Moving forward with mandatory MSPO certification standards

Date: 20 November 2019
Global Economics and Marketing (GEM) Conference, PIPOC 2019
Venue: Kuala Lumpur Convention Centre
Economic Background
CONTRIBUTION TO THE MALAYSIAN ECONOMY IN 2018

- **Export Revenue**: RM67.5 billion
- **Gross Domestic Product (GDP)**: 4.5%
- **Crude palm oil (CPO) production**: 19.52 million tonnes
- **Palm oil export**: 16.49 million tonnes
- **Smallholders**: More than 500,000

*Source: Dept of Statistics Malaysia & MPOB*
About MPOCC
MALAYSIAN PALM OIL CERTIFICATION COUNCIL

Governed Body for MSPO

- Incorporated in December 2014 under Companies Act 1965
- 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

https://www.mpocc.org.my/
Applicants for Oil Palm Management Certification

Applicants for Supply Chain Certification

Scheme Owner

National Accreditation Body

Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

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

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

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

Peer review process

STANDARDS MALAYSIA
Certification Bodies (CB) under MSPO Certification Scheme

Accredited CBs

- DQS Certification (M) Sdn Bhd
- SGS (Malaysia) Sdn Bhd
- Bureau Veritas (M) Sdn Bhd
- TUV NORD (Malaysia) Sdn Bhd
- SIRIM QAS International Sdn Bhd
- CARE Certification International (M) Sdn Bhd
- Prima Cert International Sdn Bhd
- Control Union (Malaysia) Sdn Bhd
- Global Gateway Certification Sdn Bhd
- NIOSH Certification Sdn Bhd
- Intertek Certification International Sdn Bhd
- BSI Services Sdn Bhd
- Trans Certification International Sdn Bhd
- DIMA Certification Sdn Bhd
- BQAS Certification (M) Sdn Bhd
- Platinum Shauffmantz Veritas Sdn Bhd

Note: as of November 2019, [https://www.mpocc.org.my/certification-bodies](https://www.mpocc.org.my/certification-bodies)
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

[https://www.mpocc.org.my/](https://www.mpocc.org.my/)
Major milestones of MSPO Certification Scheme

2013
• MSPO Standards launched

2014
• MPOCC registered

2015
• Voluntary MSPO implementation
• MPOCC Chair & Board appointed

2016
• MPOCC starts operation

2017
• Mandatory MSPO announced
• TWC (MSPO) convened

2018
• MSPO Incentives rolled out
• Tokyo Olympics recognition
• Supply Chain Standard launched
• Standards review begins

2019
• Collaboration with China Green Food Development Centre
• MSPO Scheme to be made mandatory
• MSPO Trace launched
MSPO Standards Development & Review
MSPO Standards

Oil Palm Management Certification Standard (OPMC)
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 Supply Chain Certification (SCC) Standard
Schematic diagram of standards development committee structure for MSPO Standards
MSPO Standards review

• **Stakeholder participation**: involvement of all relevant stakeholders in the review process for continuous improvement

• Formation of **Technical Committee & Working Groups**: Multi-stakeholder facilitation

• Done in close collaboration with **Department of Standards Malaysia** in line with national and international best practices

[https://www.mpocc.org.my/standards-review](https://www.mpocc.org.my/standards-review)
Multi-stakeholder membership of Technical Committee on MSPO

- Government agencies (5)
- Industry upstream (6)
- Industry downstream (6)
- Smallholder organisation (6)
- Environment NGOs (5)
- Indigenous peoples organisation (6)
- Workers Union organisation (3)
- Academia (1)
- Environment NGOs (5)

38 members

https://www.mpocc.org.my/
MSPO Standards Working Groups

MSPO Standards Part 2
32 members

MSPO Standards Part 3
32 members

MSPO Standards Part 4 & SCCS
29 members

- Government
- Smallholder
- Union reps
- Consultant
- Industry (Up&Downstream)
- NGOs
- CBs
- Academia
MSPO Trace
Basic features of IT Platform

- Data collection & governance
- Data verification & reports
- Certification process updates
- Geo-location features
- Traceability
- Merge with MPOB e-trace
MSPO Trace is free for download

AppStore

GooglePlay
MSPO Incentives
**MSPO INCENTIVES**

* All MSPO certification cost incurred by smallholders are 100% funded by Government

<table>
<thead>
<tr>
<th>Categories</th>
<th>Auditing Cost</th>
<th>*Preparation Cost</th>
<th>Auditing Cost</th>
<th>*Preparation Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estates 40.46 ha to 1,000 ha</td>
<td>70%</td>
<td>NA</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Estates more than 1,000 ha</td>
<td>30%</td>
<td>NA</td>
<td>30%</td>
<td>NA</td>
</tr>
<tr>
<td>Processing facilities under MSPO Part 4 and SCCS</td>
<td>30%</td>
<td>NA</td>
<td>30%</td>
<td>NA</td>
</tr>
<tr>
<td>Organised smallholders</td>
<td>RM10/ha</td>
<td>NA</td>
<td>RM10/ha</td>
<td>RM45/ha</td>
</tr>
</tbody>
</table>

• Processing facilities include mills, kernel crushers, refineries, oleochemical and biodiesel.

• Auditing fee is defined as onsite man-days, stakeholder consultations and report writing.
Income Tax Deduction
• MSPO is a national mandated sustainability certification system
• MSPO certification is one of the programs offered under the ACB Scheme of Standards Malaysia
• Income Tax guidance (13 March 2012)
• Income Tax Act, 1967
  • Paragraph 34(6)(ma) is applicable for entities that have obtained MSPO certification
  • Paragraph 34(6)(m) is for CBs that offer MSPO certification
Mandatory MSPO implementation
MSPO certification in the Malaysian palm oil value chain

- **Oil Palm Management Certification (OPMC)**
  - Small, medium & large estates
  - Smallholders: Independent, organised
  - Collection centre/Dealers

- **Supply Chain Certification (SCC)**
  - Palm Oil Mill
  - Refinery, Kernel Crushers, Biodiesel Plants, Oleochemical
  - Product manufacturer
  - Retailers
  - Consumers

- Small, medium & large estates
- Product manufacturer
New policies under Ministry of Primary Industries

22 March 2019

• Limit the oil palm planted area to 6.5 million hectares by 2023;

• Implement ban on new oil palm cultivation on peat lands and impose stricter conditions on existing oil palm in peat lands;

• Implement ban on conversion of Permanent Forest Reserves to oil palm or other agricultural crops; and

• Official map of oil palm planted areas nationwide for public access to enhance transparency of information.

Enabling measures for uptake of MSPO certification

- National and state legislation and policies
- Federal and state government inter-agency coordination
- Incentives for MSPO audit fees
- Income Tax deduction
- Malaysian Certification Bodies (CBs) and auditor (who are better informed about on-site characteristics)
- Reduced cost for smallholders by incentives
- Stakeholder consultations
Progress
MSPO certified area (ha) (achievement by year)

- 2015: 0
- 2016: 200,000
- 2017: 400,000
- 2018: 1,400,000
MSPO certified mills (achievement by year)

- 2015: 14
- 2016: 22
- 2017: 50
- 2018: 131
### OIL PALM MANAGEMENT CERTIFICATION (OPMC) – MS2530 Part 2 - 4

<table>
<thead>
<tr>
<th>Category</th>
<th>Total planted area * (ha)</th>
<th>Unit certified</th>
<th>Area certified (ha)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent smallholdings</td>
<td>979,892</td>
<td>157 clusters</td>
<td>82,675.71</td>
<td>8.44</td>
</tr>
<tr>
<td>Organised Smallholdings</td>
<td>682,524</td>
<td>358 clusters/estates</td>
<td>533,989.48</td>
<td>78.24</td>
</tr>
<tr>
<td>Plantations</td>
<td>4,186,914</td>
<td>1560 estates</td>
<td>2,791,255.64</td>
<td>66.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,849,330</strong></td>
<td><strong>2075</strong></td>
<td><strong>3,407,890.82</strong></td>
<td><strong>58.30</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total processing facilities</th>
<th>Unit certified</th>
<th>Mills Capacity (MT/hr)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Oil Mills (MS2530-4:2013)</td>
<td>452</td>
<td>328</td>
<td>17,784.00</td>
</tr>
</tbody>
</table>

*Source: MPOB as of December 2018

https://www.mpocc.org.my/mspo-certification
## SUPPLY CHAIN CERTIFICATION (SCC) – SCC Standard

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total processing facilities (unit)*</th>
<th>Unit certified</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Oil Mills</td>
<td>452</td>
<td>75</td>
<td>16.59</td>
</tr>
<tr>
<td>Crushers</td>
<td>43</td>
<td>12</td>
<td>27.91</td>
</tr>
<tr>
<td>Refineries**</td>
<td>52</td>
<td>46</td>
<td>88.46</td>
</tr>
<tr>
<td>Oleochemicals</td>
<td>21</td>
<td>6</td>
<td>28.57</td>
</tr>
<tr>
<td>Biodiesel***</td>
<td>16</td>
<td>6</td>
<td>37.50</td>
</tr>
<tr>
<td><strong>Total processing facilities</strong></td>
<td><strong>584</strong></td>
<td><strong>145</strong></td>
<td><strong>24.83</strong></td>
</tr>
<tr>
<td>Others^</td>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
1. *Source: MPOB as of December 2018*
2. **22 unit of refineries are currently under the Cooking Oil Stabilization Scheme (COSS)
3. ***Source: Ministry of Primary Industries as of December 2018
4. ^None-mandatory group (i.e end-product manufacturers)

https://www.mpocc.org.my/mspo-certification
<table>
<thead>
<tr>
<th>State</th>
<th>Total Area</th>
<th>Total Certified Area (ha)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negeri Sembilan</td>
<td>187,451</td>
<td>147,213</td>
<td>78.53%</td>
</tr>
<tr>
<td>Terengganu</td>
<td>168,914</td>
<td>128,579</td>
<td>76.12%</td>
</tr>
<tr>
<td>Pahang</td>
<td>756,149</td>
<td>482,893</td>
<td>63.86%</td>
</tr>
<tr>
<td>Sarawak</td>
<td>1,572,477</td>
<td>1,000,170</td>
<td>63.60%</td>
</tr>
<tr>
<td>Sabah</td>
<td>1,549,245</td>
<td>878,397</td>
<td>56.70%</td>
</tr>
<tr>
<td>Kedah &amp; Perlis</td>
<td>90,975</td>
<td>49,882</td>
<td>54.83%</td>
</tr>
<tr>
<td>Melaka</td>
<td>56,811</td>
<td>29,846</td>
<td>52.53%</td>
</tr>
<tr>
<td>Perak</td>
<td>413,311</td>
<td>212,761</td>
<td>51.48%</td>
</tr>
<tr>
<td>Johor</td>
<td>747,562</td>
<td>364,837</td>
<td>48.80%</td>
</tr>
<tr>
<td>Kelantan</td>
<td>155,372</td>
<td>71,685</td>
<td>46.14%</td>
</tr>
<tr>
<td>Selangor</td>
<td>136,361</td>
<td>52,803</td>
<td>38.72%</td>
</tr>
<tr>
<td>Pulau Pinang</td>
<td>14,702</td>
<td>2,840</td>
<td>19.31%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,849,330</strong></td>
<td><strong>3,421,906</strong></td>
<td><strong>58.50%</strong></td>
</tr>
</tbody>
</table>

https://www.mpocc.org.my/mspo-certification
• 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, and international best practices

• Development and review of MSPO Standards through an inclusive and broad stakeholder engagement process

• Commitment towards full implementation of MSPO certification for all planted areas & processing facilities in Malaysia
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