MSPO CERTIFICATION SCHEME
Supply Chain Certification Standard

Central Region
18 December 2018
Kota Permai Golf and Country Club
Shah Alam
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
- 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 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
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
MSPO CERTIFICATION SCHEME

CERTIFYING MALAYSIAN PALM OIL FOR THE WORLD
MSPO Certification Scheme

➢ MSPO Standards launched in 2013

➢ Government mandated

➢ Implemented on a voluntary basis since January 2015

➢ Mandatory implementation by 31 December 2019 in stages
The value chain of Malaysian palm oil sector

Small, medium & large estates

Collection centre/Dealers

Palm Oil Mill

Refinery
Kernel Crushers
Biodiesel Plants
Oleochemical

Product manufacturer

Retailers

Consumers

Smallholders
**MSPO Certification Scheme**

provides for:

<table>
<thead>
<tr>
<th>Application by potential clients for certification audits</th>
<th>Development of certification standards &amp; scheme documents</th>
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<tbody>
<tr>
<td>Accreditation &amp; notification of CBs</td>
<td>Peer reviewing of audit reports</td>
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<tr>
<td>Supply chain traceability</td>
<td>Issuance of logo usage licenses</td>
</tr>
<tr>
<td>Handling of complaints</td>
<td>Training &amp; briefing to auditors &amp; other stakeholders</td>
</tr>
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</table>
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
MSPO Standards

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 SCCS – MSPO Supply Chain Certification Standard
7 Principles of MSPO

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

Accredited Certification Bodies (CBs) / Auditing Service Provider

CBs receive and process applications for certification
CBs conduct audits and make decisions to award MSPO Certificate for Oil Palm Plantation Management or for Supply Chain

Applicants for Oil Palm Management Certification

Applicants for Supply Chain Certification

Accreditation
CBs are required to be accredited to national AB

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

Peer Reviewing of Audit Report

Accredited CBs have to apply to Scheme Owner to become notified CBs to enable them to issue accredited certificates recognised by Scheme Owner
## Accreditation Requirements for Oil Palm Management Certification

<table>
<thead>
<tr>
<th>ACB-OPMC 1</th>
<th><strong>Competency Requirements</strong> for CBs Operating OPMC Under The MSPO Certification Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACB-OPMC 2</td>
<td><strong>Audit Duration</strong> for CBs Operating OPMC Under The MSPO Certification Scheme</td>
</tr>
<tr>
<td>ACB-OPMC 3</td>
<td><strong>Peer Review Process Requirements</strong> for CBs Operating OPMC Under The MSPO Certification Scheme</td>
</tr>
<tr>
<td>ACB-OPMC 4</td>
<td><strong>Stakeholder Consultation Requirements</strong> for CBs Operating OPMC Under The MSPO Certification Scheme</td>
</tr>
</tbody>
</table>

ISO 17021 - Conformity assessment -- Requirements for bodies providing audit and certification of management systems
Accreditation Requirements for Supply Chain Certification

ACB SC/2018 Requirements for Certification Bodies Operating Supply Chain Certification under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

ISO 17065 Type 6 - Conformity assessment -- Conformity assessment -- Requirements for bodies certifying products, processes and services

Type 6 – Applicable to certification of services and processes. Initial and periodic assessment of service or process plus initial assessment and periodic auditing management system.
Committee on MSPO Standards

National Steering Committee on MSPO

Technical Working Committee on MSPO Standards

Technical Working Committee on Smallholders
Standard Setting Process

1) Stakeholder mapping
2) Announcement of the standards-setting process and invitation of stakeholders
3) Creation of the working group/committee
4) Working group/committee development of a draft document
5) Public consultation and pilot testing
6) Consensus building on the final draft
7) Formal approval of the standard
8) Publication of the standard

Review of standards (every 5 years)
Approach to MSPO Certification

- Types of MSPO Certification
- Scopes of Certification
- Certification Process
- Proposed Steps to Implement MSPO
Types of MSPO Certification

• Individual entity (plantation, mills, processing facilities)

• Multi-site certification

From *The MSPO Certification Scheme and Its Implementation Arrangement*
https://www.mpocc.org.my/scheme-documents
Scope of Certification - Plantations

1. Individual Certification

   - Estate XYZ
   - Estate ABC
   - Estate TUV

2. Group Certification

   - MSPO Certificate Part 3
   - Estate XYZ
   - Group Manager
   - Estate ABC
   - Estate TUV
Scope of Certification – Palm Oil Mills

1. Individual Certification

- Mill A
- MSPO Certificate Part 4

- Mill C
- MSPO Certificate Part 4

- Mill B
- MSPO Certificate Part 4

2. Multi-site Certification

- Mill A
- MSPO Certificate Part 4

- Mill C

- Mill B

- Group Manager
1. Individual Certification

PF A → MSPO SCCS

PF C → MSPO SCCS

PF B → MSPO SCCS

2. Multi-site Certification

PF A → MSPO SCCS

PF C → Central Office

PF B

Note: Sampling for multi-sites are not allowed (ACB-SC/2018, item 5.3)
Certification Process

Application by potential clients for certification

Certification audit

Draft audit report

Final audit report

CB’s certification committee

MSPO Certificate awarded

(5 years with annual surveillance audits)

Note: For Supply Chain Certification audit findings, two general categories ‘corrective action request/non-compliance and observation will be used. (MSPOCS 1/2018, item 7.2)

3-6 months, subject to meeting areas of Non-Compliance
Proposed Steps to Implement MSPO

1. Understand MSPO Requirements
2. Gap analysis
3. Training process
4. System planning
5. Monitoring and Evaluation of systems
5. Develop documentation, appoint responsible persons, establish and implement systems
6. Internal Audit
7. Auditing and Certification
Progress on MSPO Certification
## Progress of MSPO Implementation – 30 November 2018

<table>
<thead>
<tr>
<th>Categories</th>
<th>Units Certified</th>
<th>Certified Areas (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Smallholder Areas Certified under MSPO Part 2 (ha)</td>
<td>76 clusters</td>
<td>16,459.07</td>
</tr>
<tr>
<td>Organised Smallholder Areas Certified under MSPO Part 3</td>
<td>72 Clusters</td>
<td>167,792.05</td>
</tr>
<tr>
<td>Plantation Areas Certified under MSPO Part 3 (ha)</td>
<td>449 estates</td>
<td>1,157,497.11</td>
</tr>
<tr>
<td><strong>Total Planted Areas Certified (ha)</strong></td>
<td></td>
<td><strong>1,261,614.76</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Units Certified</th>
<th>Total Capacity (mt/hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Mills Certified under MSPO Part 4</td>
<td>119 Mills</td>
</tr>
</tbody>
</table>
Timeline to obtain incentives under MSPO Certification Scheme

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.

certifying Malaysian palm oil for the world | www.mpocc.org.my
MSPO Incentives

Incentives

Smallholders
< 40.46 ha
100% Auditing Fee

Estates
40.46 ha - 1,000 ha
70% of Auditing Fee
> 1,000 ha
30% of Auditing Fee

Processing Facilities
Mills, Kemel Crushers & Refineries
30% Auditing Fee

https://www.mpocc.org.my/incentives
MSPO Supply Chain Certification Standard (MSPO SCCS)
The MSPO Supply Chain Standard is designed to provide a credible guarantee to the end user that the palm oil raw material originated from a sustainably managed oil palm plantation throughout the supply chain.

The Malaysian Sustainable Palm Oil Supply Chain Certification Standard (MSPO SCCS) addresses management requirements and traceability of the production throughout the supply chain from the raw materials until processing and manufacturing of palm oil and palm oil based products. Each group of players must perform their respective roles to enable traceability of all activities throughout the palm oil supply chain.

It also allows to claim the use of the MSPO certified palm oil.
**MSPO Supply Chain Certification Standard and Its Related Documents**

**MSPO SCCS Guidance Document**
- To provide guidance for the certification bodies and the user of the MSPO SCCS in the industry on the requirement to comply with MSPO SCCS.

**Guidance for Oleochemicals and Its Derivatives Under MSPO SCCS**
- To provide guidance the oleochemical industry on the conversion rate where the input or outputs are not purely palm-based in compliance with MSPO SCCS.

**Issuance of Logo and Usage License by MPOCC**
- To allow the MSPO certified palm oil user to claim the use of certified palm oil product by using MSPO logo on their on-product and off-product.
SCOPE:
The requirements are applicable to organisations which process, manufacture, supply and/or export palm oil products using raw materials which originate from MSPO certified oil palm planted area and/or take legal ownership and physically handle MSPO certified palm oil products throughout the supply chain.
MSPO Supply Chain Certification Standard (SCCS)

1. Management System
   i. Sustainability Policy
   iii. Record keeping
   iv. Procedures
   v. Internal Audit
   vi. Management Review

2. Resource Management
   i. Competency & Training

3. Traceability

4. Supply Chain Models
   i. Segregation
   ii. Mass balance

5. Outsourced Activities

6. Claim

7. Complaints and Grievances

8. IT Platform

Available for download at www.mpocc.org.my
Traceability Elements

MSPO Supply Chain Certification Standard (MSPO SCCS)
MSPO Supply Chain Models

- Segregation
  - Physical separation of certified and non-certified palm oil products at every stage of the palm oil supply chain.
Segregation

Requirements

8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.

8.1.2.2 The site shall ensure and verify through clear procedures and record keeping that the MSPO certified oil palm products are kept segregated from non-certified palm oil products including during transportation and storage to strive for 100% separation.
MSPO Supply Chain Models

• Mass Balance
  ➢ Allows the mixing of batches of certified and non-certified palm oil products at every stage of the palm oil supply chain.
Mass Balance

**Requirement**

**8.2.2**

8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. **There are no requirements for separate storage, transportation or controls in the production process.**

8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.

8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not exceed the input of MSPO certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.
### Mass Balance

#### 8.2.3 Continuous accounting system

8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.

8.2.3.2 Where a continuous accounting system is in operation, the organisation shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.

<table>
<thead>
<tr>
<th>Month</th>
<th>MB</th>
<th>Non-Certified</th>
<th>Recorded MB Stock</th>
<th>Physical Stock</th>
<th>MB</th>
<th>Non-Certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN</td>
<td>IN</td>
<td></td>
<td></td>
<td></td>
<td>OUT</td>
<td>OUT</td>
</tr>
<tr>
<td>January</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>1000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>250</td>
<td>750</td>
<td>250</td>
<td>250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>0</td>
<td>0</td>
<td>250</td>
<td>500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8.2.4 Fixed inventory periods

8.2.4.1 Where a fixed inventory period is in operation, the organisation shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.

8.2.4.2 Where a fixed inventory period is in operation, the organisation may overdraw data when there is evidence that MSPO MB palm oil product purchased for delivery within the inventory period cover the MSPO output quantity supplied.

8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.

8.2.4.4 Where a fixed inventory period is in operation, the organisation shall ensure that the material accounting system is not overdrawn at the end of inventory period. Only MSPO data which has been recorded in the material accounting system within the inventory period shall be allocated to outputs supplied within the inventory period.
# Mass Balance

<table>
<thead>
<tr>
<th>Month</th>
<th>MB</th>
<th>Non-Certified</th>
<th>Recorded MB Stock</th>
<th>Physical Stock</th>
<th>MB</th>
<th>Non-Certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>IN</td>
<td>IN</td>
<td>500</td>
<td>1000</td>
<td>OUT</td>
<td>OUT</td>
</tr>
<tr>
<td>February</td>
<td></td>
<td>-500</td>
<td>0</td>
<td>1000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>750</td>
<td>250</td>
<td>750</td>
<td>1000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td></td>
<td></td>
<td>250</td>
<td>1000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**End of inventory period**

**Carry over unused credit**
## Traceability

### Requirement 7.1

<table>
<thead>
<tr>
<th>Documented procedure for handling non-conforming palm oil products and/or documents</th>
</tr>
</thead>
</table>

- The name and address of the seller/buyer;

- Product(s) identification including the applicable supply chain models (mass balance, segregation);

- The quantity of the products delivered;

- The loading or delivery date;

- Related transportation documentation with a unique identification number;

- MSPO certificate number; and

- MSPO certificate validity.
Outsourced Activities

Requirement 9.1

Has **legal ownership of all input materials** during the outsourced activities;

Has an **agreement/contract** covering the outsourced activities with each contractor. This agreement/contract shall include a clause reserving the right of the certification body to audit the outsourced contractor; and

Has a **documented control system with procedures** for the outsourced activities which are shared with the relevant outsourced contractor.

*4.9 Outsourced Contractors*

Parties engaged by the organisation to provide services for transporting, handling and storing certified palm oil products by means of agreement or contract.
Requirement 10.1  The organisation shall only make claims on the products that contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.

Reference: *Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme* document.
Essential Elements:

1. MSPO Logo shall be reproduced according to the measurements, colors, trade mark claims and other specifications detailed in the Logo Reproduction Tool Kit.

2. Logo license registration number provided by MPOCC shall be included.

Refer to Logo License Issuance Procedure in Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme document (page 9) for application of logo and usage license of MSPO logo.
Off-product
The logo for off-product use shall adhere to MSPO Logo Reproduction Tool Kit with the exception of the size of the logo, which shall remain flexible and legible.

In off-product use, Logo Users must use the logo with the logo licence number that is issued.

✓ Claim in the product documentation (e.g. invoice, packaging list and bill of lading)
✓ Claim in general documentation (e.g. company or product brochure)
✓ Claim in signage (e.g. at an organisation’s premises or at boundary of oil palm planted area)
On-product
Logo Users must indicate the supply chain model of either the option of Segregation or Mass Balance of the content of the MSPO certified material in the product.

• Supply Chain Model
  ➢ The option of Segregation or Mass Balance to indicates the management tool used to communicate supply chain management decision with suppliers and customers on MSPO certified raw material in the product.

• Label Implies
  ➢ The product must contain a minimum of 70% of MSPO certified material from oil palm planted areas which have been certified against the oil palm management certification standard as sustainably managed. The content of the MSPO certified material is verified through supply chain certification.

✓ Claim on the label (e.g. PET bottle, plastic packaging, boxes, drums)
Management Requirement

MSPO Supply Chain Certification Standard (MSPO SCCS)
Management Requirement

- Sustainability Policy
- Management Representative
- Record keeping
- Procedures
- Internal Audit
- Management Review

- Competency & Training
Management Requirement

5.1 Sustainability Policy
✓ Established and communicate the sustainability policy

5.2 Management Representative
✓ Appoint a management representative who responsible for implementation of MSPO requirements

5.3 Record keeping
✓ Established and maintain related records for 3 years
5.4 Procedures
✓ Established Standard Operating Procedure (SOP)

5.5 Internal Audit
✓ Conduct internal audit at planned intervals and implement corrections and corrective actions

5.6 Management Review
✓ Conduct management review at planned intervals
Management Requirement

Resource Management

✓ Provide trainings to employee
✓ Established training plan
✓ Keep the training records of
Management Requirement

To establish, implement and documented the procedure of complaints and grievances.
Management Requirement

IT Platform

✓ To utilize the IT platform provided
Thank you!

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