Creating a shared value – sustainable solutions for the industry, people & environment – MSPO

Opening session
Malaysia International Palm Oil Conference (MIPOC) 2018
Sibu Sarawak, 25 July 2018
OUTLINE

1. Development of the Palm Oil Industry in Malaysia and Moving Forward
2. MSPO and addressing sustainability
3. Approaches to MSPO Certification and Progress
4. Conclusion
Development of the Palm Oil Industry in Malaysia and Moving Forward
Total Oil Palm Planted Area = 5,811,145 ha (2017)

- Private Estates: 3.51 Mn Ha (61.2%)
- Independent Smallholders: 0.93 Mn Ha (16.3%)
- FELDA: 0.71 Mn Ha (12.3%)
- FELCRA: 0.17 Mn Ha (3.0%)
- RISDA: 0.07 Mn Ha (1.2%)
- State Agencies: 0.34 Mn Ha (6.0%)

Source: MPOB
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**
MOVING FORWARD – INCLUSIVE POLICIES

1. Growing demand for certified sustainable palm oil – mandatory certification of growers and processing facilities under Malaysian Sustainable Palm Oil (MSPO) scheme by December 2019

1. Issues such as biodiversity loss, deforestation, protection of high conservation value areas, planting on peat lands are now in the forefront of global agenda

1. Need to introduce best practices to enhance productivity and raise income levels of small farmers

1. Lack of suitable land for further expansion of planted area
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
About MSPO Certification Scheme

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

MSPO certified entities commits to contribute to local sustainable development.
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

MSPO subjects to legislative checks & balances

www.mpocc.org.my
About MSPO Certification Scheme

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

• Smallholders are included in sustainability certification

• Model bottom line: 3 pillars of sustainability

MSPO supports UN Sustainable Development Goals

12. Responsible Consumption and Production
13. Climate Action
15. Life on Land

2. Zero Hunger
6. Clean Water and Sanitation
8. Decent Work and Economic Growth
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
Approaches to MSPO Certification and Progress
Approaches for MSPO Certification

- Individual entity (plantation, mills, refineries)
- Group certification (plantation, smallholders)
- Supply Chain certification
Scope of MSPO Certification for Plantations & Smallholders

1. Individual certification

Estate ABC → MSPO Certificate Part 3

Estate XYZ → MSPO Certificate Part 3

Estate DEF → MSPO Certificate Part 3

2. Group Certification

Group Manager

Estate ABC

Estate XYZ

Estate DEF
Scope of MSPO Certification for Palm Oil Mills

1. Individual Certification

2. Multi-site Certification
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
MSPO Certified Areas & Mills latest statistic
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%
- Perak: 7.4%
- Sabah: 22.7%
- 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 Under MSPO Part 3**

- **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

Total Certified Mills = 94 (20%)

- 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
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>
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</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;1,000 ha</td>
<td>30%</td>
</tr>
<tr>
<td>Processing facilities (Mills, Kernel Crushers, Refineries)</td>
<td>30%</td>
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</tbody>
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* cost of stores for pesticides and fertilizers, Personal Protective Equipment (PPE), training and documentation
Creating shared value & benefits through MSPO Certification

**Increased productivity**
- Optimise yields and higher income
- 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

**VALUE & BENEFITS**
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
We love constructive feedback! Work with us to create a sustainable future.
Contact us at
Phone: +603 2181 0192
Email: info@mpocc.org.my

Appropriate training is provided  MS2530-3:2013