

Malaysian Sustainable Palm Oil

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INTRODUCTION

There are numerous definitions for sustainability and sustainable development, and all of them refer to the three pillars of sustainability – people, planet and profitability. The most commonly quoted definition for sustainable development is based on the Brundtland's Commission Report, which states that 'sustainable development is development that meets the needs of the present without compromising the needs of future generations to meet their own needs'. Definitions of sustainability differ based on the situations and purposes. For the oil palm industry, the oil palm is an agriculture crop, thus sustainability means complying with the requirements of sustainable agriculture. The requirements include production of safe, high quality oil palm fruits in a manner that protects the environment, social and economic conditions of growers, health and safety of workers, best practices and surrounding community.

The oil palm industry has increased the quality of life of the poor in Malaysia and can be clearly seen in the success of the Federal Land Development Authority (FELDA) scheme. However there is still a need to expand the industry to cater to the needs of the poor in the East Malaysia. The expansion

and development have to be carried in a sustainable manner to preserve the environment and at the same time enhance the living of the poor. With the pressure on the oil palm industry to incorporate sustainability in their day to day business, it is imperative that a national standard be developed with requirements based on sustainable agriculture and the local operations. Hence the development and publication of the Malaysian Standard

(MS) on sustainability come at an opportune moment, because the viability of the oil palm industry will depend on the implementation of sustainability principles.

CURRENT STANDARDS

Currently, there are a few certification systems on sustainability, however only two are specific for palm oil and they are Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO). With the publication of Malaysian Standard (MS) on Malaysian Sustainable Palm Oil (MSPO), the third standard on palm oil is now available to the oil palm fraternity. Besides these, other certification system are the International Sustainability and Carbon Certification (ISCC) and Roundtable Sustainable Biofuel (RSB). RSPO was established by the oil palm business fraternity while MSPO and ISPO are both government initiatives to assist the industry to comply with sustainability requirements. ISCC and RSB are

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certification system based on EU Renewable Energy Directives. In Malaysia, some of the oil palm industry have subscribed to the RSPO and ISCC certification systems.

MALAYSIAN STANDARD (MS)

The MS on MSPO was published in September 2013 and was officially announced to the oil palm community at the last MPOB International Palm Oil Congress (PIPOC) 2013 by the Deputy Prime Minister. The MS comprises four parts, which includes general principles, independent smallholders, plantation and organised smallholders, and mills. It is registered at Standard Malaysia under MS 2530:2013.

The four parts of MSPO are as follows:

- a. Part 1: Guidelines for Malaysian sustainable palm oil.
- b. Part 2: General principles for independent smallholders.
- c. Part 3: General principles for oil palm plantations and organised smallholders.
- d. Part 4: General principles for palm oil mills.

They cover the general requirements of sustainability criteria and are applicable to the three sectors in the supply chain, where most of best practices are carried out. The requirements included the development and operation of the three sectors, where all the four parts consisting of seven principles are as follows:

Principle 1: Management commitment and responsibilities

These encompass policy on the implementation of MSPO, inter-

nal audit based on MSPO requirements, management review and continual improvement.

Principle 2: Transparency

Premises shall provide relevant information required under this MSPO principle in a transparent manner and shall also be transparent during communication and consultation. Traceability is to ensure that the product can be traced to sustainable raw materials.

Principle 3: Compliance to legal requirement

Premises subscribing to MSPO requirements shall abide to all regulatory requirements, legal land use rights and customary rights.

Principle 4: Social responsibility, health, safety and employment condition

Under this principle, social impact assessment has to be conducted, complaints and grievances must be addressed, there should be commitment to contribute to local sustainable developments, employee's health and safety, employment conditions and training to enhance competency of the workers.

Principle 5: Environment, natural resources, biodiversity and ecosystem

There should be an environmental management programme, efficiency of energy use and use of renewal energy, waste management and disposal, reduction of pollution and emission, natural water resources, status of rare, threatened or endangered species, high biodiversity value area and zero

burning practices. Under this principle two issues that concerns most of the industry are greenhouse gas (GHG) and zero burning. Haze occurs regularly in the middle of the year due to burning and this is one of the courses of GHG emissions.

Principle 6: Best practices

Implementation of standard best practices or aspects of a company's practices or operation is a requirement under this principle. These include site management, economic and financial viability plan, transparent and fair pricing deals and also subcontracting of some of the operations to others.

Principle 7: Development of new planting

Some areas are not allowed for planting agricultural crops. These areas cover high biodiversity values areas, deep peat land and planting on steep terrain and/or on marginal and fragile soils. The company, after conducting social and environmental impact assessment shall ensure that the planting of oil palm does not have negative impact on the surrounding communities; soil survey, carried out, will ensure appropriate agronomic practices are used by the plantation and customary right land demonstrates prior and information consent.

Each of these principles is supported by criteria and indicators. The criteria and indicators will direct the users on the actions to be taken by the company to implement MSPO requirements. Besides the four parts of MSPO standards, a set of guidance has to be drawn up with the objective to guarantee harmonious and credible auditing of the standard.

Certification Scheme

Application

The auditee is required to submit an application to the MSPO Secretariat. The information submitted will be checked for its authenticity before proceeding to the actual auditing by the certification body. The certification body (CB) will follow the certification procedure as shown on *Figure 1*.

Certification Procedure

The certification scheme of MSPO will be conducted by independent and competent CB, which must comply with requirements of ISO 17021 or other accreditation system acceptable universally. The auditing process will be conducted according to the procedure in *Figure 1*. The CB will identify the lead auditor and audit team, who will initiate the auditing procedure. The lead auditor will draw up the Phase 1 audit plan and inform the auditee on a suitable date for the audit to take place. Once the auditee agreed on a date, the audit plan will be sent to the auditee and Phase 1 audit will take place as agreed. All the audit findings will be reported and if there are non-compliances observed, the auditee has to take corrective action to ensure compliance. Once the lead auditor accepted the corrective actions undertaken, then the next step is to do Phase 2 audit. The same steps in Phase 1 are followed starting from informing the auditee on the Phase 2 audit until the completion of the corrective actions. Once the lead auditor is satisfied with the corrective actions taken, then the report will be submitted to the CB Certification Panel.

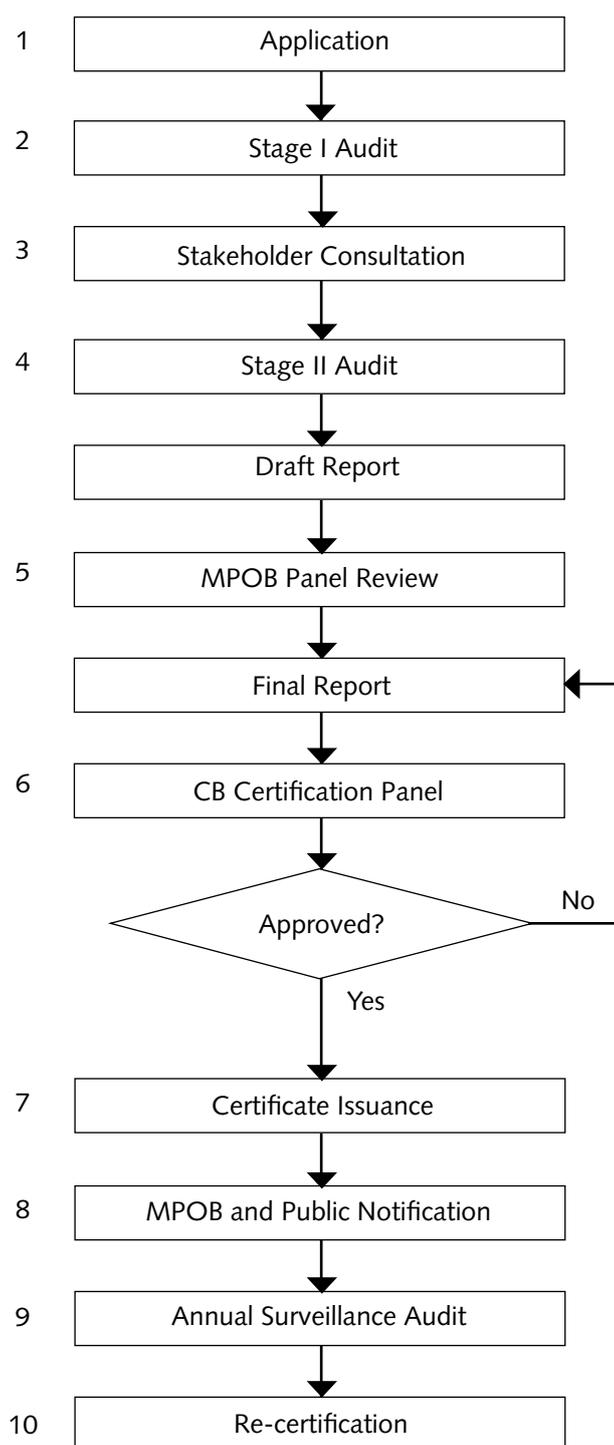


Figure 1. Certification procedures of MSPO certification scheme.

Traceability

The MS provides guidance for quantifying and communicating and verifying the sustainability of MSPO. It requires a defined goal and scope from the auditee for

producing Malaysian sustainable palm oil. The MSPO will provide the following benefits to companies, public bodies, consumers, industry and regulatory bodies, with the consistency, flexibility and accountability for quantification and

communication of the actual audits undertaken. The transparency requirement throughout will enable the interested parties to see the relevance and applicability of the MS for different sectors and geographical areas where the fruit bunches are obtained by using the common methodology that is consistent with the MS requirements. The different stages *viz.*, 1, 2 and surveillance facilitate the continuous monitoring of the sustainable production of palm oil in reducing the environmental impact includ-

ing the GHG emissions thereby achieving continuous improvement within each sector. Over time the credibility of MSPO and the sourcing of sustainable raw material will be strengthened through the transparent performance, tracking and progress reporting.

CONCLUSION

The MS on MSPO, when implemented, will minimise ambiguity and allow players and contributors along the supply chain use the

reference methodology in the MS. This is to reduce the environmental impact; assist buyers of MSPO to make better purchase decision; invoke better appreciation of both the suppliers in the supply chain and the buyers of the MSPO of the seriousness of the informed process laid out by MS. The genuine efforts made by all contributors and suppliers along the supply chain will enhance the market awareness and access to MSPO's sustainability and minimised environmental impact to combat climate change.