Sustainable and Certified Palm Oil under the Malaysian Sustainable Palm Oil (MSPO) by Malaysian Palm Oil Certification Council (MPOCC)

5 September 2017
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- MSPO Certification Scheme
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Sustainable Development

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” – Brundtland Report, 1987

People (Social)
Protecting the rights of employees and stakeholders

Planet (Environment)
Protecting the environment and reducing environmental impacts

Profitability (Economic)
Best practices to ensure continuity in business
About MPOCC
Need for Malaysian Standard for Palm Oil

- Pragmatic & inclusive standard, applicable to all sectors in the supply chain, especially for smallholders
- Ensure sustainable practices are implemented by oil palm industry
- All palm oil exported from Malaysia is sustainably certified
- Smallholders are included in sustainability certification
- Industry is worth more than RM60 billion (USD 13 billion) in 2016
Malaysian Palm Oil Certification Council (MPOCC)

- Incorporated on December 2014 under Companies Act 1965
- Tasked to develop and operate Malaysian Sustainable Palm Oil (MSPO) Certification Scheme
- Started operations in October 2015
- Governed by 13-Member Board of Trustees

Representatives from:
- Oil palm industry associations
- Academic and R&D institutes
- Smallholders organisation
- Government
- NGOs
- Civil society
MPOCC’s Vision & Mission

Vision
To be recognised as a leading organisation for palm oil certification

Mission
To establish and 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
Global Emerging Trends/Challenges
World population and growth rate

- With this trend, is sustainable way of life still possible to all of us?

World Population
Projected world population until 2100

- 1990: 5.3 billion
- 2015: 7.3 billion
- 2030: 8.5 billion
- 2050: 9.7 billion
- 2100: 11.2 billion

Source: United Nations Department of Economic and Social Affairs, Population Division, World Population Prospects: The 2019 Revision, Produced by United Nations Department of Public Information.
GLOBAL BIODIVERSITY HOTSPOTS

• Much of globally biodiverse areas are in the tropics

Source: Conservation International
Why Sustainability Certification is needed?

• Negative perception on palm oil in recent years
• Environment: Deforestation, Biodiversity loss (orang utan, tigers, rhino, elephants)
Why Sustainability Certification is needed?

- *Climate*: Planting on peat lands, fires, haze, GHG
Why Sustainability Certification is needed?

- **Social**: Working conditions, child labor, communal land
Background Information on EU Resolution

1. Amsterdam Declaration – 7 December 2015
   (Denmark, France, Germany, The Netherlands, Norway, United Kingdom)
   ‘Towards Eliminating Deforestation from Agricultural Commodity Chains with European Countries’,
   • in support of a fully sustainable palm oil supply chain by 2020 and
   • in support of an end to illegal deforestation by 2020

2. EU Resolution – 4 April 2017
   • EU Parliament voted on the ENVI Report
     640 approved, 18 objected, 28 abstained
   • The report was approved and named ‘EU resolution’ or ‘Resolution’
What’s in the ‘EU Resolution’?

- Stop ‘deforestation’ or ‘clearing of forest’ in the tropics
- Deforestation causes climate change, that brings along social and economic problems
- Oil palm is major cause and driver of deforestation

1. Ban the use of non-sustainable vegetable oils for biofuels by 2020
2. Allow only certified sustainable palm oil to be imported into EU after 2020
3. Palm oil must be certified by single EU-sustainability certification system

Total Agricultural Area: 5 Billion Hectares
Palm oil losing the perception battle?

- **EU**: April 2017, EU lawmakers called for a ban on the use of palm oil-based bio-fuel by 2020, as it is alleged to be produced unsustainably that leads to deforestation.

- **Singapore**: July 2014, Health Promotion Board, expanded a programme to subsidise what it considers healthier cooking oils (canola & olive) than the cheaper and “unhealthy” palm oil.

- **US**, the Commerce Dept: Aug 2017, decided to impose countervailing duties on bio-diesel imported from Indonesia & Argentina, which would be negative for palm oil.

- **Norway**: June 2017, became the 1st country to ban all use of palm oil-based bio-fuel by public entities.

- **France**: July 2017, reported to be taking steps to restrict the use of palm oil in producing bio-fuel.
Implications of the EU resolution becoming law

1. Export trend to China is declining
2. Export trend to India is unpredictable
3. Average 2.3 million tonnes of palm oil exported to EU (2012-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>India</th>
<th>E.U.</th>
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<tbody>
<tr>
<td>2012</td>
<td>3.5</td>
<td>2.64</td>
<td>2.23</td>
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<td>2013</td>
<td>3.7</td>
<td>2.32</td>
<td>2.34</td>
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<td>2014</td>
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<td>2016</td>
<td>1.88</td>
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MSPO Certification Scheme
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 Scheme
(Accreditation of CBs & Certification Process)

Scheme Owner

Notification
Accredited CBs have to apply to
Scheme Owner to become
notified CBs to enable them to
issue accredited certificates
recognised by
Scheme Owner

Malaysian Sustainable Palm Oil (MSPO) Certification
Scheme

Accredited Certification Bodies (CBs)

Accredited CBs have to apply to
National Accreditation
Body 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

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
(SCC)

Applicants for Oil Palm Management Certification

Applicants for Supply Chain Certification

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MSPO Accreditation Programme for CBs

- Launched on 1 June 2016 for CBs seeking accreditation with STANDARDS MALAYSIA, to certify entities for oil palm management certification
- **Revised** Accreditation of Certification Bodies launched on 1 Aug 2017 for oil palm management certification
- Similar accreditation programme is being developed for supply chain certification
- Accredited CBs will implement MSPO audits
- [http://www.jsm.gov.my/acb-publication#.Wa1hILiJGDL](http://www.jsm.gov.my/acb-publication#.Wa1hILiJGDL)
Scope of Certification

https://www.mpocc.org.my/scheme-documents
Scope of Certification

Group Certification

- Independent Smallholders
- Organised Smallholders
- Mill as Group Manager
- Central Certification Office

Individual Certification

- Oil Palm Plantations
- Palm Oil Mills

https://www.mpocc.org.my/scheme-documents
MSPO Standards
certifying Malaysian palm oil for the world

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
## Contents of MS 2530:2013

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<th>Principles</th>
<th>Criteria</th>
<th>Indicators</th>
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<td>General principles for independent smallholders</td>
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<td>General principles for palm oil mills</td>
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</table>
Principle 1: Management commitment and responsibility

- Implementation of MSPO Policy
- Conduct Internal Audit periodically
- Conduct Management review to ensure effectiveness of MSPO implementation
- Continual improvement plan in place
Principle 2: Transparency

- **Relevant information & documents** relevant to MSPO requirements
- Establish **procedures** for consultation & communication
- Implement procedures for **traceability** of products
Principle 3: Compliance to legal requirements

Compliance to applicable laws and regulations
- Land use and Customary Land Rights respected
- Legal ownership of land demonstrated
- Free, Prior and Informed Consent (FPIC) in place
Principle 4: Social responsibility, health, safety and employment condition

- **Social impact assessment (SIA)** conducted
- **Complaints and grievances mechanism** in place
- Commitment to contribute to **local sustainable development**
- Employees **safety and health policy** in place
- Good **employment conditions** established
- Appropriate **training** is provided
Principle 5: Environment, natural resources, biodiversity and ecosystem services

- Environmental management plan in place
- Efficiency of energy use and use of renewable energy
- Waste management plan implemented
- Action plan to reduce scheduled & solid waste
- Water management plan implemented
- Identify High Biodiversity Value habitats & ERT species
- Zero burn practices for waste disposal & land preparation
Principle 6: Best practices

- Procedures to prevent soil erosion, desiltation, contamination of water developed and implemented
- Business or Management plan implemented
- Transparent and fair price dealing implemented
- Contractors shall understand and comply with MSPO requirements
Principle 7: Development of new plantings

- No planting on land with high biodiversity value
- No conversion of Environmentally Sensitive Areas (ESAs)
- New planting & replanting on peat lands as per MPOB guidelines & industry best practices
- Social & Environmental Impact Assessment (SEIA) conducted
- Information on soil types & topography
- Extensive planting on steep areas & fragile soils avoided
- Recognise customary land rights & owners (FPIC)
**MSPO Requirements for Oil Palm Planting to address Labour Issues**  
*(Addressed under Principle 4: Social responsibility, health, safety and employment conditions)*

- The management **shall not engage in or support discriminatory practices** and shall provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics.
- The management shall establish a policy and provide guidelines to **prevent all forms of sexual harassment and violence at the workplace**.
- The management shall **respect the right of all employees to form or join trade union and allow workers own representative(s) to facilitate collective bargaining in accordance with applicable laws and regulations**.
- **Children and young persons shall not be employed or exploited.**
Some Benefits of MSPO Certification

- Optimise yields and profits, protects the environment, workers and affected communities
- Addresses interests & concerns of affected stakeholders (industry, social & environment)
- Negates negative perception towards palm oil
- Meets demand from environmentally sensitive markets for sustainably produced products
- Enhances Malaysian palm oil competitiveness and acceptance in the global market
Progress of Work in MSPO Certification
Oil Palm Statistics for 2016

Matured 5.00 Mn Ha
Immatured 0.73 Mn Ha

Matured 2.35 Mn Ha
Immatured 0.33 Mn Ha

Matured 1.38 Mn Ha
Immatured 0.16 Mn Ha

Matured 1.26 Mn Ha
Immatured 0.23 Mn Ha

17.31 million tonnes CPO production

Source: MPOB

17.31 million tonnes CPO production

certifying Malaysian palm oil for the world
Independent Smallholders

Total Certified Area under SPOCs*
3,702.13 ha

*SPOCs = Sustainable Palm Oil Clusters
https://www.mpocc.org.my/facts-and-figures

As of July, 2017
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Johor 13%
Sarawak 42%
Perak 2%
Pahang 9%
Negeri Sembilan 2%
Sabah 32%

Plantations & Organised Smallholders

Total Certified Area = 241,378 ha

https://www.mpocc.org.my/facts-and-figures

As of July, 2017
Mills

<table>
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<tr>
<th>State</th>
<th>Certified Mills</th>
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<tbody>
<tr>
<td>Johor</td>
<td>2</td>
</tr>
<tr>
<td>Negeri Sembilan</td>
<td>1</td>
</tr>
<tr>
<td>Pahang</td>
<td>3</td>
</tr>
<tr>
<td>Sabah</td>
<td>7</td>
</tr>
<tr>
<td>Sarawak</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
</tr>
</tbody>
</table>

Total milling capacity = 1,467 mt/hr
Estimated production capacity = 1.2 million tonnes

As of July, 2017

https://www.mpocc.org.my/facts-and-figures
MSPO Certified Companies (15)

- Achi Jaya Plantations
- Boustead Plantation Bhd
- Carotino Sdn Bhd/JC Chang Group
- FGV Plantations (M) Sdn Bhd
- Genting Plantations Bhd
- IJM Plantations Bhd
- Keresa Plantation Bhd
- PPB Oil Palms Bhd
- Rinwood Pelita (Mukah) Plantation
- Sabah Softwood Bhd
- Sarawak Oil Palm Bhd
- Sime Darby Plantation Sdn Bhd
- Ta Ann Holding Bhd
- KLK Bhd
- Federal Land Development Authority (FELDA)

https://www.mpocc.org.my/facts-and-figures

As of July, 2017
The way forward for MSPO Certification
The Way forward for MSPO Certification

With RSPO Certification
RSPO-certified entities (plantations and mills) have to obtain MSPO certification by 31 December 2018.

31 DEC 2018

Without any Certification
Oil palm entities (plantations and mills) without RSPO certification will have to obtain MSPO certification by 30 June 2019.

30 JUNE 2019

Smallholders
All independent and organised smallholders will have to obtain MSPO certification by 31 December 2019.

31 DEC 2019
Challenges

• **Recognition & acceptance** of MSPO Scheme, particularly in environmentally sensitive markets for Malaysian palm oil products

• **Existence** of other palm-related sustainability standards

• **Uptake** of MSPO certification has been rather gradual (without mandatory)

• **Limited incentives** for companies to embrace sustainability certification
Future Direction
MPOCC Three Pronged Approach

- Intensify promotion of MSPO Certification Scheme
- Enhance Stakeholder engagement & collaboration
- Strengthen the MSPO Standards and Scheme documents
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.

- MSPO Standards adopt BMPs for existing planted areas and new plantings.

- Development and review of MSPO Standards with thresholds to be conducted through a broader stakeholder engagement process.

- Government is fully committed towards full implementation of MSPO certification for all planted areas & processing facilities in Malaysia.
Thank You

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