

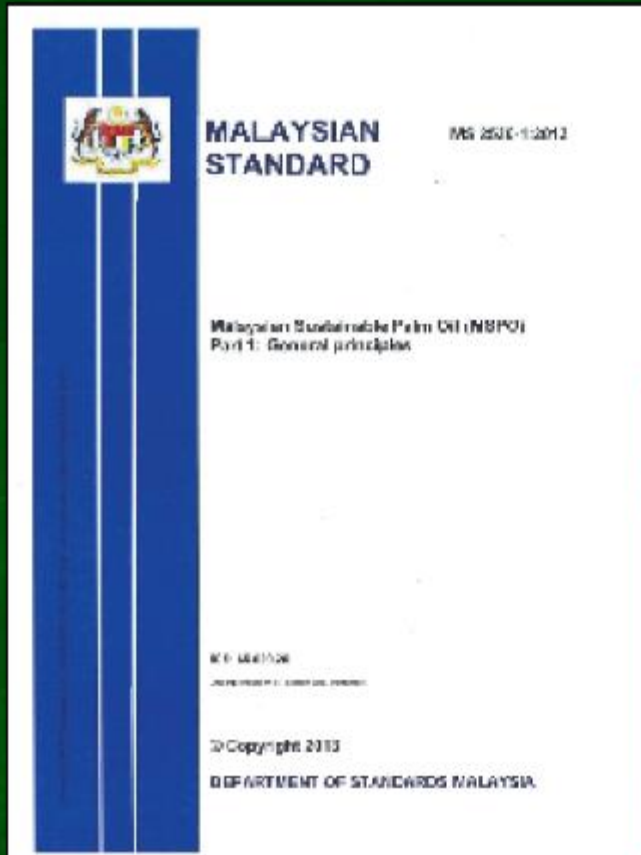


MSPO Certification Scheme

Biomass Sustainability Working Group (BSWG)
Date: 17th August 2021



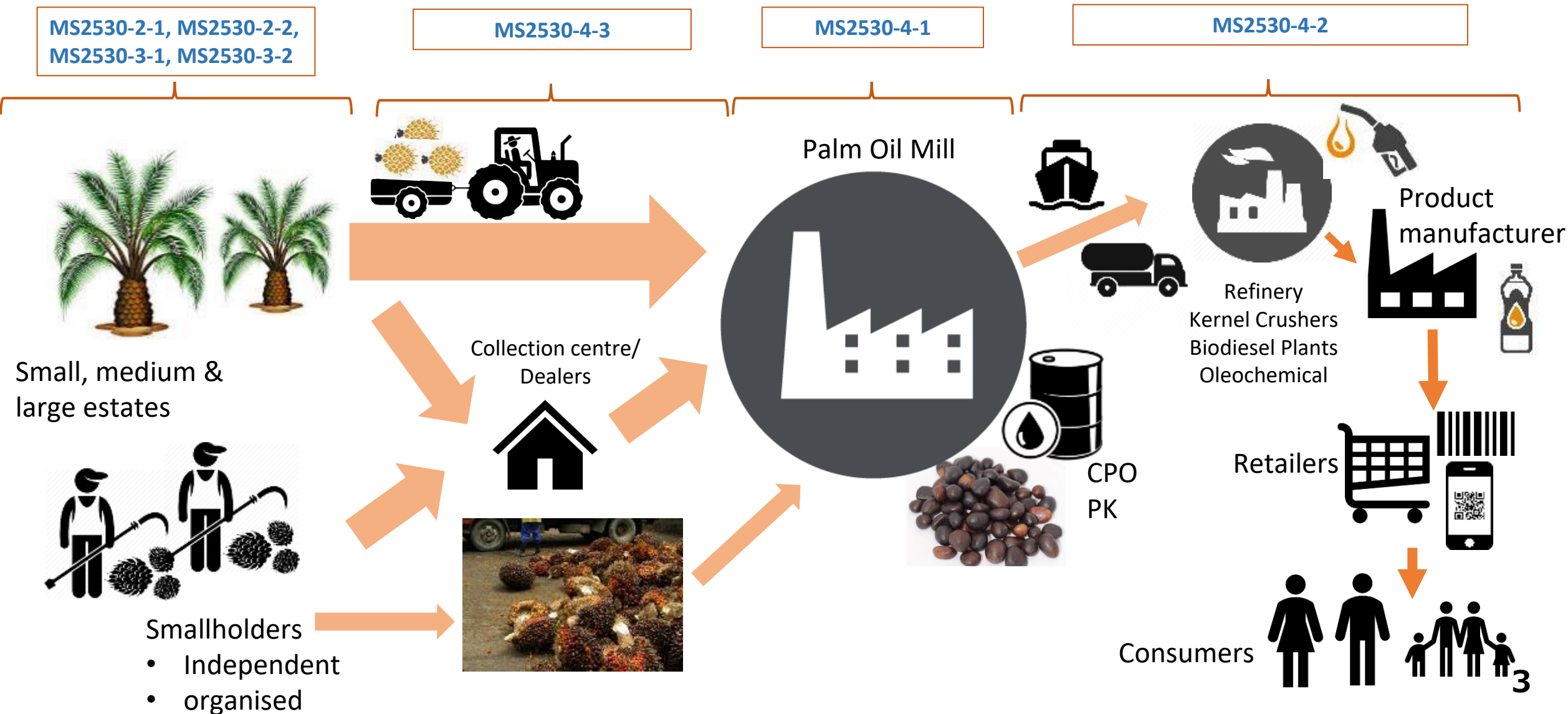
MSPO STANDARDS



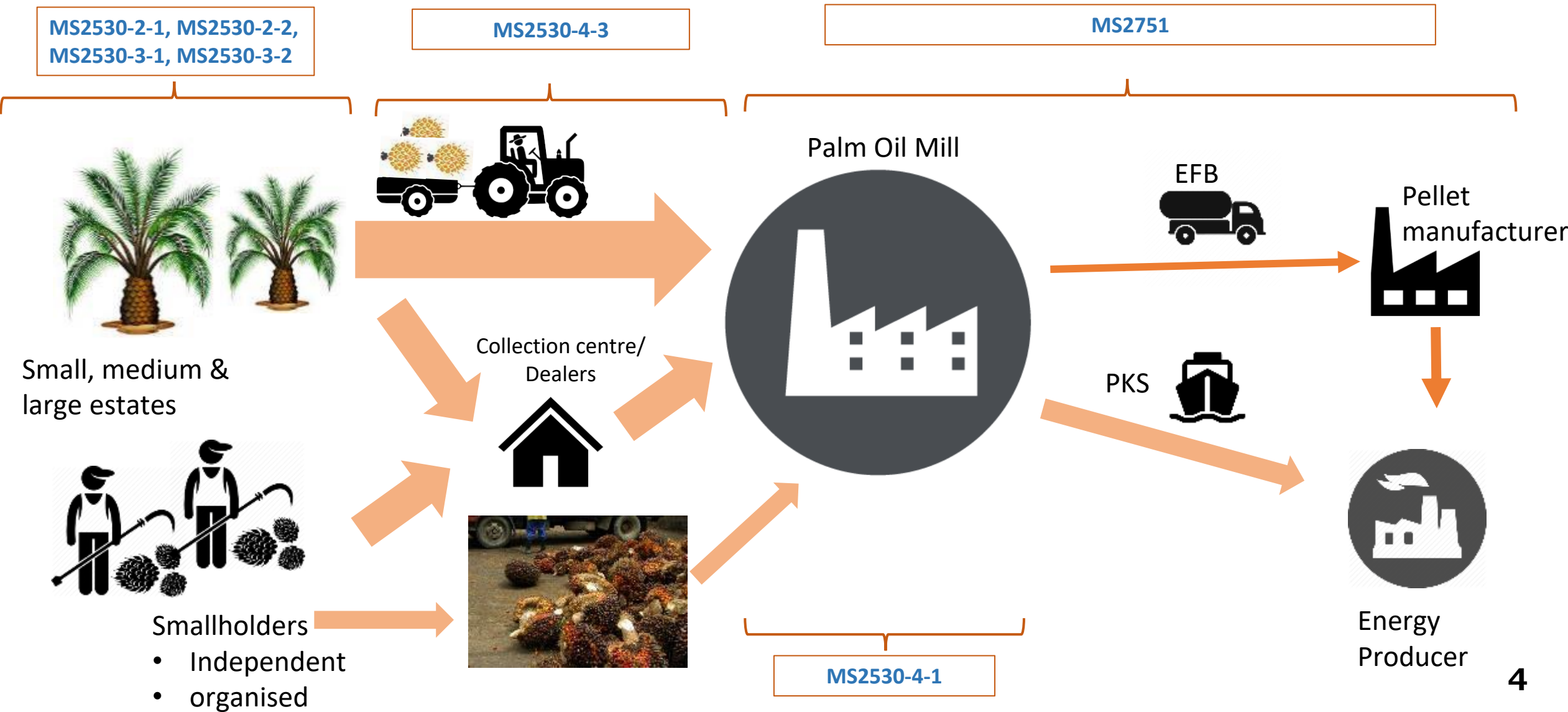
- Part 1** : General Principles
- Part 2-1** : General Principles for **Independent Smallholders (40.46 hectares and below)**
- Part 2-2** : General Principles for **Organised Smallholders (40.46 hectares and below)**
- Part 3-1** : General Principles for Oil Palm Plantations **(Above 40.46 hectares to 500 hectares)**
- Part 3-2** : General Principles for Oil Palm Plantations **(Above 500 hectares)**
- Part 4-1** : General Principles for **Palm Oil Mill including Supply Chain Requirements**
- Part 4-2** : General Principles for **Palm Oil Processing Facilities including Supply Chain Requirements**
- Part 4-3** : General Principles for **Dealers including Supply Chain Requirements**
- MS 2751: 2022** : Chain of Custody of oil palm biomass



MSPO certification in the Malaysian palm oil value chain



MSPO certification in the Malaysian oil palm biomass value chain



Principle 1: Management commitment and responsibility

- Commitment to MSPO implementation through MSPO policy.
- New establishment should comply to no conversion of natural forest, protected areas and High Conservation Value areas after 31st December 2019; has legal land ownership and conduct EIA, SIA and HCV assessment prior to develop the land.*
- Existing site management shall establish Standard Operation Procedure for its activities.
- All employees, contractors, smallholders and/or direct suppliers shall be appropriately trained.
- Business or management plan shall be established to demonstrate economic and financial viability.
- Mechanism shall be established to handle and document complaints and grievances.
- Internal audit shall be planned and conducted annually to ensure conformance to MSPO requirements.
- Management shall annually review its MSPO implementation to ensure its continuing suitability, adequacy and effectiveness.

* Not applicable to MS2751

Principle 2: Transparency

- System or procedure(s) for transparent communication and consultation with stakeholders shall be established, documented and implemented
- A system or procedure(s) for traceability along the supply chain shall be established and documented whereby traceability starts at the plantation and/or smallholding. Traceability model starts at oil palm dealer/palm oil mill. A system or procedure(s) for traceability along the CoC shall be established and documented.
- Documented procedure for handling nonconforming palm oil products and/or documents.
- Traceability Model: Segregation/Mass Balance.
- Use of MSPO logo and claims shall be in accordance with the MSPO certification scheme requirements.
- Mechanisms for fair/mutually agreed pricing of products and other services
- **Organisation shall subscribe to ethical conduct and anti-bribery in their business relations.***

* Not applicable to MS2751

Principle 3: Compliance to legal and other requirements

- The organisation shall comply with local, national and ratified international laws, conventions and regulations.
- Oil palm processing activities and handling facility shall not diminish the rights of other users.
- Customary rights shall not be threatened or reduced. Any conflict or land disputes shall be resolved in accordance with a Free Prior Informed Consent (FPIC) process.*

* Not applicable to MS2751

Principle 4: Responsibility to social, health, safety and employment conditions

- **Social impact assessments shall be conducted with the participation of stakeholders.***
- Organisational activities shall be assessed and plans shall be established to mitigate the occupational safety and health risks, in line with legal requirements.
- Employment conditions comply with legal requirements and the ILO Decent Work Agenda.
- No forms of forced or trafficked labour as well as child labour are used. (Reference to 11 ILO Forced Labour indicators)
- Any form of discrimination and harassment is prohibited.
- **Triangular employment arrangements are practiced in line with legal requirements and the ILO Decent Work Agenda.***
- The organisation shall also ensure there is no retaliation against human rights defenders and
- Whistle-blowers.
- Other forms of social benefits can be offered by the employer to employees and their immediate families
- Children shall not be employed or exploited.
- Organisation shall respect the right of all employees to form or join trade union.

* Not applicable to MS2751

Principle 5: Environment, natural resources, biodiversity and ecosystem services

- Environmental policy shall be established.*
- Energy use, including renewable energy, shall be optimised and monitored where applicable
- Waste management and disposal
- Organisation shall identify GHG emissions sources and type from its respective processes and report to scheme owner on annual basis.
- Establish a water management plan to prevent pollution and maintain the quality and availability of water resources.
- Information shall be collected in the surrounding of operating site and appropriate measures taking into consideration of relevant HCV categories.*
- Zero burning practices.*

* Not applicable to MS2751

BSWG Question on Meaning of "New establishment" in Part 4s

- The forestation and land-use change in MSPO Part 4-1, 4-2 and 4-3 is referring to the prohibition of establishment/building/construction of facilities on natural forests, protected area and HCV area.
- MSPO Standard 2022 does not prohibit the usage of feedstock derived from land-use change for HCV and peatland if the MSPO certificate holders choose Mass Balance as its traceability model under Principle 2: Transparency, Indicator 6: Traceability Model in MSPO Standards. The Mass Balance model allows for mixing the MSPO and non-MSPO certified palm oil products at any stage in the supply chain provided that overall site quantities are controlled.
- However, if the MSPO certificate holders choose Segregation as its traceability model, they shall establish procedures and record keeping that MSPO SG products are kept segregated from non-SG products (including during processing, transportation and storage) to strive for 100% separation.

BSWG Question on New planting cut off date for protected areas and High Conservation Value areas

- WG noted that the draft MSPO standards include the criterion of no conversion of natural forest, protected areas and High Conservation Value areas after December 31, 2019.
- On the other hand, RSPO 2013, which is the reference for the sustainability criteria required by the FIT system, sets the reference date as 2005, while RSB, which is recognized as a certification that can confirm the main product other than RSPO 2013, sets the reference date as 2008.
- WG observed that the difference between 2005 and 2019 is too large and that this item cannot be recognized as confirming the sustainability required by the FIT system, comparing with the difference between 2005 and 2008 as in RSB.
- For reference, it is also noted that the FIT criterion of “In the development of farms, new plantings since a certain period have not replaced primary forest or any area with high biodiversity value. “ is applied to only primary product biomass and not to PKS and palm trunks

MPOCC Respond: New planting cut off date for protected areas and High Conservation Value areas

- MSPO standards include the criterion of no conversion of natural forest, protected areas and High Conservation Value areas after December 31, 2019.
- This is in consideration of Malaysian Government mandatory implementation of MSPO certification to all oil palm growers and palm oil mills beginning 1 January 2020. This date will ensure all the oil palm growers, especially independent smallholders will be included in MSPO certification. It will be unfair to establish a cut off date before the mandatory implementation of MSPO certification as this will alienate oil palm growers that comply to MSPO certification but was developed after 2005 or 2008 (as determined by RSPO & RSB).
- MSPO certification is unique as it is supported by Malaysian regulation to be mandatory implemented, and this will ensure the sustainability is practice to the whole palm oil industry.
- In another note, the draft proposal for a regulation of the EU Parliament and Commission on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 has mentioned that the cut off date for its due diligence practice will be on 31 December 2020. As such, MSPO standards no conversion of natural forest, protected areas and High Conservation Value areas after 31 December 2019, is inline with the EU proposal.

BSWG Question on Consideration for land use change (conservation of peatlands)

- Regarding the criterion “New plantings/establishments on peat land, terrain/slopes exceeding 25°/300m above sea level, fragile and marginal soils are avoided unless permitted by local legislation.”, WG observed that it was necessary to confirm the extent to which it was not permitted by the “local legislation”.
- We would like to know the extent to which it is not permitted by local legislation.

MPOCC Respond: Consideration for land use change (conservation of peatlands)

- The criterion “New plantings/establishments on peat land, terrain/slopes exceeding 25°/300m above sea level, fragile and marginal soils are avoided unless permitted by local legislation.”
- This due to the Malaysian Constitution that stated land and natural resources are under the preview of State Government and has the right to develop their land following their local legislation.
- Any new plantings/establishments on peat land, terrain/slopes exceeding 25°/300m above sea level, fragile and marginal soils will need an Environmental Impact Assessment (EIA) report verified by Department of Environment before submitting the EIA to relevant State Development Committee for approval.
- MSPO standards address the conservation of peatlands through the criterion of no conversion of natural forest, protected areas and High Conservation Value areas after December 31, 2019.
- Even though new planting /establishments on peat land terrain/slopes exceeding 25°/300m above sea level, fragile and marginal soils are permitted by local legislation, they will need to do High Conservation Value (HCV) assessment before developing the land.
- If the HCV assessment result categorize the land as High Conservation Value areas, they will not be eligible for MSPO certification.
- This will indirectly, prevent High Conservation Value peatland from being certified with MSPO.

BSWG Question on Supply Chain Certification

- It was confirmed that the CoC certification scheduled to be completed in Jun 2022 is applicable to PKS and palm trunks, and the SCCS, which has already been released, applies to palm oil.
- The SCCS was confirmed to meet the criteria required by the FIT system.
- On the other hand, as for PKS and palm trunks, it is necessary to wait for the completion of the CoC certification in next year, and it was decided to hold off on final decision of whether the criterion meets FIT system.

MPOCC Respond: Supply Chain Certification

- MSPO Chain of Custody of Oil Palm Biomass (MSPO CoC Biomass) has been launched on 22 March 2022.
- Currently, MPOCC is conducting pilot audit for the MSPO CoC Biomass.
- MPOCC will draft a new scheme document which will cater for any other non-mandatory MSPO Standards.
- This will follow by appointment of Endorsed Training Provider (ETP) to train auditor for MSPO Standard series and CoC Biomass and accreditation of Certification Bodies by Standard Malaysia.
- As such, we estimate that the CB could start auditing process for the MSPO CoC Biomass beginning 1 January 2023.



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CERTIFICATION
COUNCIL



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