



The dynamics of mandatory scheme to be successfully implemented - Malaysian Sustainable Palm Oil (MSPO)

5th International Palm Oil Sustainability Conference (IPOSC) 2018
19-20 Sept 2018, Kota Kinabalu




OUTLINE

1. Development of the Palm Oil Industry in Malaysia and Moving Forward
2. MSPO and addressing sustainability
3. Progress on MSPO implementation
4. MSPO Certification
5. Enabling measures & strategies





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


MALAYSIAN PALM OIL CERTIFICATION COUNCIL







Development of the Palm Oil Industry in Malaysia and Moving Forward



Malaysian Palm Oil Industry contribution and shared value

Average Annual Exports

USD16 billion (2012-2016)

Contribution to Agriculture GDP

43% (2017)

Raising Income of Small Farmers

**an average planted area 3.9 ha
earns income of USD500/month**



Direct and Indirect Employment

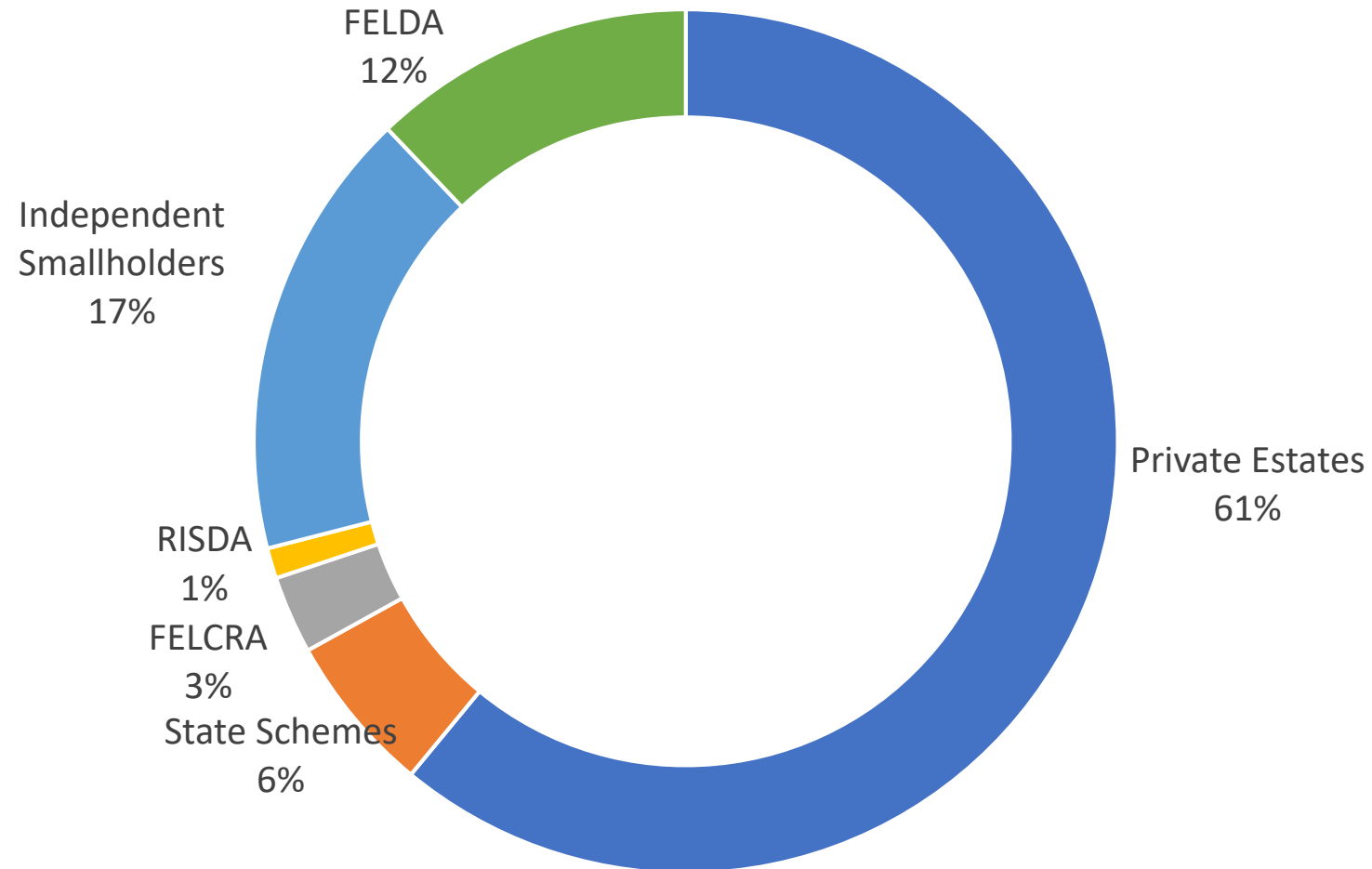
more than 2 million people

Development of rural infrastructure
and other multiplier effects to the
economy



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Oil Palm Planted Area, Malaysia by Category (2017)



Private estates	3,543,429 ha
Independent smallholders	979,758 ha
State & govt schemes	1,287,958 ha
<u>TOTAL</u>	<u>5,811,145 ha</u>

Source: http://bepi.mpob.gov.my/images/area/2017/Area_summary.pdf

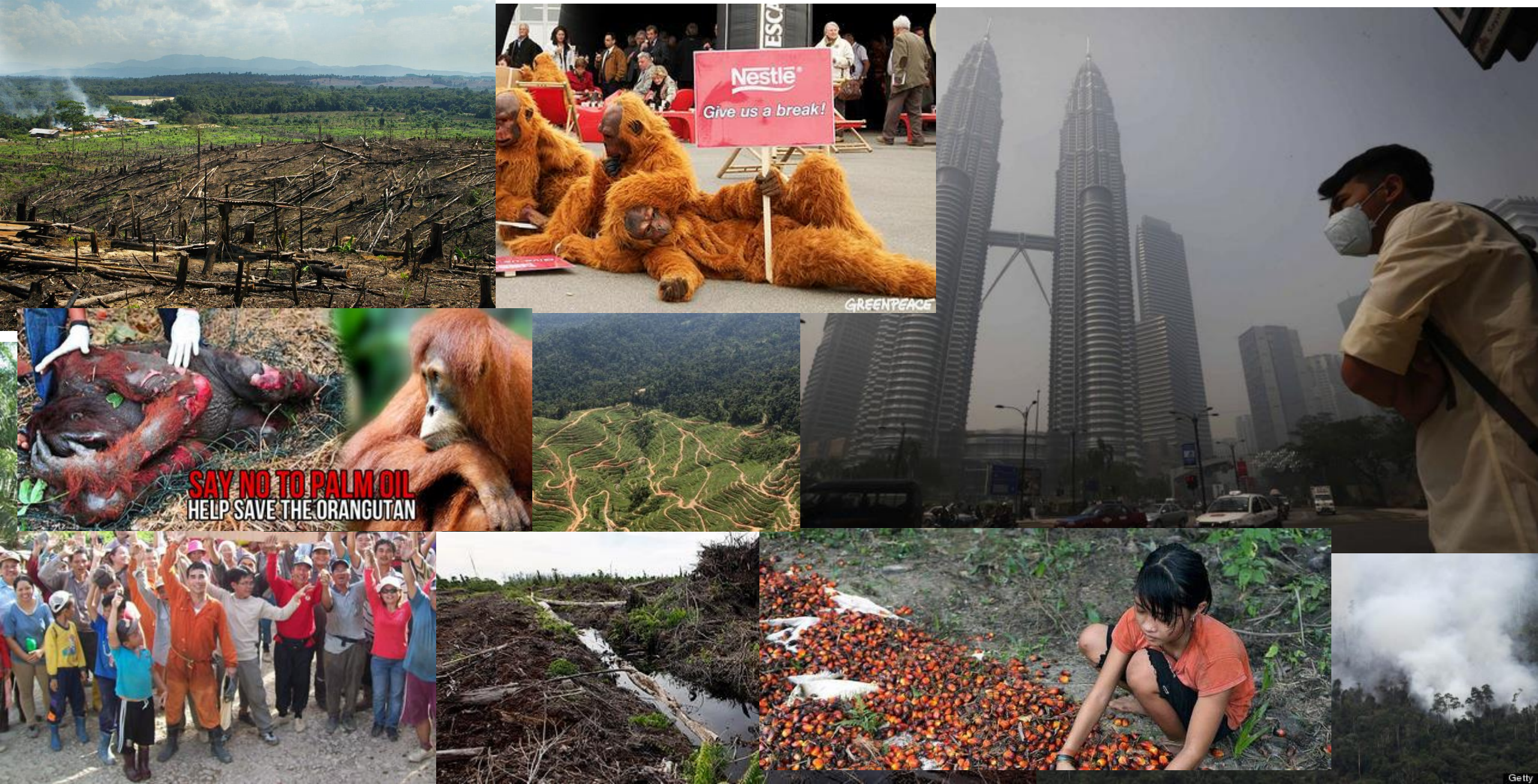


Trends in Major Importing Countries

- 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



Oil palm sector and sustainability issues





MSPO Certification Scheme & addressing sustainability



MALAYSIAN PALM OIL CERTIFICATION COUNCIL (MPOCC) – Governing Body for MSPO

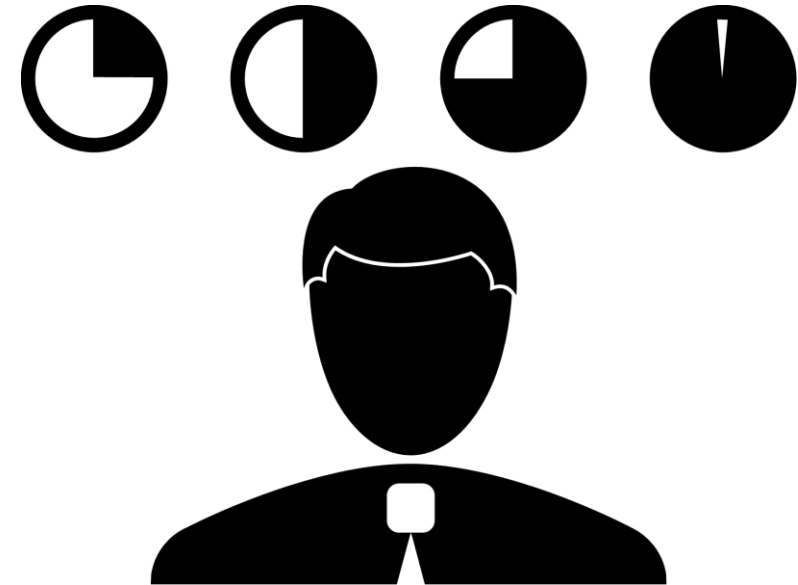
- Incorporated in December 2014 under Companies Act 1965
- Started operations in Oct 2015
- Governed by a 13-Member Board of Trustees
 - ✧ Oil palm industry associations
 - ✧ Academic and R&D institutes
 - ✧ Smallholders organisation
 - ✧ Government
 - ✧ NGOs
 - ✧ Civil Society



MPOCC 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

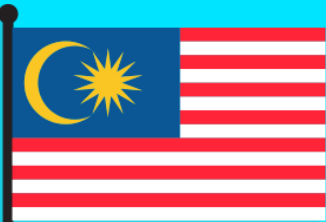


About MSPO Certification Scheme



CERTIFYING MALAYSIAN
PALM OIL FOR THE WORLD

**MSPO is a home
grown initiative &
a national agenda**



www.mpocc.org.my



**MSPO subjects to
legislative checks
& balances**

www.mpocc.org.my



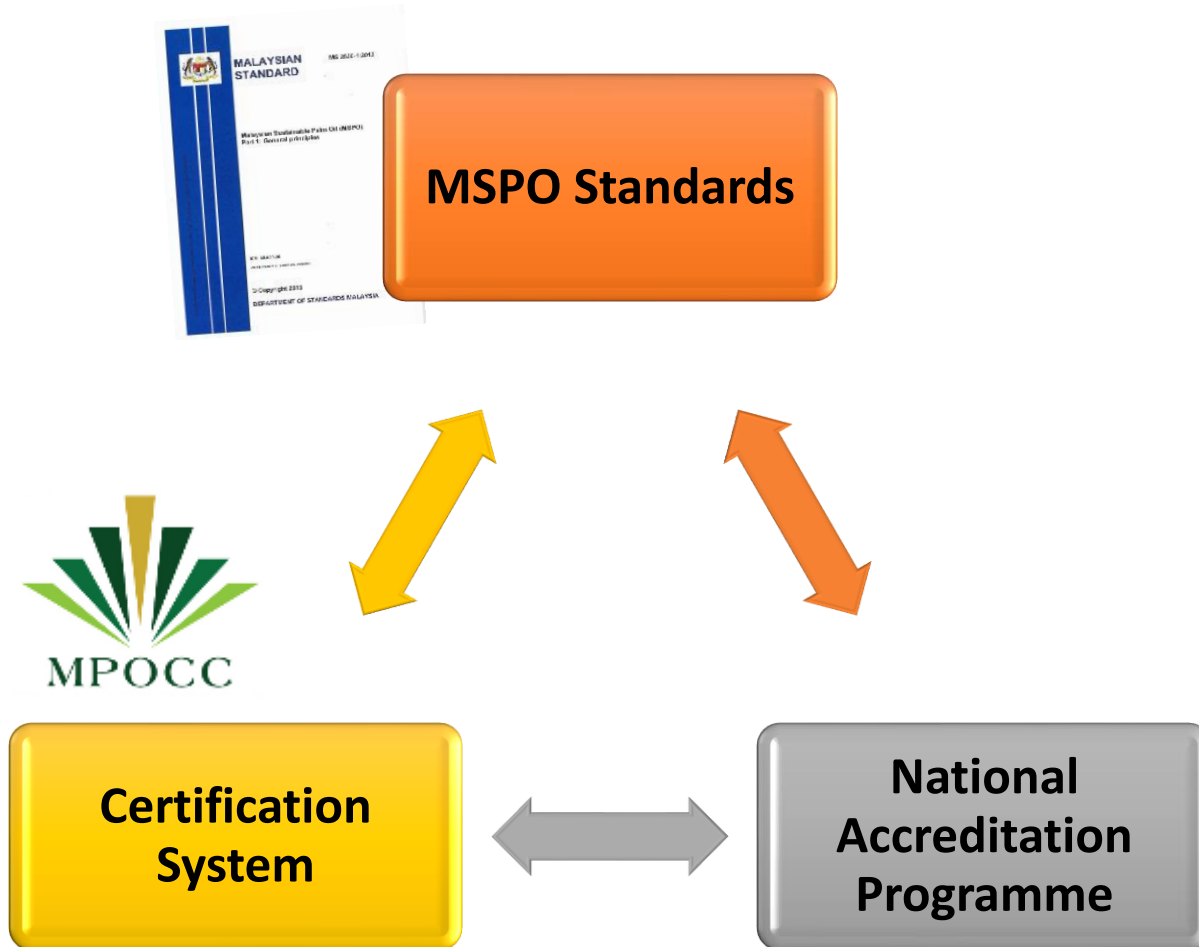
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About MSPO Certification Scheme

- Government mandated
- MSPO Standards launched in 2013
- Implemented on a voluntary basis January 2015
- MSPO Supply Chain Certification Standard September 2018
- 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

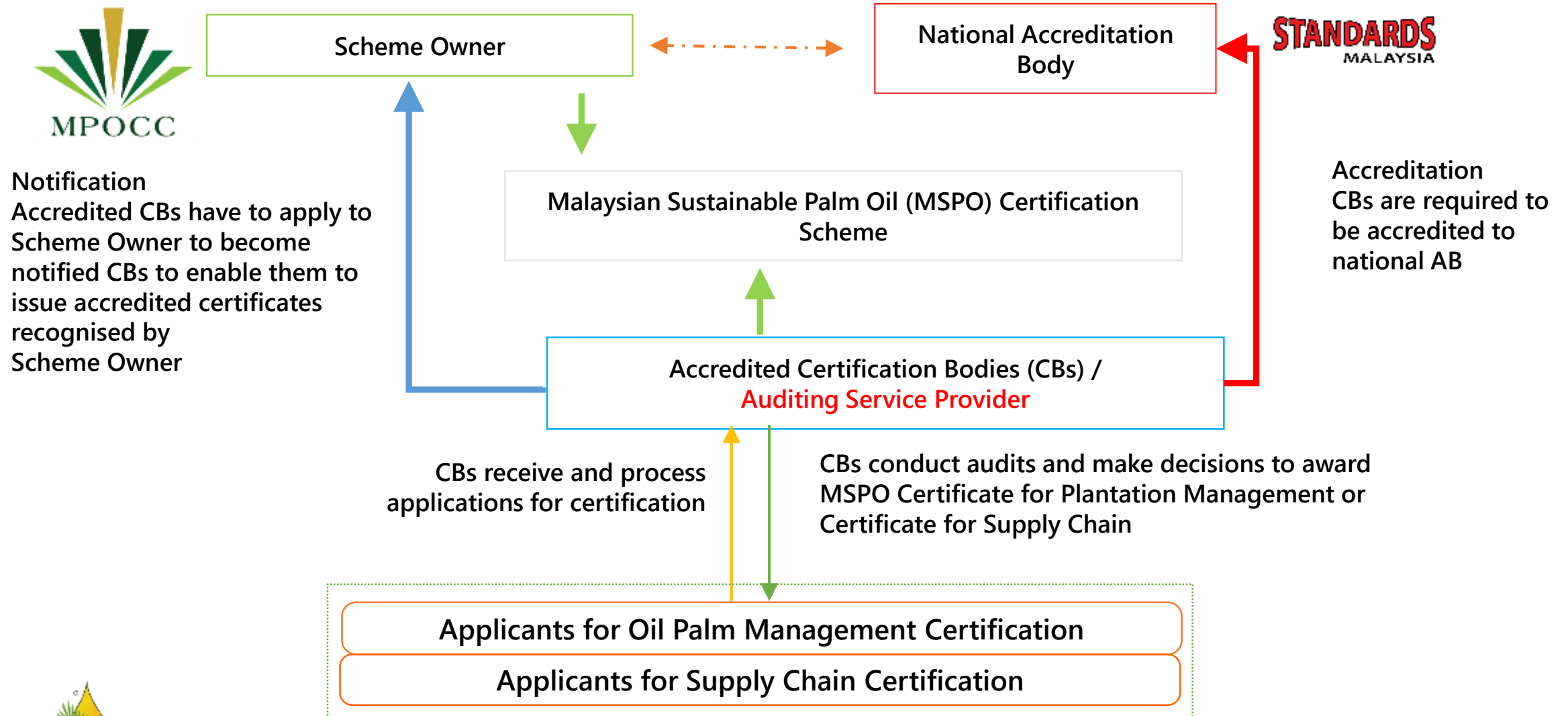
- Defines the operations of the scheme, implementation agreement with accredited CBs

Accreditation Programme

- To ensure that organisation who undertake audits are credible and have competent auditors



Institutional Arrangement for MSPO Certification Scheme (Accreditation of CBs & Certification Process)

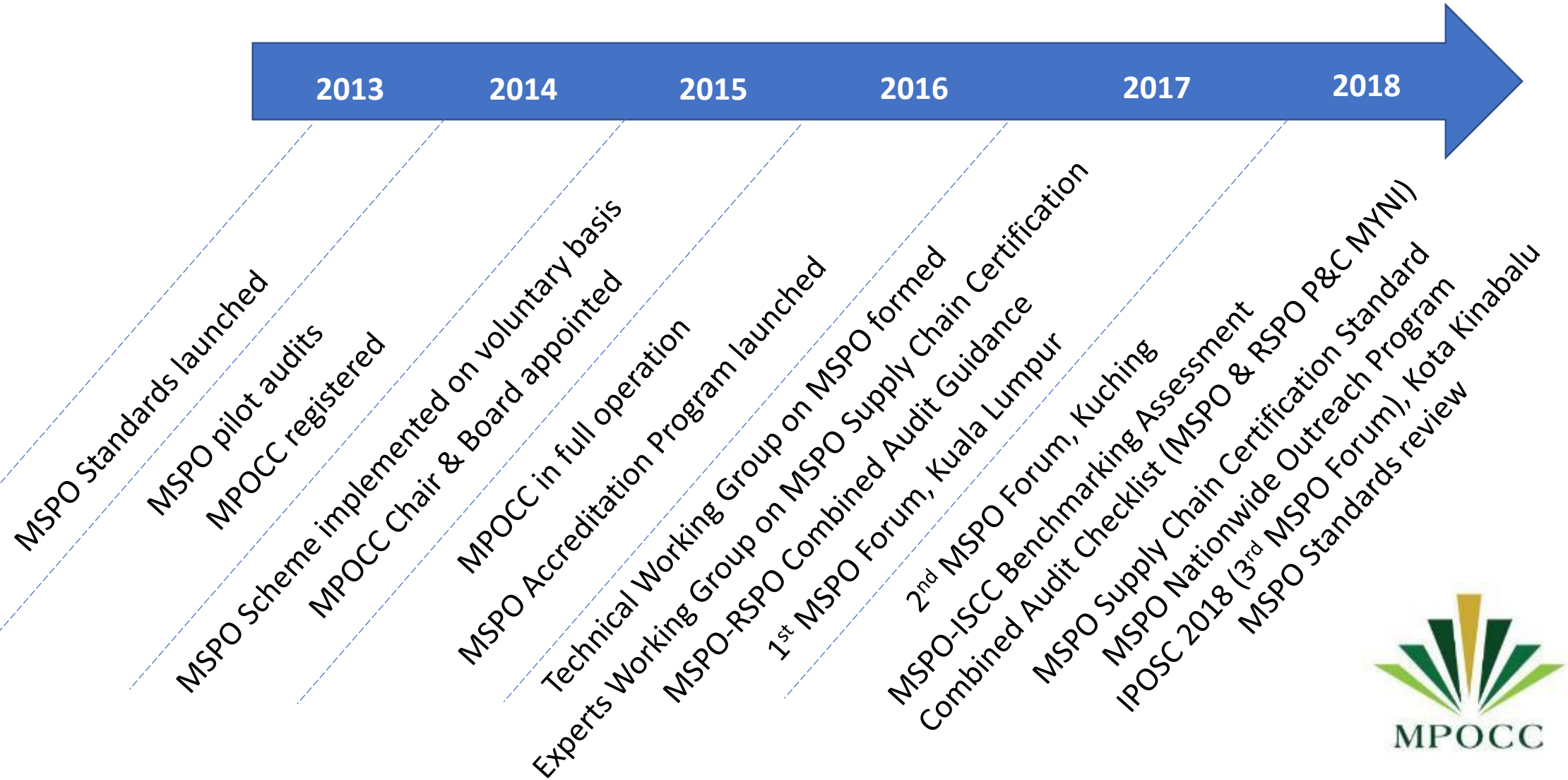




Progress on MSPO implementation



Key milestones of MSPO development



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

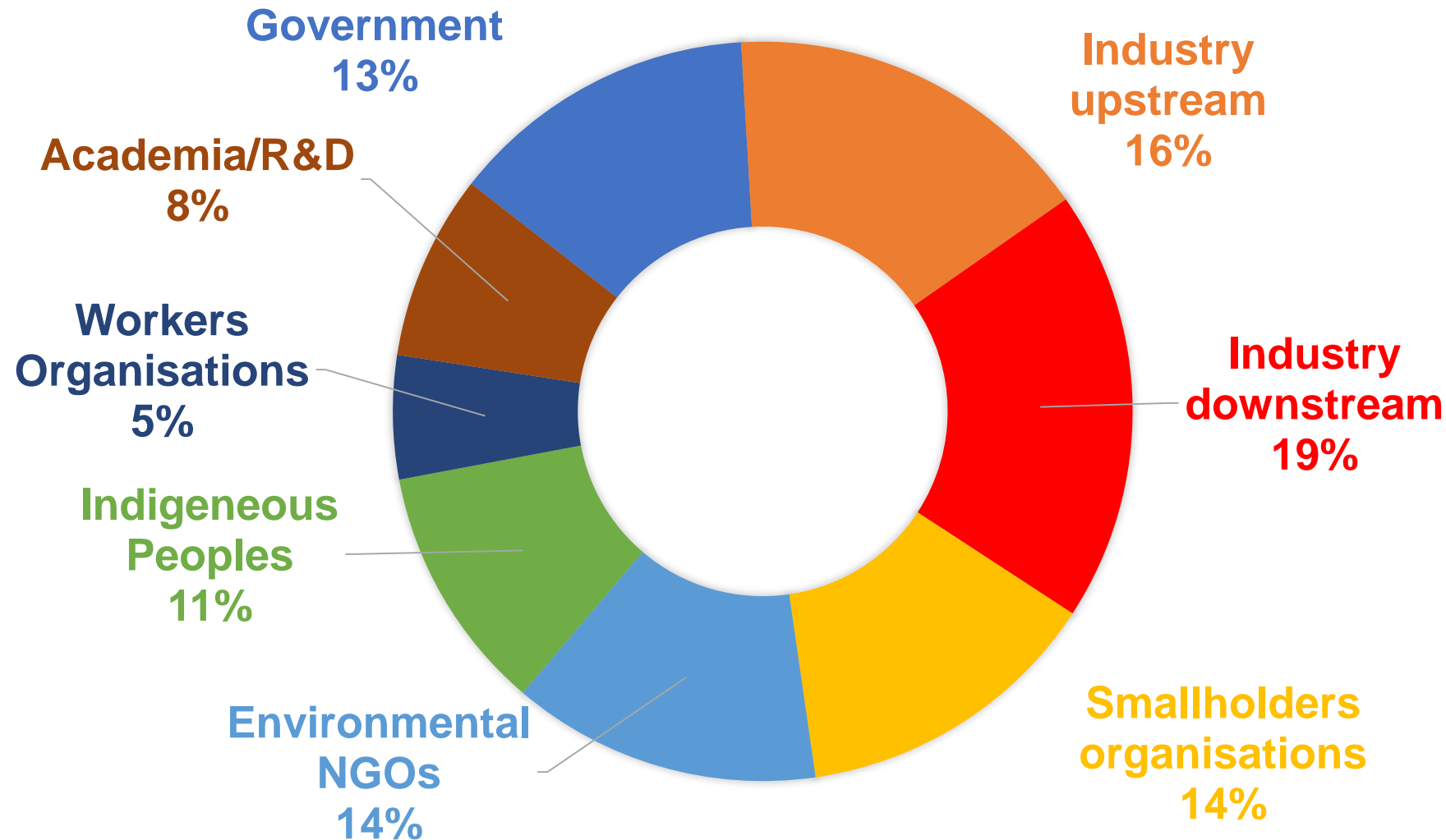
2017

- Mandatory MSPO implementation announced
- MSPO Audit fee incentives announced
- 518,794 ha certified
- 50 mills certified

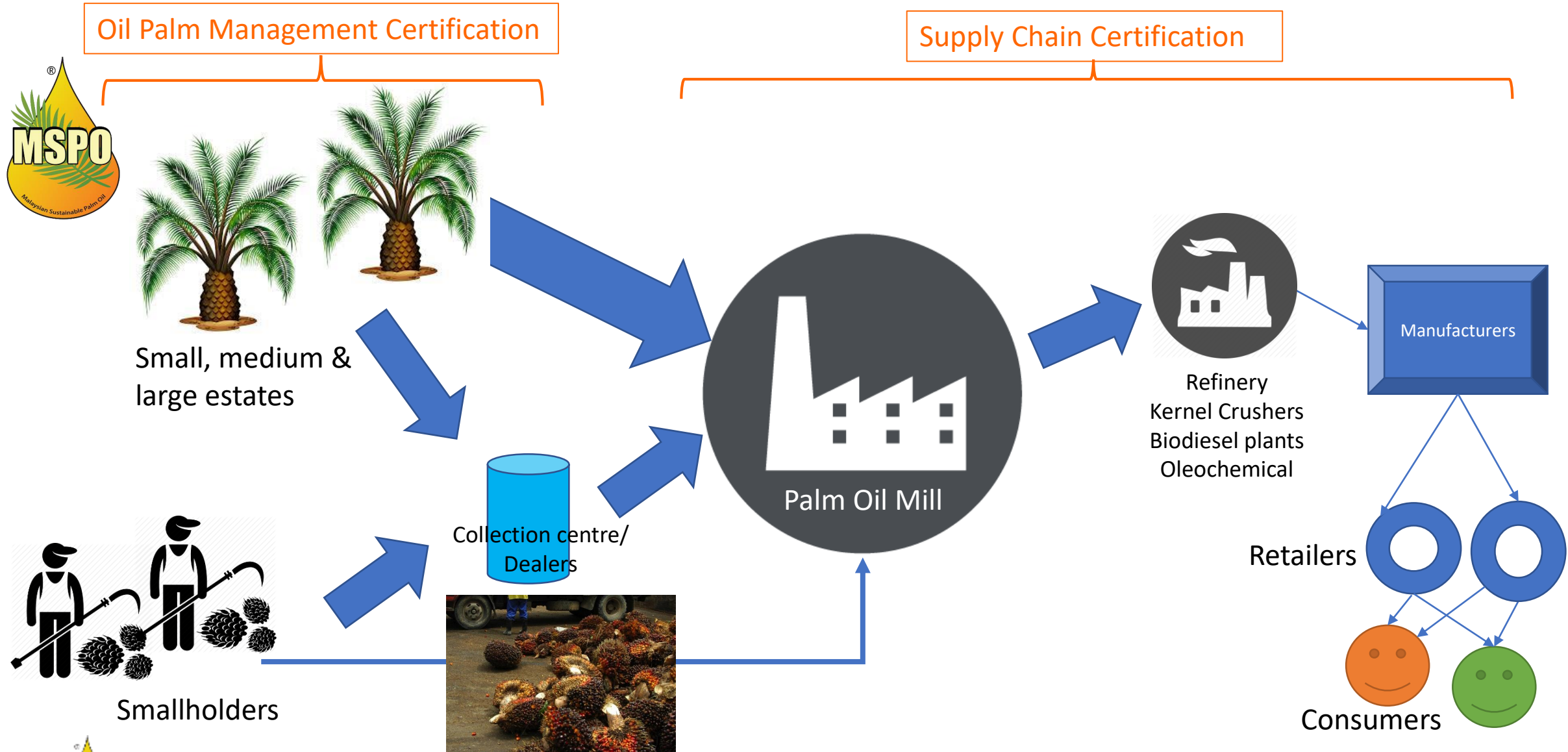


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Technical Working Committee on MSPO Standards



The value chain of Malaysian palm oil sector



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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**

Smallholders

Companies

**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**

Mills

MSPO Supply Chain Certification Standard



**MALAYSIAN SUSTAINABLE PALM OIL (MSPO)
SUPPLY CHAIN CERTIFICATION STANDARD**

DRAFT



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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 contains
30 Criteria for smallholders
114 Criteria for plantations and organised smallholders
80 Criteria for palm oil mills





MSPO Certified Areas & Mills latest statistic

<https://www.mpocc.org.my/certified-areas>



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MSPO certified sites is continuously growing...



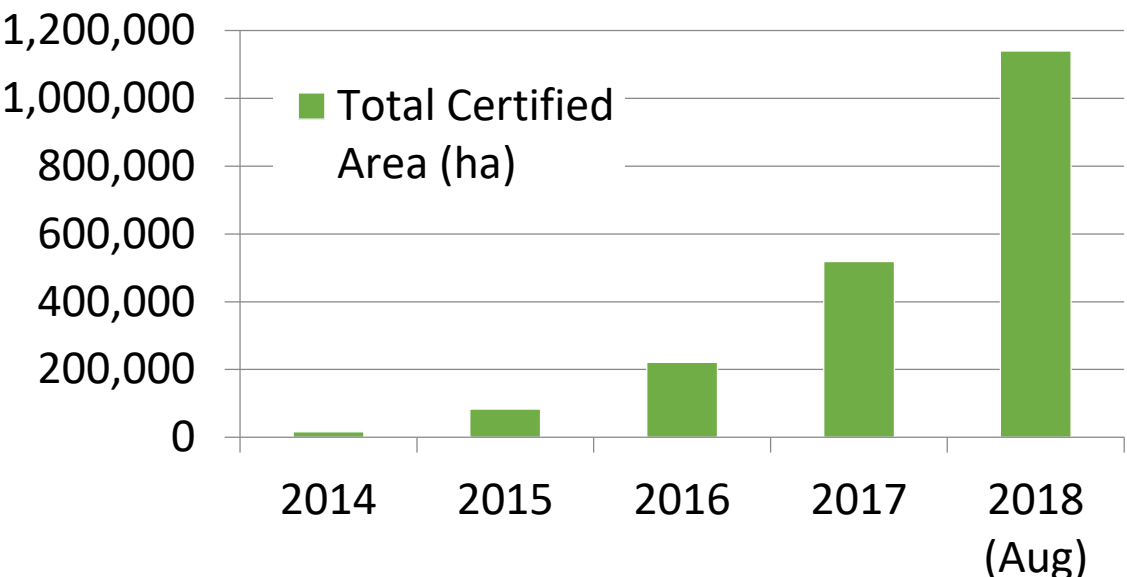
Legend : ● Smallholder | ■ Estate | ▲ Mill

Total planted area MSPO certified : 1,139,545.21 ha
(As of 31 August 2018)

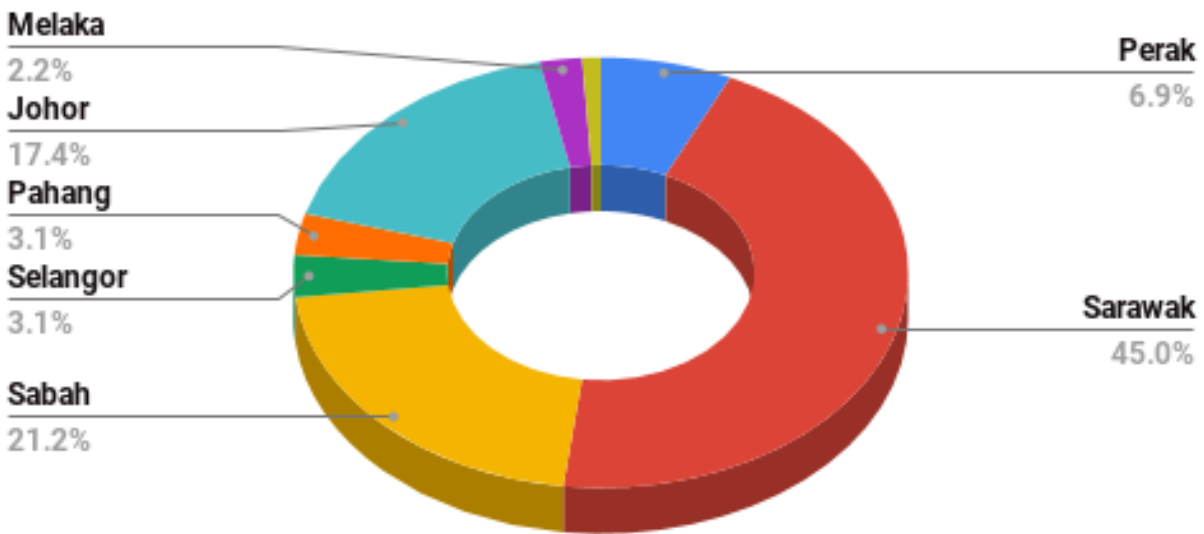


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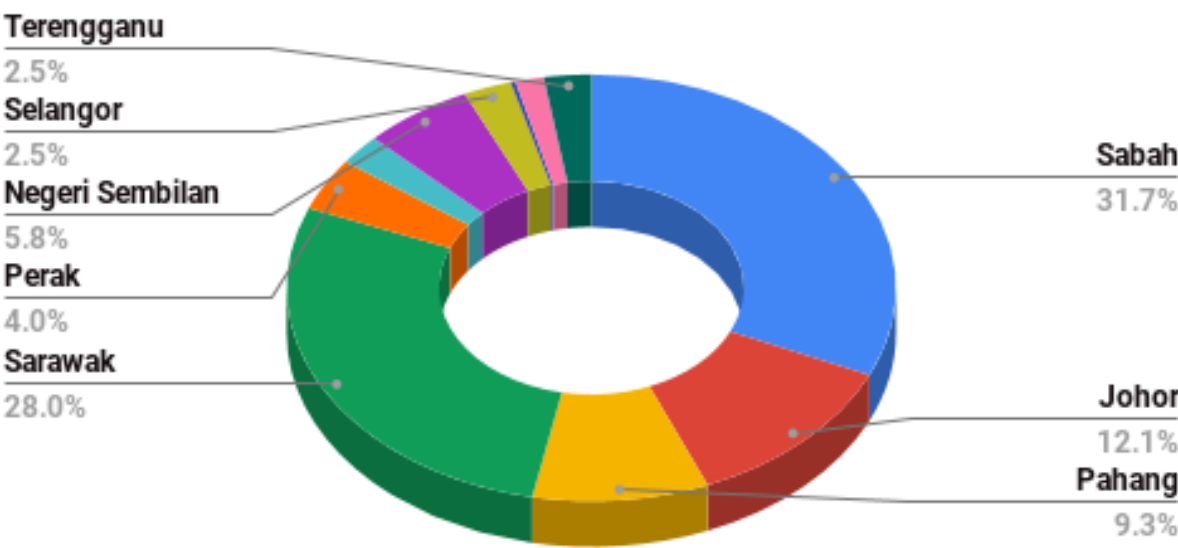
Progress of MSPO Certification As of 31 August 2018



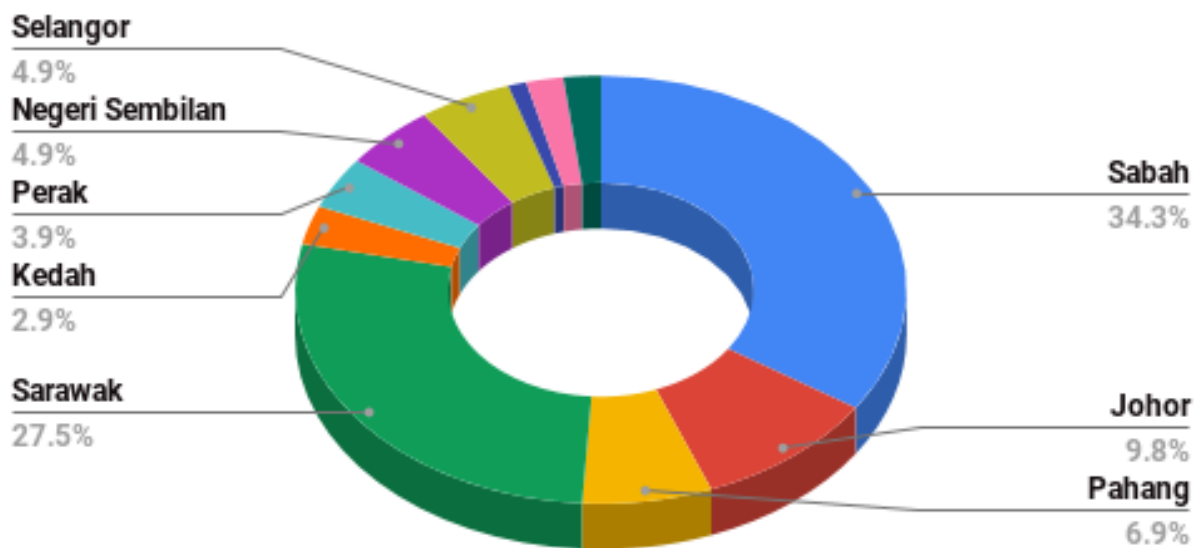
Total Certified Area Under MSPO Part 2



Total Area Certified Under MSPO Part 3



Number of Mill Certified Under MSPO Part 4





Enabling measures & strategies for MSPO Certification



Enabling measures for MSPO certification

- ✓ Government mandated
- ✓ Exemption of Stage 1 audit
(those having other sustainability certification)
- ✓ MSPO incentive for audit fee
- ✓ Tax breaks for audit fee



Implementation Timeline



INCENTIVES

for MSPO Certification of
Estates & Processing Facilities
are available now!

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



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Entities	MSPO auditing fee covers Stage 1 and Stage 2 audits
Smallholders <40.46 ha	100%*
Estates 40.46 ha – 1,000 ha	70%
Estates >1,000ha	30%
Processing facilities (Mills, Kernel Crushers, Refineries)	30%

* cost of stores for pesticides and fertilizers, Personal Protective Equipment (PPE), training and documentation



<https://www.mpocc.org.my/jelajah-mspo>

Appropriate training
is provided MS2530-3:2013



We love constructive feedback! Work with us to create a sustainable future.

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





<https://www.mpocc.org.my/jelajah-mspo>



To facilitate MSPO audit process, guidance documents developed

MSPO Audit procedures for:

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



MPOCC Guidance 1/2018

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



Guidance 3/2018

**GUIDANCE ON THE INTERPRETATION OF 4.3.2.4
OF THE MSPO STANDARD PART 3: GENERAL PRINCIPLES FOR
OIL PALM PLANTATIONS AND ORGANISED SMALLHOLDERS (MS2530-3:2013)**



MPOCC Guidance 02/2018

IMPLEMENTATION OF AUDIT PROGRAMME FOR MSPO CERTIFIED ENTITY

SUSTAINABLE PALM OIL CERTIFICATION SCHEME MSPOCS 1/2017

Sustainable Palm Oil (MSPO) Certification Scheme and Its Implementation

Procedures

For management certification and supply chain certification, the maximum period for the first year and for the recertification audit is five (5) years.

<https://www.mpocc.org.my/guidance-documents>

Principle 5: Compliance to legal requirements

4.3.2 Criterion 2: Land use rights

4.3.2.4 Indicator 4: Where there are, or have been, documented proof of legal acquisition of land title and fair compensation 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



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



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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



MSPO certified entities
commits to contribute to local
sustainable development



Need help with MSPO Certification?
Call us at
+603-2181 0192



**CERTIFYING MALAYSIAN
PALM OIL FOR THE WORLD**



Thank You

Malaysian Palm Oil Certification Council (MPOCC)

15th Floor, Bangunan Getah Asli (Menara)

148, Jalan Ampang, 50450 Kuala Lumpur, Malaysia

Website: www.mpocc.org.my

Tel: + 603 2181 0192 | Fax: +603 2181 0167

E-mail: info@mpocc.org.my