




Implementation of the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme

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Why Sustainability Certification?



Why Sustainability Certification is needed?

- Negative perception on palm oil in recent years
- Environment: Deforestation, Biodiversity loss (orang utan, tigers, rhino, elephants)





• Climate: Planting on peat lands, fires, haze, GHG



- Social: Works conditions, child labour, communal land



Better way to curb these issues

- Provide assurance of good management practices & adherence to sustainability requirements
- Implementation of sustainability policies & regulations
- Leading up to development of National Standards: MSPO is the best example
- Emergence of MSPO Certification Scheme – a national scheme for oil palm plantations, independent & organised smallholdings, processing facilities



Assurance through 3rd party independent audits

Promoting values through Sustainability Certification

Known source

- FFB origin
- Farm details
- 3rd party audits
- Stakeholders



Increased productivity

- Optimal yields
- Reduced costs
- Lower waste
- Fair work conditions



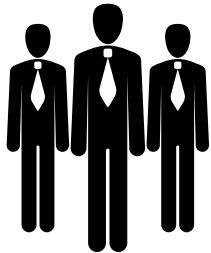
Positive impact

- Increased awareness
- Legality
- Safety & health
- Prosperity
- Links to markets



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

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**

About MPOCC



Malaysian Palm Oil Certification Council (MPOCC)

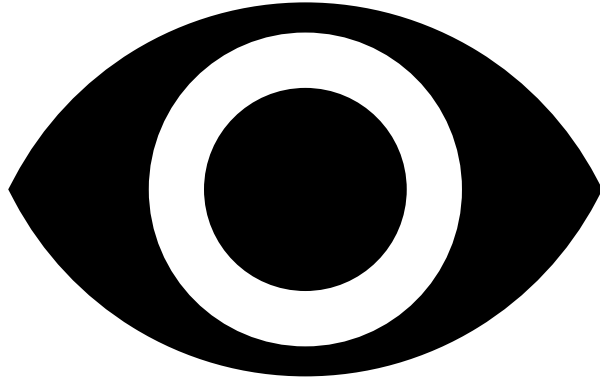
- Incorporated on December 2014 under Companies Act 1965
- Tasked to develop and operate **Malaysian Sustainable Palm Oil (MSPO) Certification Scheme**
- Started operations in October 2015
- Governed by 13-Member Board of Trustees

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

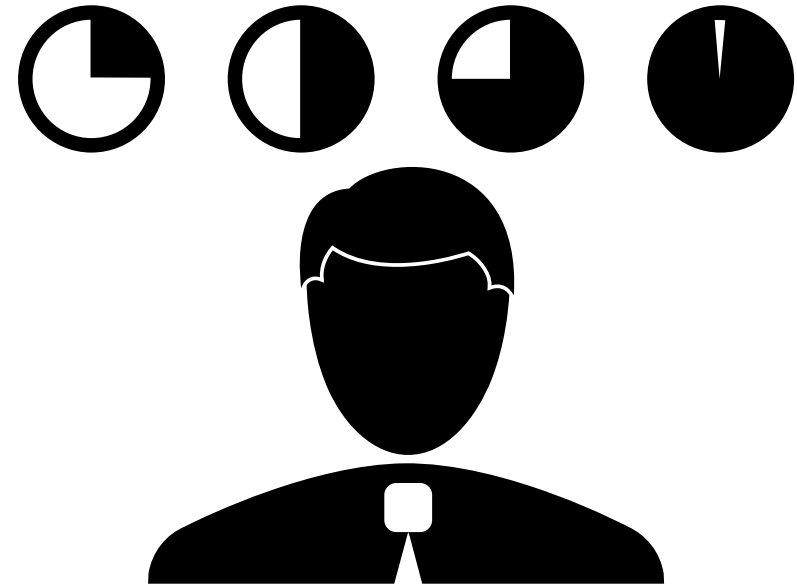


Mission

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**



MSP0 Certification Scheme



MSPO Certification Scheme provides for:



Application by potential clients for certification audits



Development of certification standards & scheme documents



Accreditation & notification of CBs



Peer reviewing of audit reports



Supply chain traceability



Issuance of logo usage licenses

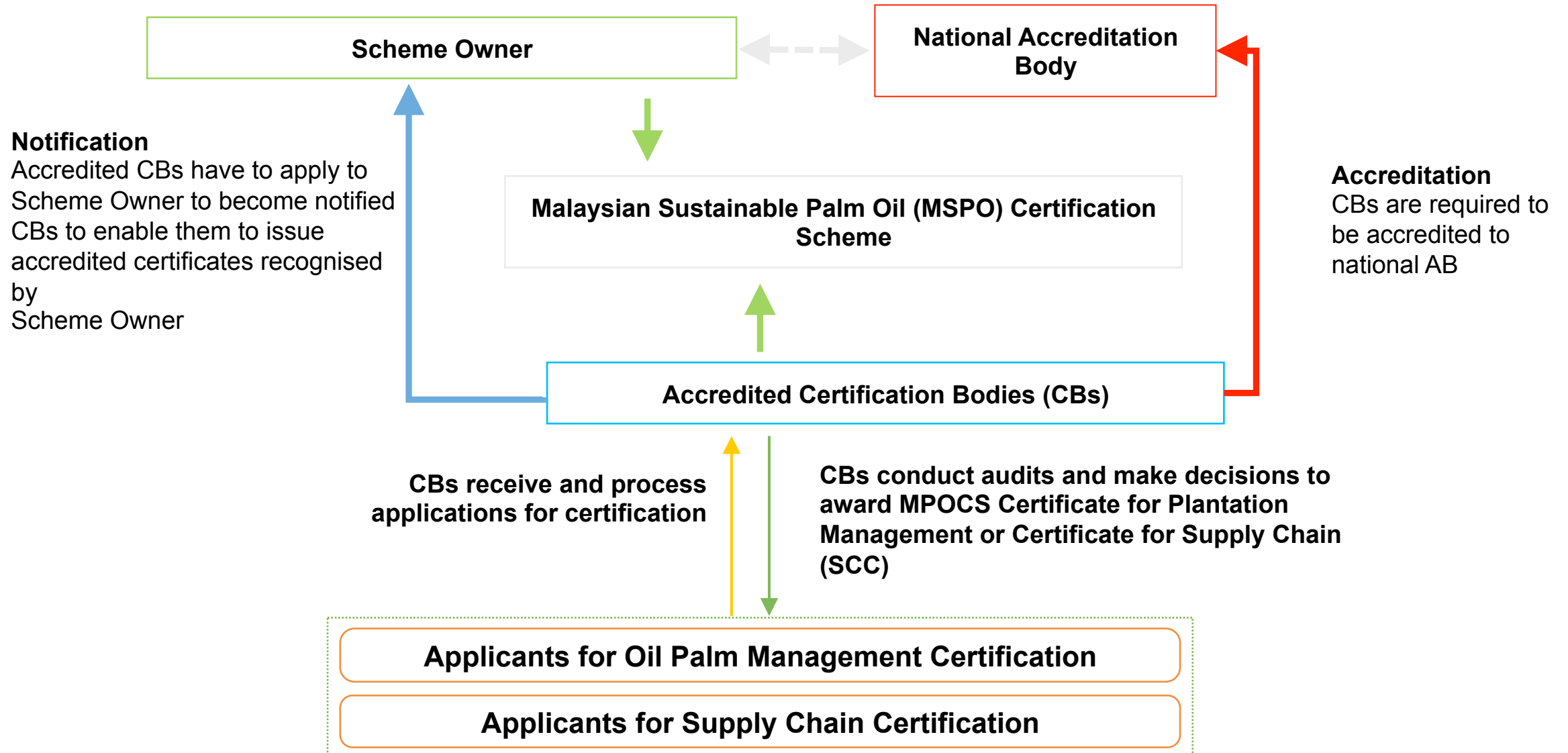


Handling of complaints



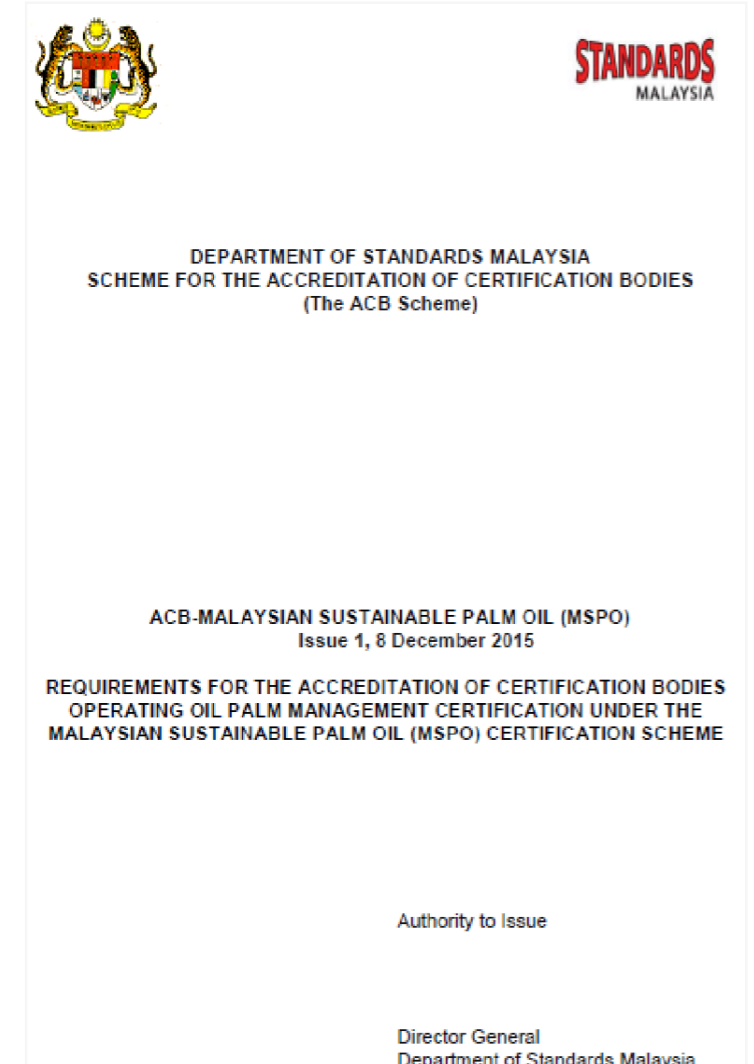
Training & briefing to auditors & other stakeholders

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



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**
- Similar accreditation programme is being developed for **supply chain certification**
- 4 CBs accredited
- **Another 3 CBs being assessed for accreditation**




MSPPO Standards



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**

Smallholders

Companies

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

Standards	Principles	Criteria	Indicators
<u>Part 2</u> General principles for independent smallholders	7	22	30
<u>Part 3</u> General principles for oil palm plantations and organised smallholders	7	33	114
<u>Part 4</u> General principles for palm oil mills	6	25	80

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

disiltation,
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**)



Progress of Work in MSPO Certification



Oil Palm Statistics for 2016



MALAYSIA

5.70

Mn Ha

Matured

5.00

Mn Ha

Immatured

0.73

Mn Ha



PEN. M'SIA

2.67

Mn Ha

Matured

2.35

Mn Ha

Immatured

0.33

Mn Ha



SABAH

1.55

Mn Ha

Matured

1.38

Mn Ha

Immatured

0.16

Mn Ha



SARAWAK

1.5

Mn Ha

Matured

1.26

Mn Ha

Immatured

0.23

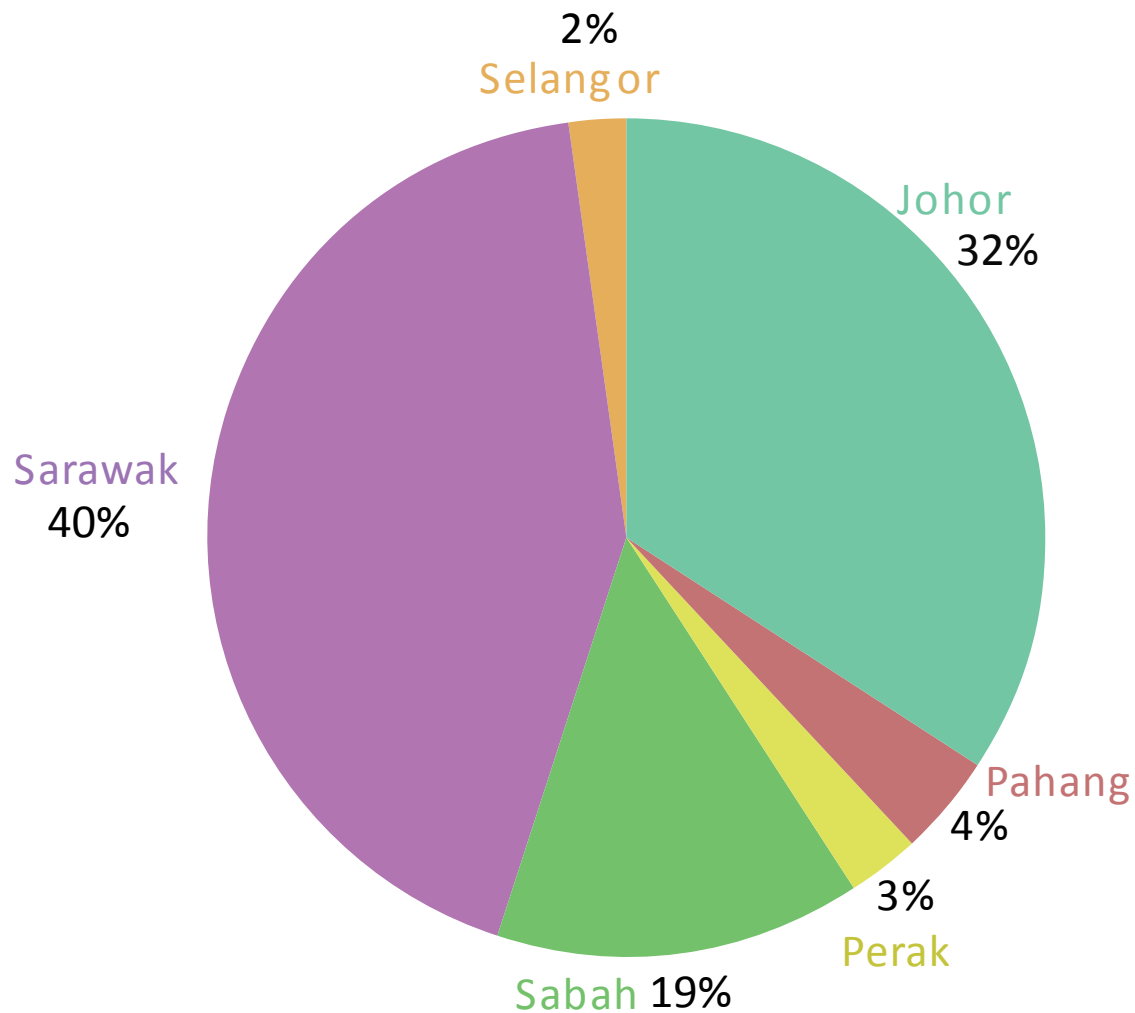
Mn Ha

17.31 million tonnes CPO production

Source: MPOB

<http://bepi.mpob.gov.my/index.php/en/statistics/production/168-production-2016/746-production-of-crude-oil-palm-2016.html>

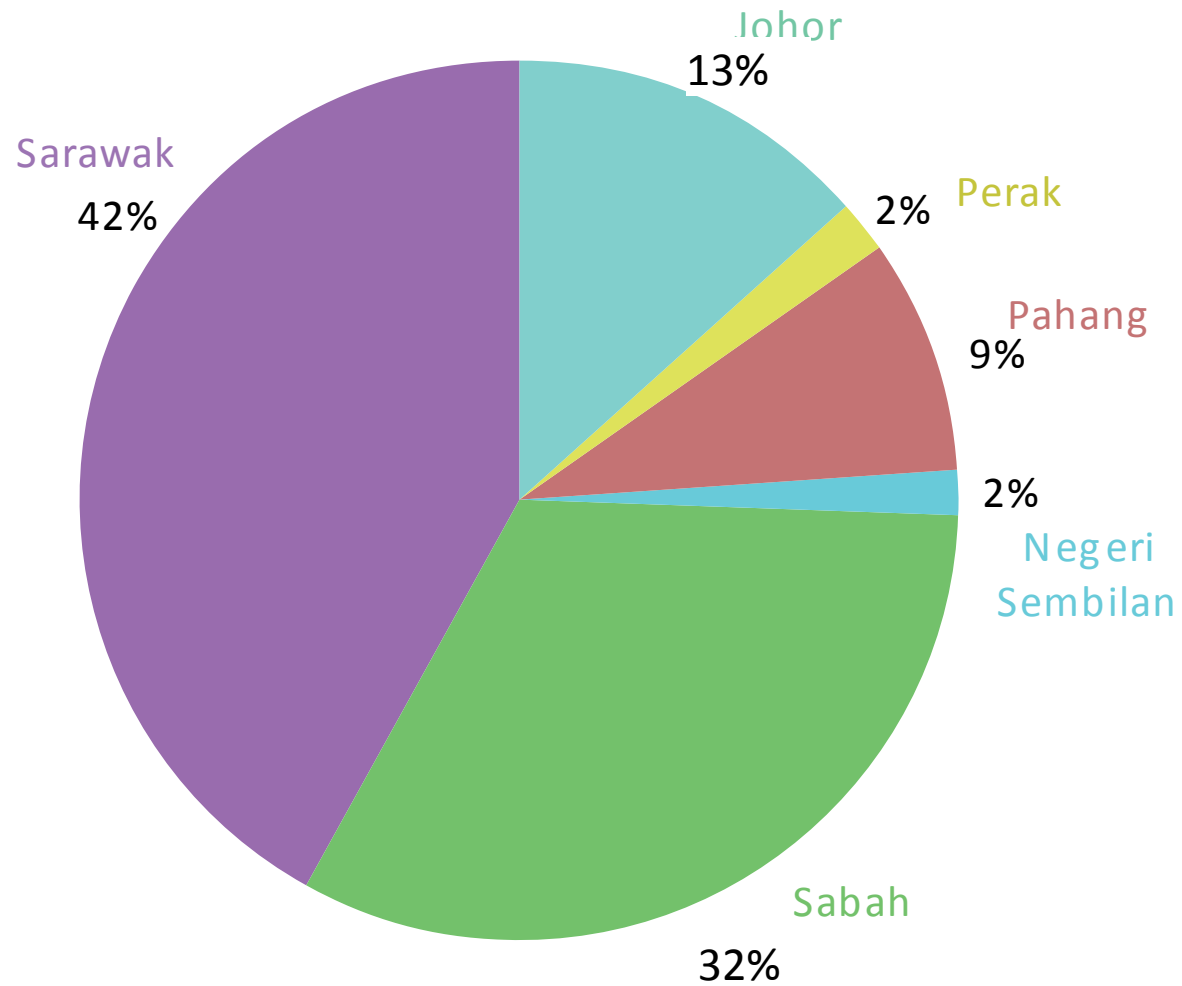
Independent Smallholders



**Total Certified Area under
SPOCs*
3,400 ha**

*SPOCs = Sustainable Palm Oil Clusters

Plantations & Organised Smallholders

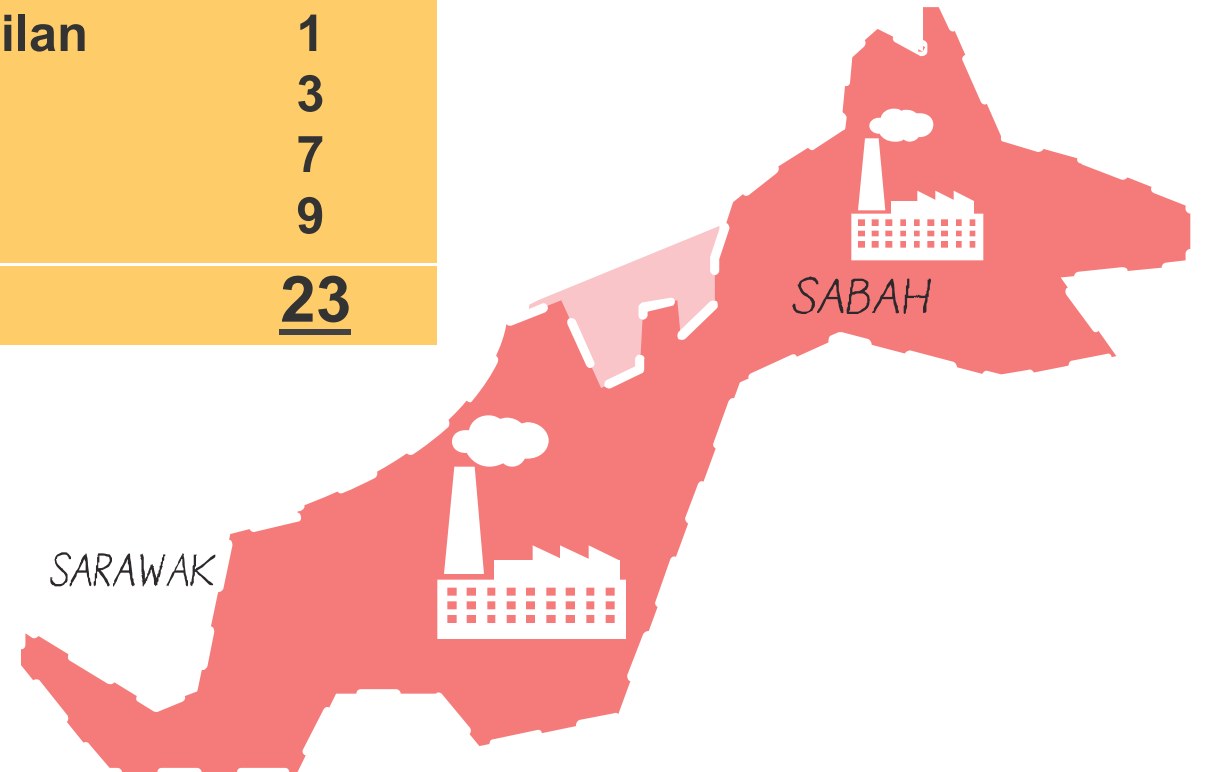


Total Certified Area
243,644 ha

Mills



State	Certified Mills
Johor	3
Negeri Sembilan	1
Pahang	3
Sabah	7
Sarawak	9
Total	<u>23</u>



Total milling capacity = 1,507 mt/hr

Estimated production capacity = 1.2 million tonnes

MSPO Certified Companies (16)

- Achi Jaya Plantations
- Boustead Plantation Bhd
- Carotino Sdn Bhd/JC Chang Group
- FGV Plantations (M) Sdn Bhd
- Genting Plantations Bhd
- IJM Plantations Bhd
- Keresia 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
- Tradewinds Plantation Bhd
- KLK Bhd
- Federal Land Development Authority (FELDA)



Challenges



Challenges

- Recognition & acceptance of MSPO Scheme, particularly in environmentally sensitive markets for Malaysian palm oil products (EU, US, Australia)
- 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



Conclusion

- MSPO Standards are **credible sustainability 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

Malaysian Palm Oil Certification Council (MPOCC)

15th Floor, Bangunan Getah Asli (Menara)
148, Jalan Ampang, 50450 Kuala Lumpur, Malaysia

Website: www.mpocc.org.my

Tel: + 603 2181 0192 | Fax: +603 2181 0167

E-mail: info@mpocc.org.my