- MSPO Standards launched

2014
- MSPO pilot audits
- MPOCC registered
- 16,039 ha certified

2015
- MSPO implemented on voluntary basis
- 83,522 ha certified
- 14 mills certified

2016
- MPOCC Board appointed
- First year operations
- 221,322 ha certified
- 22 mills certified

2017
- Mandatory MSPO implementation announced
- MSPO Audit fee incentives announced
- 518,794 ha certified
- 50 mills certified
Key milestones of MSPO development

- 2013: MSPO Standards launched
- 2014: MSPO pilot audits
- 2015: MSPO accreditation
- 2016: Experts’ working group on MSPO supply chain certification
- 2017: MSPO supply chain nationwide outreach program (Kota Kinabalu)
- 2018: MSPO standards review

Other milestones:
- 2013: MPOCC registered
- 2014: MPOCC Chair & Board appointed
- 2015: MSPO accreditation program launched
- 2016: Technical working group on MSPO supply chain guidance
Oil Palm Planted Area by Category (2017)

- Private Estates: 3,543,429 ha
- Independent Smallholders: 979,758 ha
- State & govt schemes: 1,287,958 ha
- TOTAL: 5,811,145 ha

Total planted area MSPO certified (as of July 2018): 1,089,796.03 ha (19%)

MSPO Certified sites is continuously growing...

https://www.mpocc.org.my/certified-areas
Total MSPO Certified Area (ha)
## Progress of MSPO Implementation – July 2018

<table>
<thead>
<tr>
<th>Categories</th>
<th>Units Certified</th>
<th>Certified Areas (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Smallholdings Certified under MSPO Part 2 (ha)</td>
<td>62 clusters</td>
<td>12,312.02</td>
</tr>
<tr>
<td>Plantation Areas Certified under MSPO Part 3 (ha)</td>
<td>433 estates</td>
<td>1,077,484.01</td>
</tr>
<tr>
<td><strong>Total Planted Areas Certified (ha)</strong></td>
<td></td>
<td><strong>1,089,796.03 ha (19%)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Mills Certified under MSPO Part 4</th>
<th>Units Certified</th>
<th>Total Capacity (mt/hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>102 Mills</td>
<td>5,528</td>
</tr>
</tbody>
</table>
# Progress of MSPO Certification

## Independent Smallholdings

<table>
<thead>
<tr>
<th>State</th>
<th>Area Certified (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johor</td>
<td>2,139.98</td>
</tr>
<tr>
<td>Melaka</td>
<td>272.23</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>120.78</td>
</tr>
<tr>
<td>Pahang</td>
<td>382.72</td>
</tr>
<tr>
<td>Perak</td>
<td>852.89</td>
</tr>
<tr>
<td>Sabah</td>
<td>2,613.25</td>
</tr>
<tr>
<td>Sarawak</td>
<td>5,543.28</td>
</tr>
<tr>
<td>Selangor</td>
<td>386.9</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>12,312.02 (1.26%)</strong></td>
</tr>
</tbody>
</table>

**Total No of SPOC**: 62

## Plantations & Organised Smallholdings*

<table>
<thead>
<tr>
<th>State</th>
<th>Area Certified (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johor</td>
<td>130,056.80</td>
</tr>
<tr>
<td>Kedah</td>
<td>24,714.48</td>
</tr>
<tr>
<td>Kelantan</td>
<td>2,803.00</td>
</tr>
<tr>
<td>Melaka</td>
<td>16,290.31</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>62,684.95</td>
</tr>
<tr>
<td>Pahang</td>
<td>100,716.17</td>
</tr>
<tr>
<td>Perak</td>
<td>42,795.49</td>
</tr>
<tr>
<td>Sabah</td>
<td>341,549.23</td>
</tr>
<tr>
<td>Sarawak</td>
<td>301,526.09</td>
</tr>
<tr>
<td>Selangor</td>
<td>27,432.99</td>
</tr>
<tr>
<td>Terengganu</td>
<td>26,914.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,077,484.01 (22.3%)</strong></td>
</tr>
</tbody>
</table>

*Includes Private Estates & Organised smallholders, e.g. FELDA, FELCRA, RISDA, State schemes/Government agencies

## Palm Oil Mills

<table>
<thead>
<tr>
<th>State</th>
<th>No of Mills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sabah</td>
<td>35</td>
</tr>
<tr>
<td>Sarawak</td>
<td>28</td>
</tr>
<tr>
<td>Terengganu</td>
<td>2</td>
</tr>
<tr>
<td>Johor</td>
<td>10</td>
</tr>
<tr>
<td>Perak</td>
<td>4</td>
</tr>
<tr>
<td>Selangor</td>
<td>5</td>
</tr>
<tr>
<td>Melaka</td>
<td>2</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>5</td>
</tr>
<tr>
<td>Kelantan</td>
<td>1</td>
</tr>
<tr>
<td>Kedah</td>
<td>3</td>
</tr>
<tr>
<td>Pahang</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total no of mills</strong></td>
<td><strong>102 (22%)</strong></td>
</tr>
</tbody>
</table>

**Total Capacity (Mt/hr)**: 5528

As of 31 July 2018
Progress of MSPO Certification

As of 31 July 2018

Total Certified Area Under MSPO Part 2
- Melaka: 2.2%
- Johor: 17.4%
- Pahang: 3.1%
- Selangor: 3.1%
- Sabah: 21.2%
- Sarawak: 45.0%
- Perak: 6.9%

Total Area Certified Under MSPO Part 3
- Terengganu: 2.5%
- Selangor: 2.5%
- Negeri Sembilan: 5.8%
- Perak: 4.0%
- Sarawak: 28.0%
- Sabah: 31.7%

Number of Mill Certified Under MSPO Part 4
- Selangor: 4.9%
- Negeri Sembilan: 4.9%
- Perak: 3.9%
- Kedah: 2.9%
- Sarawak: 27.5%
- Johor: 12.1%
- Pahang: 9.3%
- Sabah: 34.3%
- Johor: 9.8%
- Pahang: 6.9%
4. Approaches to MSPO Certification and Progress
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

• 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
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

MSPO Standards contain 30 Criteria for smallholders, 114 Criteria for plantations and organised smallholders, and 80 Criteria for palm oil mills.
# General requirements under MSPO Scheme

<table>
<thead>
<tr>
<th>Policy</th>
<th>Company Documented Procedures</th>
<th>SOPs</th>
<th>General documents</th>
<th>Person responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSPO</td>
<td></td>
<td></td>
<td>Traceability</td>
<td>Top Management</td>
</tr>
<tr>
<td>OSH</td>
<td></td>
<td></td>
<td>Good Agriculture Practice</td>
<td>Legal Officer</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td>Good Milling Practice</td>
<td>Communication Officer</td>
</tr>
<tr>
<td>Good Social Practice</td>
<td></td>
<td></td>
<td>Chemical Handling</td>
<td>Safety &amp; Health Officer</td>
</tr>
<tr>
<td>Sexual Harassment</td>
<td></td>
<td></td>
<td>Scheduled Waste Handling</td>
<td>Traceability Officer</td>
</tr>
</tbody>
</table>

- **Internal Audits**
- **Training**
- **Management Review**

*General documents:
- Land use rights (land title, customary rights)
- Applicable law register
- Safety, Health related
- Environment, Conservation
- Business Management Plan*
Approaches for MSPO Certification

- Individual entity (plantation, mills, refineries)
- Group certification (plantation, smallholders)
- Supply Chain certification
The value chain of MSPO certification

Traceability and the understanding of FFB source, direct and indirect sources, is a key step towards sustainable sourcing and production.

Plantations, small & medium estates

Smallholders

Collection centre/Dealers

Palm Oil Mill

Refinery

Crushing Plant

Manufacturers

Retailers

Consumers
Scope of MSPO Certification for Plantations & Smallholders

1. Individual certification

2. Group Certification
Scope of MSPO Certification for Palm Oil Mills

1. Individual Certification

2. Multi-site Certification

A

B

C

A

B

C

Group Manager

MSPO Certificate Part 4

MSPO Certificate Part 4

MSPO Certificate Part 4

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MSPO Supply Chain Certification Standard

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**

Endorsed by National Steering Committee on MSPO, 31 July 2018
We love constructive feedback! Work with us to create a sustainable future.

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

31 DEC 2018

With RSPO Certification
RSPO certified entities (plantations and mills) have to obtain MSPO certification by 31 December 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](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 (Mills, Kernel Crushers, Refineries)</td>
<td>30%</td>
</tr>
</tbody>
</table>

*cost of stores for pesticides and fertilizers, Personal Protective Equipment (PPE), training and documentation
To facilitate audit process, MPOCC has developed Guidance documents:

MSPO Audit procedures for:

- Oil palm biomass
- Adjustment of audit programme
- Land use rights & disputes
- MSPO policy

GUDANCE ON THE INTERPRETATION OF 4.5.7.4 INDICATOR 4 OF THE MSPO STANDARD PART 3: GENERAL PRINCIPLES FOR OIL PLAM PLANTATIONS AND ORGANISED SMALLHOLDERS (MS2530-3:2013)

Principle 5: Compliance to legal requirements

4.3.2.4 Criterion 2: Land use rights

4.3.2.4 Indicator 4: Where there are, or have been disputes, documented proof of legal acquisition of land title and fair compensation that have been or are being made to previous owners and occupants shall be made available and that these should have been accepted with free prior informed consent (FPIC).

The term ‘disputes’ in 4.3.2.4 is interpreted in the context of land use rights being claimed by more than one party at the same period.
Promoting Values & Benefits through MSPO Certification

**Increased productivity**
- Optimise yields and increase incomes,
- 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

certifying Malaysian palm oil for the world
SUMMARY

- MSPO is a national oil palm sustainability certification scheme, tackling social and deforestation issues at a landscape level is possible, through implementation of a mandatory national system which will cover 100% of the land.
- Malaysia is committed to maintain 50% of its land area under natural tropical rain forests.
- Legality, yield increase through implementation of GAP, and MSPO are the key for long term sustainable palm oil production in Malaysia.
- Benchmarking with other international certification schemes.
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

Thank You

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