MSPO Update and Outlook

Presented By: Chew Jit Seng, CEO, MPOCC
Date: 24 October 2019
Venue: ISCC Regional Committee Meeting Southeast Asia, 9th Meeting, Jakarta, Indonesia
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: DOSM & MPOB*
Oil palm value chain
The value chain of Malaysian palm oil sector

**Small, medium & large estates**

**Smallholders**

**Collection centre/Dealers**

**Palm Oil Mill**

**Supply Chain Certification (SCC)**

**Oil Palm Management Certification (OPMC)**

**Refinery**
- Kernel Crushers
- Biodiesel Plants
- Oleochemical

**Product manufacturer**

**Retailers**

**Consumers**
About MPOCC
MALAYSIAN PALM OIL CERTIFICATION COUNCIL

Governing 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

https://www.mpocc.org.my/
MPOCC’s Vision & Mission

**Vision**

To be recognised as a leading organisation for palm oil certification

**Mission**

To operate a credible and internationally recognised national palm oil certification scheme towards promoting sustainable management of oil palm in Malaysia

https://www.mpocc.org.my/
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/
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/
MSPO & SDGs
How **MSPO Standards** address Sustainable Development issues

**Government SUPPORT**
- As MSPO is a national scheme, applicants will be given technical & financial support

**COMMITMENT & Transparency**
- Management commitment & responsibility
- Commitment to implement & maintain the requirements of traceability
- Strengthen trust among stakeholders, both locally & globally

**Water & Waste MANAGEMENT**
- Quality & availability of surface and ground water are maintained
- Efficiency of resource utilisation & recycling potential wastes into value-added by-products

**REDUCE Greenhouse Gases (GHG) Emission**
- Environment Management Plan (EMP) is in place
- Efficiency of energy use & use of renewable energy

**CONSERVATION Needs**
- Protect rare, threatened or endangered species
- Protect high biodiversity value areas
- Soil & water conservation

**EMPOWER Smallholders**
- Better livelihoods
- Become suppliers of sustainable palm oil

**NO Deforestation**
- Malaysia commits to retain 50% of its total land area under natural forest cover
- Zero burning practices & biomass recycling & reusing encouraged

**SOCIAL Responsibility**
- Contribute to poverty eradication
- Commitment to contribute to local sustainable development
- Wellbeing of local communities

**Long Term GROWTH**
- Potential revenue increase with increased demand for sustainable palm oil
- Potential higher yield & oil extraction rate improvements resulting from adoption of Best Management Practices (BMPs)

**STRICT Guidance on Peatland Plantings**
- Adhere to MPOB guidelines on peatland development & industry best practices

**International TRADE**
- Competitive advantage on exports particularly in the environmentally sensitive markets such as the EU, US & Australia

**PROTECT Workers’ Rights**
- Ensure good health, safety & employment conditions
- No child labour nor forced or trafficked labour is allowed
- All employees & contractors shall be appropriately trained
- Social Impact Assessment (SIA) is conducted

**Supports UN SUSTAINABLE DEVELOPMENT GOALS**
- Zero Hunger
- Clean Water and Sanitation
- Decent Work & Economic Growth
- Responsible Consumption & Production
- Climate Action
- Life on Land
- Partnerships for the Goals
Malaysia voluntarily agreed to cut the GHG emission intensity by 45% by 2030. As of 2013, it has reduced it by 33%.

Malaysia reiterates its commitment made at the Rio Summit in 1992 to retain at least 50% of the land area under forest cover. The area under forest cover in Malaysia is 54.8% (2017).

Palm oil industry has contributed to achieve the United Nations Sustainable Development Goals (SDGs) - alleviate rural community from poverty.

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Values & benefits of MSPO Certification
Promoting Values & Benefits through MSPO Certification

**Increased productivity**
- Optimise yields and increase incomes,
- Reduced costs
- Lower wastages

**Traceability**
- FFB origin
- Farm details
- Addresses concerns of price of FFB especially to smallholders

**Promotes Image**
- Tax rebate under LHDN
- Certified and sustainable palm oil (CSPO) from Malaysia
- Ensure decent wages for workers
- 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
Enabling measures
Enabling measures for uptake of MSPO certification

- National and state legislation and policies
- Federal and state government inter-agency coordination
- Public procurement policies
- Incentives for audit fees
- Income Tax relief
- Malaysian established Certification Bodies (CBs) (who are better informed about on-site characteristics)
- Reduced cost for smallholders by incentives and using local auditors
- Stakeholder consultation
International recognition
The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme has been adopted as a tool for the Tokyo 2020 Olympics and Paralympic Games Sustainable Sourcing Code for palm oil – since June 2018.
Benchmarking assessment
MSPO & ISCC baseline assessment

MSPO achieved a total of 276 points against a possible total 408 points, compared to ISS with 359 points.

<table>
<thead>
<tr>
<th>Categories</th>
<th>MSPO</th>
<th>ISCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance (160 points)</td>
<td>119 points</td>
<td>130 points</td>
</tr>
<tr>
<td>Sustainability (170 points)</td>
<td>104 points</td>
<td>155 points</td>
</tr>
<tr>
<td>Chain of Custody (52 points)</td>
<td>32 points</td>
<td>48 points</td>
</tr>
<tr>
<td>Independent smallholder (26 points)</td>
<td>21 points</td>
<td>26 points</td>
</tr>
<tr>
<td><strong>Total (408 points)</strong></td>
<td><strong>276 points</strong></td>
<td><strong>359 points</strong></td>
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MSPO & ISCC baseline assessment

MSPO P&C can be further strengthened by implementing the improvement measures addressed

<table>
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<tr>
<th>Group</th>
<th>Criteria</th>
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<tbody>
<tr>
<td>System management &amp; quality</td>
<td>Compliance with international norms of good practice for setting social and environmental standards (ISEAL Code 2004)</td>
</tr>
<tr>
<td>Audit quality</td>
<td>Requirements for auditors</td>
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<tr>
<td>Zero deforestation</td>
<td>Areas with high carbon stock, assess and maintain HCV areas</td>
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<tr>
<td>Biodiversity &amp; environmental management</td>
<td>Biodiversity protection of species and habitats</td>
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<tr>
<td>Soil protection</td>
<td>Soil erosion, soil compaction, soil fertility</td>
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<tr>
<td>Water protection</td>
<td>Water quantity</td>
</tr>
<tr>
<td>Fertilizer</td>
<td>Origin &amp; quantity; fertilizer handling and application</td>
</tr>
<tr>
<td>Working conditions</td>
<td>Core ILO standards on forced and child labour, discrimination, migrant workers</td>
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<tr>
<td>Community relations</td>
<td>Rights; traditional land rights, indigenous people, sacred sites, water rights</td>
</tr>
<tr>
<td>Legal, economics &amp; continuous improvement</td>
<td>Business plan, continuous improvement, legal compliance, avoidance of double accounting/multiple claims</td>
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https://www.mpocc.org.my/
Areas where MSPO is better than ISCC

- **Stakeholder participation**: involvement in the systems development, improvement and review processes
- Implementation of a participatory **Social and Environmental Impact Assessment** (SEIA)
- Inclusion of requirements to conduct **Free, Prior & Informed Consent** (FPIC) procedures for new land acquisitions

https://www.mpocc.org.my/
Independent assessment by IDDRI

October 2017

https://www.mpocc.org.my/independent-assessment
Transparency & traceability
The system is able to record the transactions of oil palm products along the supply chain starting from oil palm seeds, oil palm fruits, palm kernel and palm oil after the MSPO Certification.

**OIL PALM PRODUCTS SUPPLY CHAIN**

1. Seeds Producers
2. Nursery
3. Smallholding/Estate
4. Oil Palm Fruit Dealer
5. Palm Oil Mill
6. Refinery/Oleochemicals Plants
7. Crushing Factory
8. End Product Manufacturer

**User:**
- MPOB Licensee (7,983)
- MPOCC
- MPOB

**Services:**
- i-PREMIS
- i-ENFORCE
- i-SERVICE

**Key Steps:**
- e-PM (Planting Material)
- e-FFB (Fresh Fruit Bunches)
- e-PP (Palm Products)
New policies under Ministry of Primary Industries

30 April 2019

• Limit the nation’s oil palm planted area to 6.5 million hectares by 2023
  (Menghadkan keluasan tanaman sawit negara kepada 6.5 juta hektar yang dijangka dicapai menjelang tahun 2023)

• Implement the ban on new oil palm cultivation in peat lands and impose stricter conditions on existing oil palm in this area
  (Melaksanakan larangan penanaman baharu sawit di kawasan tanah gambut dan menetapkan syarat yang lebih ketat terhadap tanaman sawit yang sedia ada di kawasan ini)

• Implement the ban on conversion of Permanent Forest Reserves to oil palm or other agricultural crops, and
  (Melaksanakan larangan penukaran guna tanah Hutan Simpan kekal (HSK) bagi aktiviti penanam sawit atau tanaman pertanian lain, dan)

• Provide the official map of oil palm planted areas nationwide for public access and public reference to enhance transparency of information
  (Menyediakan peta rasmi Kawasan tanaman sawit di seluruh negara untuk capaian umum dan rujukan awam bagi meningkatkan ketelusan maklumat)

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
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