Malaysian Sustainable Palm Oil (MSPO) for the Global Markets

Palm Oil Trade Fair and Seminar (POTS), South Korea
Seoul, 11 July 2018
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)

- 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
Total Oil Palm Planted Area = 5,811,145 ha (2017)

Source: MPOB
Palm Oil Industry Contribution:

- **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**

Certifying Malaysian palm oil for the world.
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 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
MSPO Certification Scheme

- MSPO Standards launched in 2013
- Government mandated
- Implemented on a voluntary basis since January 2015
- Mandatory implementation by 31 December 2019
Enabling Measures for MSPO Implementation

- Incentives for MSPO Certification

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

Available on MPOCC website: https://www.mpocc.org.my/incentives
About MSPO Certification Scheme

- MSPO is a local initiative & national agenda
- Model bottom line:
  - 3 principle of sustainability
- MSPO is subject to legal check & balance
About MSPO Certification Scheme

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

• Smallholders are included in sustainability certification
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
Certification Bodies under MSPO Certification Scheme

https://www.mpocc.org.my/certification-bodies
Approaches to MSPO Certification and Progress
Approaches for MSPO Certification

- Individual entity (plantation, mills, refineries)
- Group certification (plantations, smallholders)
- Supply Chain certification
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
MSPO Certification Process

1. Application
2. Stage 1 Audit
3. Stakeholder consultation
4. Stage 2 Audit
5. Draft Final Audit Report
6. Peer Review
7. Final Audit Report
8. Approval by the Certification Panel
9. Issuance of Certificate
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
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%
- Sabah: 22.7%
- Perak: 7.4%
- Pahang: 2.0%
- Sarawak: 44.0%

Total Certified Area = 12,312.02 ha

Total number of certified Sustainable Palm Oil Clusters (SPOCs) = 62

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

Plantations & Organised Smallholders

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

- 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
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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.
Promoting Values & Benefits through MSPO Certification

**Increased productivity**
- Optimise yields and increase incomes,
- Reduced costs
- Lower wastages

**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

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