

Introduction to Malaysian Sustainable Palm Oil (MSPO)

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NEED FOR SUSTAINABLE DEVELOPMENT

The following is the draft proposal of the forthcoming Malaysian Sustainable Palm Oil (MSPO) audit programme tailored for the mills. It has been presented to the industry for comments.

NECESSITY FOR RECORDS

Some of the guidelines given below are for the millers' information and for groundwork preparation. In this context, documentation plays an important role in most cases. As its role is very important for certification, we are adding the abbreviations ('record' or 'evidence') where appropriate, so that the millers can start creating records. The mills that have such records will be right on track for getting MSPO certification. In the final version of the MSPO there may be some minor amendments. The documentation requires a large volume of information. This may be a cause for concern to the millers as they may fear that such voluminous

documentation could be time-consuming. This issue can be addressed by creating a file under Microsoft Word with three columns: section reference, requirement and response by the mill. All that is required is addition of data in the third column that can be carried out by a clerical staff.

MANAGEMENT COMMITMENT AND RESPONSIBILITY

Malaysian Sustainable Palm Oil Policy

A policy for the implementation of MSPO shall be established (record). The policy shall also emphasise a commitment to continual improvement. *The requisites for this are records of the following: sustainability policy, dissemination of this to workers, environment, safety and health, sustainability and continual improvement.*

Internal Audit

Internal audit shall be planned and conducted regularly to determine the strong and weak points and potential areas for further improvement (record/evidence).

Process and results of internal audit shall be documented and evaluated, strength

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and non-conformities shall be identified, investigation for the root causes and corrective action be carried out whenever necessary (record/evidence).

Report shall be made available to the top management for review. *The requisites for this are records of the following: frequency of audits, auditors, strong points, weak points, root causes, corrective action, verifications, audit reports and summary.*

Management Review

The top management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification. *The requisites for this are records of the following: management review members, minutes, changes and implementation.*

Continual Improvement

The action plan for continual improvement should be based on consideration of the main social and environmental impacts and opportunities of the company (record/evidence).

The company should establish a system to improve practices in line with new information and techniques or new industry standard and technology that is available and feasible for adoption and disseminating this information throughout the work-force (record/evidence).

An action plan to provide the necessary resources including training, to implement the new techniques or new industry standard or technology (where applicable) should be established (record/evidence). *The requisites for this are records of the following: opportunities, new techniques, new environmental impacts, social impacts information, new standards, training plan and programme, contents and attendance.*

TRANSPARENCY

Transparency of Information and Documents Relevant to MSPO Requirements

The management shall communicate the information requested by the relevant stakeholders in the appropriate languages and forms except those limited by commercial confidentiality or disclosure that would result in negative environmental or social outcomes (record/evidence).

Management documents should be publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes (record/evidence).

Transparent Method of Communication and Consultation

Procedures shall be established for consultation and communication with the relevant stakeholders. *The requisites for this are: standard operating procedure (SOP) and its availability (record/evidence).*

A management official shall be nominated to be responsible for issues related to indicator at each operating unit (record/evidence). *The requisites for this are: nomination of management representative for each operating unit.*

List of relevant stakeholders, records of all consultation, communication and action taken in response to input from stakeholders shall be properly maintained. *The requisites for this are: list of stakeholders, record of communication and consultation, input from stakeholders and responses (record/evidence).*

Traceability

The management shall commit itself to implement and maintain the requirements

for traceability and shall establish SOP (record).

The management shall conduct regular inspection on traceability regarding compliance with this standard (records).

The management shall identify and assign suitable employees to implement and maintain the traceability system (evidence).

To keep records of storage, sales, delivery/transportation of sustainable products with respect to sustainable products (records).

Where required, the reporting of related greenhouse gas (GHG) emissions or GHG reduction (record).

COMPLIANCE TO LEGAL REQUIREMENTS

Regulatory Requirements

All operations are in compliance with applicable local, national and ratified international laws and regulations. *The requisites for this are: documented references on local, national and international law (record).*

The management shall list all laws applicable to their operations in a legal requirements register (LRR). *The requisites for this are: list of laws and regulation, legal register: SOP for control and updating (record/evidence).*

The LRR shall be updated as and when there are any new amendments or any new regulations coming into force (record).

The management shall assign a person responsible to monitor compliance and to track and update the changes in regulatory requirements. *The requisites for this are records of : person in-charge, responsibility and authority (record).*

Legal Land Use Rights

The management shall ensure that their palm oil milling activities do not diminish the legal land use rights of other users recognised in accordance to the country and /or state laws. *The requisites for this are records of the following: land ownership, land title, legal use of the land and rental agreement (evidence).*

The management shall provide documents showing legal ownership or lease, history of land tenure and the actual legal use of the land. *The requisites for this is record of he following: site history.*

Legal parameter boundary markers should be clearly demarcated and visibly maintained on the ground. *The requisites for this is record of boundary demarcation.*

Where there are, or have been, disputes, documented proof of legal acquisition of land title and fair compensation that have been or are being made to previous owners and occupants; and that these should have been accepted with free prior informed consent (FPIC), record should be made available.

Customary Rights

Where lands are encumbered by customary rights, recognised in accordance to the country and/or state laws, the company shall demonstrate that these rights are understood and are not being threatened or reduced (evidence).

Maps of an appropriate scale showing extent of recognised customary rights should be made available.

Negotiation and FPIC shall be recorded and copies of negotiated agreements should be made available (record).



SOCIAL RESPONSIBILITY, HEALTH, SAFETY AND EMPLOYMENT CONDITION

Social Impact Assessment

Social impacts are identified and plans are implemented to mitigate the negative impacts and promote the positive ones. *The requisites for this are records on: Environmental Impact Assessment (EIA) report and recommendation, environmental programmes and records of monitoring (record).*

Complaints and Grievances

A system for dealing with complaints and grievances shall be established and documented. *The requisites for this are: SOP for handling of complaint and grievances.*

The system should be able to resolve disputes in an effective, timely and appropriate manner which is accepted by all parties. *The requisites for this are records showing root causes and action taken.*

The complaint form should be made available at the premises, where employees and affected stakeholders can make a complaint. *The requisites for this are: complaint form and records of documented suggestions.*

Records showing employees and the surrounding communities have been made aware that complaints or suggestions can be made at any time.

Complaints and resolutions for the last 24 months shall be documented and shall be made available on request (record).

Commitment to Contribute to Local Sustainable Development

Growers should contribute to local sustainable development in consultation with the local communities (evidence).

Employees' Health and Safety

An occupational health and safety policy and plan which is in compliance with OSH Act 1994 and Factory and Machinery Act 1967 (Act 139) shall be documented, effectively communicated and implemented. *The requisites for this are: OSH policy, objectives, communicated to employees and employees' understanding.*

The safety and health (OSH) plan shall cover a safety and health policy, which is communicated and implemented; and the risks of all operations shall be assessed and documented (record).

An awareness and training programme which includes the following requirements for employees exposed to hazard chemicals and working at high risk area:

- adequately trained on safe working practices;
- all precautions attached to products should be properly observed and applied; and
- appropriate personal protective equipment (PPE) are used.

The management shall provide the appropriate PPE at the place of work to cover all potentially hazardous operations such as welding, machine operation, oxy-acetylene cutting, working in high rise areas, chemical analysis and pesticide application.

The management shall appoint responsible person(s) as safety and health officer(s) responsible for employees' health and safety. The appointed person(s) of trust must have knowledge about and/or access to recent national labour regulations and collective bargaining agreements.

The management should conduct regular two-way communication meetings with

their employees on issues affecting their business. Issues related to employee health, safety and welfare can be discussed openly. Records from such meetings are kept and the concerns of the employees as well as any remedial actions taken are recorded.

Accident and emergency procedures should exist and instructions should be clearly understood by all employees.

Employees trained in first aid should be present at all mill operations. A first aid kit equipped with approved contents should be available at each worksite.

Records should be kept of all accidents and periodically reviewed at safety committee meeting every three months: OHS policy (record).

Employment Conditions

The management shall establish policy on good social practice regarding human rights in respect of industrial harmony. The policy should be signed by the management and communicated to the employees. *The requisites for this are: records of good social policy, communication with employees and employees' understanding.*

The employment conditions shall comply with equality principles. The management shall provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristic. Management shall not engage in or support discrimination practices (record).

Management shall ensure that workers' pay and conditions meet legal or industry minimum standards and/or as per agreed collective agreements. The living wage should be sufficient to meet basic needs and provide some discretionary income. *The requisites for this are: collective agreements and pay slip (record/evidence).*

The management shall establish records that provide an accurate overview of all employees (including seasonal and subcontracted workers on the premises). The records should contain full names, gender, date of birth, date of entry, job description, wage and the period of employment.

All employees shall be provided with fair legal contracts that have been signed by both employee and employer. Copies of employment contracts are made available for each and every employee indicated in the records. *The requisites for this are: records of contract, appointment letter and employment records.*

The management should establish a time recording system that makes working hours and overtime transparent for both employees and employer. *The requisites for this are: records of attendance and overtime work.*

The working hours and meal breaks of the individual worker indicated in the time records shall comply with legal regulations and/or collective bargaining agreements. Overtime work shall be mutually agreed and shall meet the applicable legal requirement. *The requisites for this are records of collective agreements and overtime rate.*

Wages and overtime payment documented on the pay slips shall be in line with legal regulations and/or collective bargaining agreements. *The requisites for this are records of pay slip and overtime slip.*

Other forms of social benefits should be offered by the employer to employees, their families and/or community such as incentives for good working performance, bonus payment, professional development, medical care and health provision and improvement of the family and social surroundings. *The requisites for this are: records of incentives, bonus, recreational activities, Family Day, Hari Raya and medical care.*





In cases where on-site living quarters are provided, these quarters should be habitable and have basic amenities and facilities in compliance with the Workers' Minimum Standards Housing and Amenities Act 1990 (Act 446) or any other applicable legislation. *The requisites for this are: records of quarters condition, potable water supply, electricity supply, domestic waste disposal, recreational facilities and children care centre).*

The management shall establish a policy to prevent all forms of sexual harassment and violence at the work-place. *The requisites for this are: records of sexual harassment policy and the procedure for handling of such offences.*

The management shall respect the right of all employees to form or join trade unions and to facilitate collective bargaining in accordance with applicable laws and regulations. Employees shall be given the freedom to join a trade union relevant to the industry or to organise themselves for collective bargaining. Employees must have the right to organise and negotiate their work conditions. Employees exercising this right should not be discriminated against or suffer repercussions. *The requisites for this are: records of workers' union members and minutes of meeting.*

Children shall not be employed or exploited. The minimum age shall comply with local and national legislation. Work by children below 18 years old is prohibited in palm oil mills (regulatory). *The requisites for this are: records of children's education facilities, nursery, pre-school, school and employment of children.*

Training and Competency

All employees, contractors and relevant suppliers shall be appropriately trained. A training programme (appropriate to the scale of the organisation) that includes regular assessment of training needs

and documentation, including records of training are kept. *The requisites for this are records of training need assessment, training programme, content of training and record, and assessment.*

Training needs of individual employees shall be identified prior to the planning and implementation of the training programmes in order to provide the specific skill and competency required by all employees based on their job description. *The requisites for this are: records of individual training and on the job training.*

A continuous training programme shall be planned and implemented to ensure that all employees are well trained on their job function and responsibility in accordance to the documented training procedure. *The requisites for this is: records of yearly programme.*

ENVIRONMENT, NATURAL RESOURCES, BIODIVERSITY AND ECOSYSTEM SERVICES

Environmental Management Programme

An environmental policy and plan shall be in compliance with the relevant country and/or state environmental laws and be documented, effectively communicated and implemented. *The requisites for this are records of environmental policy, communicated to employees and employees' understanding of the policy.*

The documented environmental management plan shall cover the following:

- an environmental policy and objectives; and
- the aspects and impact analysis of all operations.

An environmental improvement plan to mitigate the negative impacts shall be developed, implemented and monitored (record).

A documented programme to promote the positive impact should be included in the continual improvement programme.

A documented awareness and training programme shall be established and implemented to ensure that all employees understand the policies and objectives of the environmental management and improvement plans, and work towards achieving the objectives (evidence).

Management shall organise documented regular meetings with employees where their concerns about environmental quality are discussed.

Efficiency of Energy Use and Use of Renewal Energy

Energy use including renewable energy consumption shall be optimised and closely monitored by establishing baseline values and observing trends within an appropriate time-frame. There should be a documented plan to assess energy usage including fuel, electricity and energy efficiency in the operations (record/evidence).

The palm oil mill shall assess the direct energy use for their operations, including fossil fuel, renewable energy and electricity to determine energy efficiency of their operations. This should include fuel use by contractors, including all transport and machinery operations. The assessment should be recorded.

The use of renewable energy should be applied where possible.

Waste Management and Disposal

All waste products and sources of pollution shall be identified and documented.

Waste management plan shall be developed and implemented, to avoid or

reduce pollution. The waste management plan should include measures for:

- identifying and monitoring sources of waste and pollution; and
- improving the efficiency of resource utilisation and recycling of potential wastes as nutrients or converting them into value-added by-products.

Appropriate documented disposal of hazardous chemicals and their containers as per national and/or state legislation should be carried out.

Scheduled waste shall be disposed as per Environment Quality Act (EQA) 1974 (Scheduled Wastes) Regulations, 2005 (record).

Domestic waste should be disposed as per local authority or district council requirements in accordance with the Ministry of Health Guidelines or Worker's Minimum Standards of Housing Amenities Act 1990 (Act 446) or any other applicable local legislation (record/evidence).

Greenhouse Gas Emission

A documented management plan to reduce GHG emissions relative to current fossil fuel shall be established and implemented.

The management shall identify, monitor and document GHG emissions related to product system, functional unit (1 t of crude palm oil and kernel), system boundary and the data, *e.g.* diesel, chemical, *etc.*

The ISO Standards should be used in GHG accounting with its policy-neutral standards for monitoring climate change, energy efficiency and use of renewable and carbon-neutral energy technologies based on best practices over the whole supply chain (record).



Reduction of Pollution and Emission

A documented assessment of all polluting activities shall be conducted, including GHG emissions, particulate/soot emissions, scheduled wastes, solid wastes and effluent.

Significant pollutants and emissions shall be identified and an action plan to reduce them shall be established and implemented (record).

The quality of emissions shall be regularly monitored to ensure compliance with the Environment Quality (Clean Air) Regulation 1978 of Environmental Quality Act 1974 (record).

Palm oil mill effluent (POME) shall be appropriately treated and discharged in compliance with the standard stipulated in the relevant Environmental Quality (Prescribed Premises) (Crude Palm Oil) Regulations 1977, Environmental Quality Act 1974. For Sabah and Sarawak, POME should be discharged according to the respective state policies and regulations (record).

Natural Water Resources

The management shall establish a water management plan to maintain the quality and availability of natural water resources (surface and ground water). The Water Management Plan may include:

- assessment of water usage and sources of supply; and
- monitoring of outgoing water (which may have negative impacts) into the natural waterways at a frequency that reflects current activities.

Ways to optimise water and nutrient usage to reduce wastage should be established and actions taken documented (e.g. having in place systems for re-use, night application, maintenance of

equipment to reduce leakage, collection of rainwater, etc.) (record).

The management shall establish a documented plan to gradually phase out open discharge into water course and plan toward zero discharge within a specified time-frame.

BEST PRACTICES

Mill Management

SOP are appropriately documented and consistently implemented and monitored (record/evidence).

All palm oil mill premises shall implement best practices according to the MPOB Codes of Practice or Malaysian Standards or ISO Standards or Industrial Standard (record/evidence).

Economic and Financial Viability Plan

A documented business or management plan shall be established to demonstrate attention to economic and financial viability through long-term management planning (record/evidence).

The management plan shall be effectively implemented and the achievement of the goals/objectives shall be regularly monitored, periodically reviewed and documented (record/evidence).

Transparent and Fair Price Dealing

Pricing mechanisms for the products and other services shall be documented and effectively implemented (record/evidence).

All contracts shall be fair, legal, transparent and agreed payments shall be made in timely manner (record/evidence).

Contractor

Where contractors are engaged, they shall be made to understand with the

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MSPO requirements and shall provide the required documentation and information (records/evidence).

The management shall provide evidence of agreed contracts with the contractor (evidence).

The management shall accept MSPO approved competent auditors to verify the assessments through a physical inspection if required (record/evidence).

The management shall be responsible for the tasks performed by the subcontractor by checking and signing off assessments of the subcontractor's work for each task and season contracted (record).



Appendix

**HOW TO CREATE PAPERLESS RECORDS
(a simple example for guidance)**

Mills do not have to create hundreds of conventional files. The following types of records can be sent to the company headquarters so that the senior management can monitor the progress of the modernisation of its mills, to meet the current demands of the market.

P1		Management Commitment and Responsibility
Section 1		Malaysian Sustainable Palm Oil (MSPO) Policy
	Requirement	Response by the mill
1.1	A policy for the implementation of MSPO shall be established (record)	Policy: kept in the file marked 'MSPO File' The policy disseminated every day to the workers during morning sessions (15 min per day) as follows: The speeches kept in the file, <i>Morning Sessions</i> . Sundays: <i>sustainability policy</i> . Mondays: <i>environment issues</i> . Tuesdays: <i>safety and health</i> . Thursdays: <i>worker's misconduct, sexual harassment</i> . Fridays: <i>worker's grievances</i> . Saturdays: <i>feedback from workers</i> .
1.2	The policy shall also emphasise commitment to continual improvement (record)	The mill plans to go for zero discharge of effluent by 2014. Trials are being conducted now to reduce the BOD to below 20 mg litre ⁻¹ . With the successful completion of the tertiary treatment system, we hope to achieve our target of zero discharge and 30% water savings by the year 2015.

Once the mills earnestly start an MSPO-based recording system, the entire outlook of the mill management is bound to change, probably culminating in a strong urge among them to make their mill the best in the region.

