PalmSphere, ...

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CIMB AT THE FOREFRONT OF ESG AND DECARBONISATION EVOLUTION IN THE PALM OIL INDUSTRY

ENVIRONMENT, SOCIAL, AND GOVERNANCE (ESG) HIGHLIGHTS WITHIN THE MALAYSIAN PALM OIL INDUSTRY



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Dear Readers,

Greetings and welcome to the second edition of "PalmSphere", the sustainability newsletter proudly presented by the Malaysian Palm Oil Council (MPOC). I invite you to explore the latest developments in our ongoing commitment to sustainability within the Malaysian palm oil industry.

This edition highlights our dedication to Malaysian Sustainable Palm Oil (MSPO), emphasising its crucial role in guiding our industry towards greater sustainability. The significance of the MSPO standards is highlighted in a recent report by the Trade and Agriculture Commission (TAC), an expert advisory group to the UK Government. The report indicates Malaysia's dedication to excellence in palm oil production and confirms that the MSPO certification scheme is the leading certification for sustainable palm oil. MSPO not only fulfils but surpasses the UK legislation's requirements, establishing Malaysian palm oil as a significant player in global sustainability initiatives.

Your feedback and active involvement are crucial in shaping a future where Malaysian palm oil is acknowledged for its quality and positive impact on the planet and society. I sincerely thank the industry partners and supporters for their dedication to our sustainability and ESG commitments. Together, we are steadfast in our pursuit of harmonising Malaysian palm oil production with nature, uplifting local communities, and upholding the highest ethical standards.

MALAYSIAN SUSTAINABLE PALM OIL (MSPO) STANDARD GAINS RECOGNITION FROM UK'S TRADE AND AGRICULTURE COMMISSION

The Trade and Agriculture Commission (TAC) has affirmed in an official report that Malaysian palm oil meets sustainable standards, advocating for a zerotariff rate and endorsing Malaysian Sustainable Palm Oil (MSPO) as a credible compliance tool under the UK's Environment Act 2021.



THE Trade and Agriculture Commission (TAC), an expert advisory group to the UK Government, has concluded in an official report that Malaysian palm oil is sustainable and that a zero-tariff rate for Malaysian palm oil would be beneficial, a news that has undoubtedly been received well by stakeholders within the sustainable Malaysian palm oil industry.

In an official report, TAC experts assessed that "Malaysia operates a mandatory deforestation-free standard [MSPO]", and so "there is a low risk that Malaysian palm oil exported to the UK would come from land that was deforested." The TAC Report also recommends to the UK Government that the MSPO standard should be accepted as a proven compliance tool for the UK's due diligence regulations established in the UK Environment Act 2021, which are currently being implemented.





The facts about Malaysia's commitment to palm oil excellence are clear. This new independent expert report demonstrates this reality. MSPO is the gold standard for sustainable palm oil certification. It can assure both importers and the UK authorities that all legal requirements are met and no deforestation has occurred."

Belvinder Sron, CEO of MPOC

Moreover, the expert analysis finds that the MSPO standard meets and exceeds the sustainability requirements mandated by UK legislation. It is clear from this detailed expert report that all domestic and international companies supplying the UK market can now have complete confidence in MSPO as a genuine verification tool for the UK market.



It is imperative to note the broader context surrounding the UK TAC report, particularly in light of the UK's recent accession to the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP) in 2023, with Malaysia as a founding member.



The experts were asked to analyse Malaysian palm oil due to pressures exerted by some vested interests, who opposed palm oil's inclusion in the CPTPP. Greenpeace and other traditionally anti-trade NGOs opposed the cuts in palm oil tariffs, claiming without evidence that deforestation could increase. The UK expert report has rejected this analysis, underscoring the victory of evidence-based analysis over misinformation.

In addition to support from experts, Malaysian palm oil has garnered political support at the highest levels of the UK Government as well. The UK's Business & Trade Secretary, Rt Hon Kemi Badenoch MP, has rejected scaremongering about palm oil, explaining on British television Sky News that "palm oil is a great product. It is in so many of the things we use."

There are potential benefits to the UK if more Malaysian palm oil is exported because of the higher sustainability standards in Malaysia compared with other countries. The next crucial step entails a formal recognition by the UK Government that the MSPO standard is a proven tool that complies with the UK's due diligence and associated regulations.

As the clear "legality standard" for Malaysian palm oil, MSPO is a ready-made compliance tool and deserves to be formally recognised by the UK Government.

Sources:

^{1.} https://research.wri.org/gfr/latest-analysis-deforestation-trends

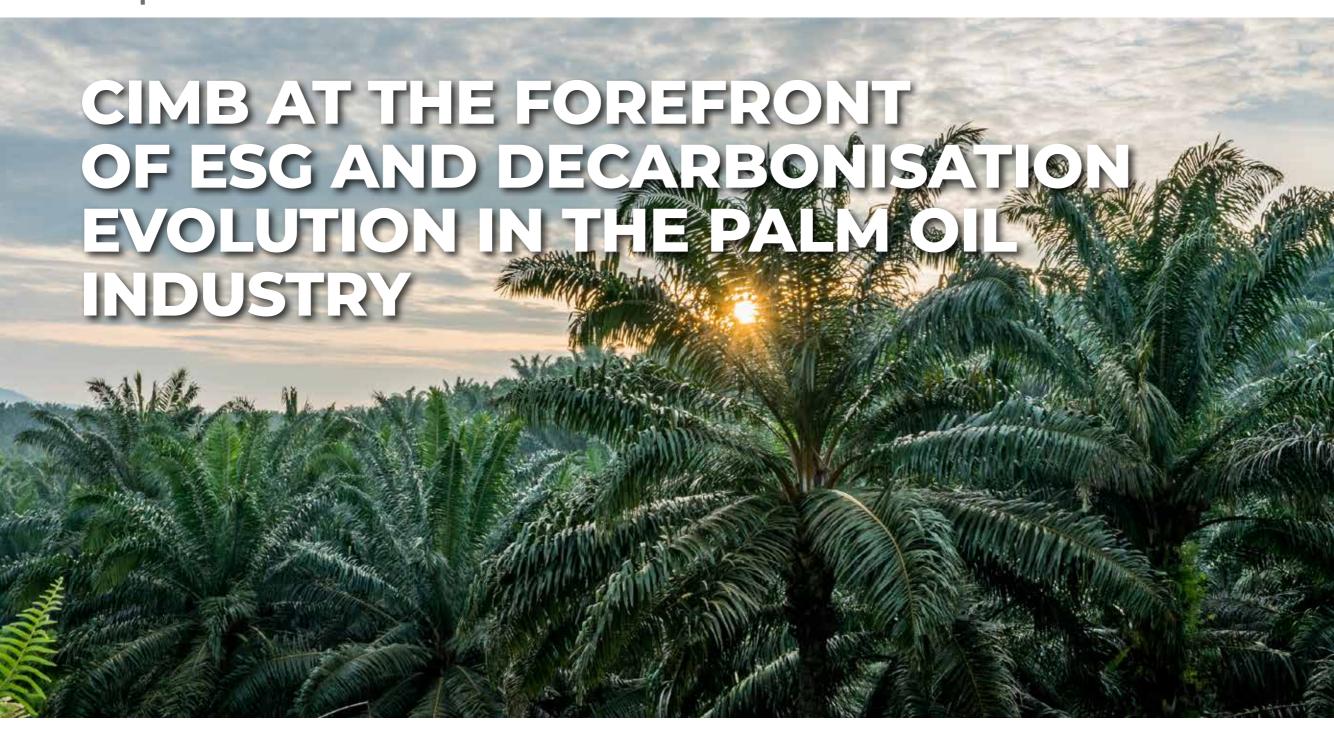
^{2.} https://www.theguardian.com/environment/2023/aug/07/progress-on-slowing-deforestation-could-boost-climate-efforts-say-experts-aoe

^{3.} https://fra-data.fao.org/assessments/fra/2020

^{4.} https://www.theguardian.com/politics/2023/apr/03/pacific-trade-deal-make-mockery-uk-climate-ambitions-cptpp

^{5.} https://www.fao.org/3/ca9825en/ca9825en.pdf





Luanne Sieh, Group Chief Sustainability Officer at CIMB Group, shares with PalmSphere the bank's approach to navigate evolving regulations such as the European Union Deforestation Regulation (EUDR) and its collaborations to boost decarbonisation efforts in Malaysia's palm oil sector towards Net Zero by 2050.

PART 1: SUSTAINABLE PRACTICES AND CERTIFICATIONS

CIMB emphasises the importance of sustainable palm oil production. Could you elaborate on the unique qualities of palm oil that make it indispensable globally and how CIMB view the challenges and opportunities associated with its production, especially in the Malaysian industry?

Palm oil is one of the most widely consumed oils globally. The overall demand for palm oil has tripled in the last 20 years, and its growth is set to continue as population and income growth result in greater demand for food and non-food products.

The prevalence of palm oil rests on several key attributes. Firstly, it boasts a high oil yield per hectare relative to other vegetable oils. It supplies over 32% of the world's vegetable oil demand on less than 8% of the total acreage of land used in vegetable oil production. This makes it an extremely efficient crop for oil production.

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Palm oil production is also responsible for employing over four million people across Malaysia as well as Indonesia, and more than 12 million others indirectly. This includes more than three million smallholder farmers in rural communities who depend on oil palm cultivation to sustain their livelihoods and are responsible for more than 40% of palm oil production in the region.

Despite its ubiquity and the numerous socioeconomic benefits of oil palm cultivation to producer nations such as Malaysia, palm oil has become a deeply controversial product. While the rate of primary forest loss in Malaysia has reduced to near record-low levels in recent years with supportive regulations, claims of deforestation and peatland clearance associated with oil palm cultivation in the last two decades have remained a subject of contention.

In addition, claims on social issues such as land conflicts and workers' rights have also contributed to the sector's negative associations, with companies facing increasing scrutiny on their labour practices and human rights protections for workers, indigenous peoples, and local communities.

How has CIMB incorporated No Deforestation, No Peat, and No Exploitation (NDPE) commitments into its Group Sustainable Financing Policy, and what specific targets has the bank set for 2030 for the Malaysian palm oil sector?

We incorporated NDPE commitments into our Group Sustainable Financing Policy back in 2022. CIMB requires all clients within the palm oil sector to have an NDPE commitment where a High Conservation Value (HCV) assessment is conducted before any land clearing activities can take place, ensuring all identified HCV areas are preserved, no development is undertaken on peatlands, and Free, Prior, and Informed Consent (FPIC) processes are respected throughout the development of land. We also require our clients to pursue nationally-led sustainable certifications, such as Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) where available, or Roundtable on Sustainable Palm Oil (RSPO) certification for their palm oil concessions.



Luanne Sieh, Group Chief Sustainability Officer, CIMB Group

As part of our broader efforts to encourage the growth of sustainable palm oil, we became the first bank globally to set an interim Net Zero target for our palm oil portfolio to reduce emissions intensity by 16%, from 1.81 in 2022 to 1.52 tCO2e/tCPO by 2030.

The decarbonisation target is based on the Science-Based Targets Initiative (SBTi) and Forest, Land and Agriculture (FLAG) guidance. These include Scope 1 and 2 emissions from plantation and milling clients, and Scope 3 upstream emissions associated with clients' sourcing of fresh fruit bunches (FFB) from suppliers.

We have set our targets based on the best possible information available, reflecting the urgency of climate change and the palm oil sector's contribution to it. Nevertheless, we have incorporated some degree of conservatism in our approach.

In the pursuit of greater accuracy and transparency, we will continue to monitor developments in climate science and advancements in reporting standards, updating our approach accordingly and proactively engaging with clients to support their sustainability reporting and decarbonisation plans.



Considering the socio-economic significance of palm oil, especially for smallholder farmers, how does CIMB plan to balance its sustainability goals while safeguarding the livelihoods of those involved in the palm oil production chain?

CIMB recognises that it is crucial to enable the inclusion of smallholders in the transition, thereby protecting and improving their livelihoods. However, traceability to plantation is a work in progress due to the challenging nature of FFB procurement from large numbers of independent smallholders (i.e., more than three million smallholder farmers in rural communities in the region) and the complex nature of multi-nodal supply chains.

At CIMB, direct engagement with these smallholders occurs primarily through our corporate clients, who procure FFB. For baselining and target-setting purposes, we have also included Scope 3 upstream emissions of integrated palm oil companies, which reflect the growing influence our clients have over the independent mills, traders and smallholders in their supply chain, as well as the role that larger producers can play to ensure smallholders are not excluded from the transition.

In addition to requiring NDPE commitment and sustainability certifications from our corporate palm oil clients as outlined in our Sustainable Finance Framework, we are keen to partner with key players and industry bodies to collaborate on further expanding the adoption of these sustainable practices amongst smallholders within their sphere of influence.

Currently,
CIMB offers
financing
to some
microfinance
players in rural
areas and may
potentially
extend similar
offerings to
microfinance
players
who lend to
smallholders.



PART 2: COMPLIANCE SUPPORT AND TRANSITION FACILITATION

With a Net Zero approach in the Malaysian palm oil sector, how does CIMB anticipate the impact of the European Union Deforestation Regulation (EUDR) on sustainable practices, and how will the bank support clients in adapting to these regulatory changes?

To support clients in adapting to these regulatory changes, CIMB adopts a supportive and collaborative stance. Recognising the potential financial and resource constraints, particularly for SMEs and smallholders, we aim to provide comprehensive assistance, including financial support and the provision of information and resources through internal expertise or collaborations with stakeholders. This collaborative effort seeks to guide our clients in meeting the compliance standards set by the EUDR, facilitating a smoother transition toward sustainable and traceable palm oil practices in alignment with the Net Zero approach.

The whitepaper mentions collaborating with the broader palm oil ecosystem. How is CIMB extending its engagement efforts to collaborate with regulators, NGOs, and other stakeholders to accelerate decarbonisation in the Malaysian palm oil sector, and what specific collaborative initiatives are in progress?

We consistently utilise our platform to help promote a well-rounded perspective on palm oil, emphasising its advantages and challenges. Our engagements also extend to collaborating with commodity finance and deforestation-focused NGOs to broaden our understanding of the challenges of palm oil and explore potential solutions together.



As guided by our Green, Social, Sustainable Impact Products & Services (GSSIPS) framework, we are also actively seeking opportunities to finance the adoption of sustainable agricultural practices, such as methane capture in palm oil mills to reduce emissions from palm oil mills effluent (POME), as well as installing solar panels to support operations and reduce dependency on diesel generators where access to the grid is limited, among others.



(Second from right) Luanne Sieh, Group Chief Sustainability Officer, CIMB Group participating in a panel discussion titled "Moving Forward Climate Finance: ASEAN Investment Framework for Haze-Free Sustainable Land Management" at COP28. Luanne spoke about the critical importance of mobilising climate finance to the palm oil industry, which is responsible for 3-5% of Indonesia's and Malaysia's GDP, employing more than 3 million smallholder farmers.

(Right) Gurdip Singh Sidhu,
Group Chief Operating and People
Officer, CIMB Group; and (Left) Yuki Yasui,
Glasgow Financial Alliance for Net Zero (GFANZ) at COP28. Gurdip
participated in a session titled "Promoting Inclusive Transition
Finance" alongside Yuki, sharing specific case studies on how
CIMB promotes inclusive transition finance across corporate, SME
and retail segments, as well as discussing how just transition
considerations were imperative in setting CIMB's net zero targets
for cement, thermal coal mining, power and palm oil.



PART 3: INDUSTRY TRANSFORMATION AND TECHNOLOGICAL INTEGRATION

In the context of supporting smallholder farmers, are there specific financial instruments or support mechanisms to empower smallholder farmers and rural communities in adopting climate-conscious growing, milling practices and obtaining certifications such as MSPO?

CIMB's GreenBizReady proposition (www.cimb.com.my/greenbizready) offers a one-stop sustainability ecosystem to accelerate ESG adoption for smallholders who operate companies of a smaller size. Through GreenBizReady, we provide a wide array of benefits, including financing for sustainability transition, complimentary training (e.g. Impacto's 12-month Programme), certification and advisory services, web tools for impact measurement, connections with service providers such as Earthworm Foundation to assist with social aspects, and support for green networking with bodies such as Hextar Biogas BEE for palm oil mills and Aerodyne for precision agriculture services.

CIMB's Sustainability-Linked Financing for SMEs (www.cimb. com.my/slf) is a pioneering value proposition, incentivising greenhouse gas emissions reduction targets through financing rebates of up to 0.50% per annum rebates. The programme integrates simplified client data input through the Low Carbon Operating System (LCOS) platform developed by Malaysian Green Technology and Climate Change Corporation. Combined with Bank Negara Malaysia's Low Carbon Transition Facility, SMEs can benefit further from better financing rates.

We also work closely with our corporate palm oil clients to actively bring together their suppliers, including the smallholders, in a sustainable ecosystem financing programme whereby decarbonisation targets of the smallholders and suppliers are set to align with the client's own Scope 3 ambition.



CIMB'S JOURNEY TOWARDS PROMOTING SUSTAINABLE PRACTICES WITHIN THE PALM OIL INDUSTRY:

- Development of CIMB's Palm Oil sector guide in 2019
- Adoption of an NDPE commitment in 2022
- Establishment of our interim 2030 Net Zero targets anchored on the science-based pathway for our palm oil portfolio

How does CIMB envision future developments in sustainability practices within the Malaysian palm oil industry, and what monitoring mechanisms will be in place to adapt to evolving standards and climate science?

Alongside integrating technological advancements, such as precision agriculture and the Internet of Things (IoT), to optimise resources and minimise environmental impact, we anticipate a significant focus shift towards enhancing traceability and transparency within the industry. Emissions measurement and reporting are expected to become standard practices, and leveraging digital tools to monitor production adherence to sustainability standards will be pivotal.

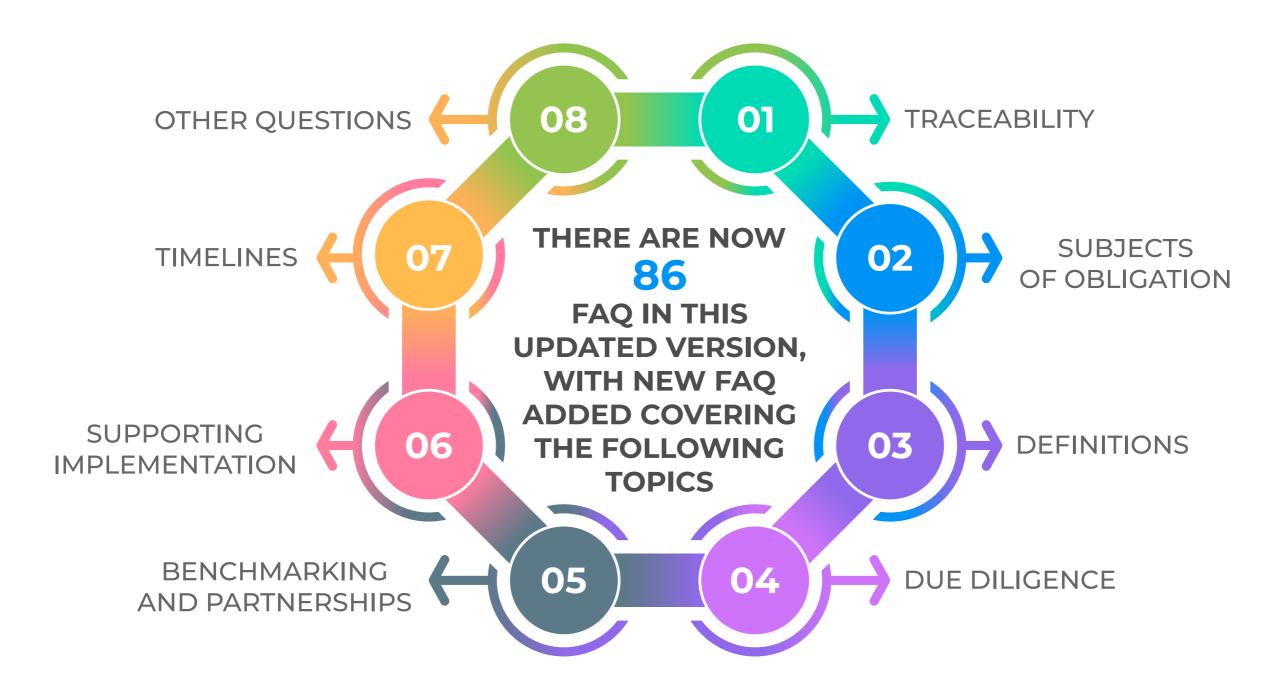
Additionally, industry players are expected to embrace green and sustainable finance, seeking funding for applications to improve their sustainability practices further. These may include biogas capture installations, research and development (R&D) on yield improvement, and the upskilling of workers with Good Agricultural Practices (GAP).

This transition is expected to be driven by continuous demand from buyers and civil society, growing public awareness and support levels, and an increasingly supportive regulatory environment. These were demonstrated by recent initiatives instituted by key actors in the palm oil ecosystem, such as MPOB, to develop reporting platforms that support traceability, trade, and deforestation-free certification as well as to navigate the recently implemented EUDR.



Addressing key concerns from producing countries is vital in ensuring a fair and just implementation of the EUDR.

THE updated Frequently Asked Questions (FAQ) released by the European Union (EU) on 22 December 2023 includes:





Some common queries addressed in the updated FAQ include confirmation on the geolocation requirements and data collection, criteria for "negligible risk products", and documentation of the due diligence exercise.

HERE ARE SOME OF THE IMPORTANT TOPICS CLARIFIED IN THE UPDATED FAQ:

- i. The definition of "global deforestation" has been provided
- ii. In the due diligence process, the "negligible risk" element only applies to relevant products and does not apply to commodities (there is no "risk status" per commodity in the Regulation)
- iii. The possibility of amending a due diligence statement
- iv. There will be no special treatment for smallholders; only additional support will be provided
- v. The definition of "date or time range of production" under Article 9
- vi. EU's confirmation that there will be no commodity-specific guidelines, but examples of best practices will be provided instead.

However, a number of important questions still required answering. This includes the methodology and baseline year for conducting the Country Benchmarking System (as this has not been finalised by the EU yet), the number of geolocation points that are deemed sufficient (no minimum numbers provided, as long as it can describe the parameter), and why soybean's derivatives are only selectively listed under Annex 1 (and not as extensive as per palm-based derivatives).

Malaysia and Indonesia raised these questions again in the 2nd EUDR Ad Hoc Joint Task Force (JTF) meeting held on 2 February 2024 in Putrajaya, Malaysia. They are currently awaiting the EU's updates on these issues. Both countries have also reiterated their earlier stand that the smallholders need more time and support, and have again urged the EU to consider deferring the implementation for the smallholders. Please visit the official EU website to access the entire document of the updated EUDR FAQ:

CLICK HERE TO DOWNLOAD





ENVIRONMENT, SOCIAL, AND GOVERNANCE (ESG) HIGHLIGHTS WITHIN THE MALAYSIAN PALM OIL INDUSTRY

Discover the diverse Malaysian sustainable palm oil industry players dedicated to environmental stewardship, social responsibility, and robust governance, setting benchmarks for sustainability.



FGV HOLDINGS BERHAD

Successfully achieved 100% MSPO certification for all mills since 2015.



GENTING PLANTATIONS BERHAD

Reforestation and rehabilitation project along Genting Wildlife Corridor to rehabilitate crucial wildlife habitat.



HAP SENG PLANTATIONS HOLDINGS BERHAD

Feb 2020: Obtained the MSPO Supply Chain certification for all mills.



IOI CORPORATION BERHAD

Dec 2021: Launched IOI Child Education initiative to provide additional educational platform access for its plantation employees' children in Sabah.



KUALA LUMPUR KEPONG BERHAD (KLK)

100% traceability from Palm Oil Mills (POMs) to Plantations/FFB Suppliers and 100% traceability from Refineries & Kernel Crushing Plants (KCPs) to POMs.



SIME DARBY PLANTATION BERHAD

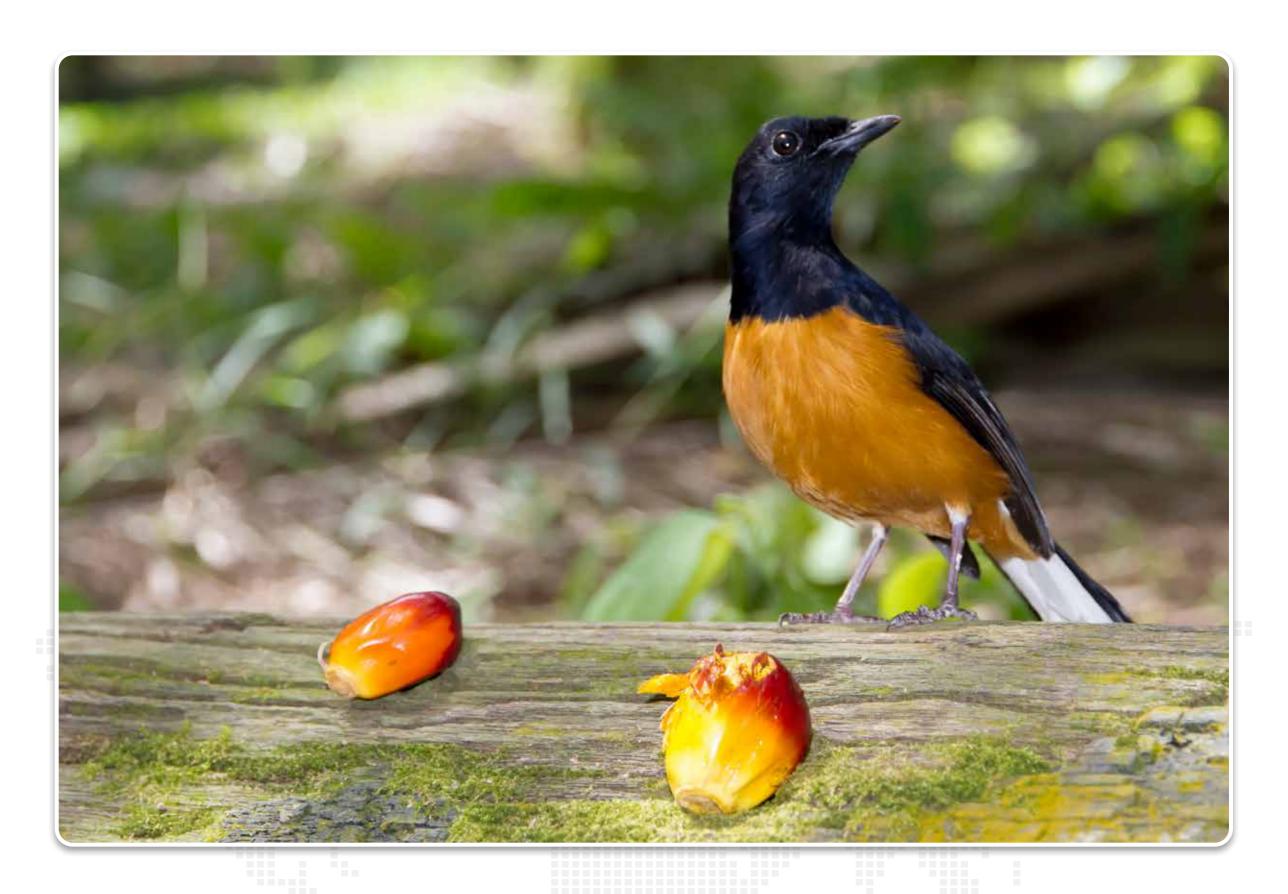
Dec 2023: The world's first palm oil company to have its near and long-term net-zero GHG emissions reduction targets approved by the Science Based Targets initiative (SBTi).

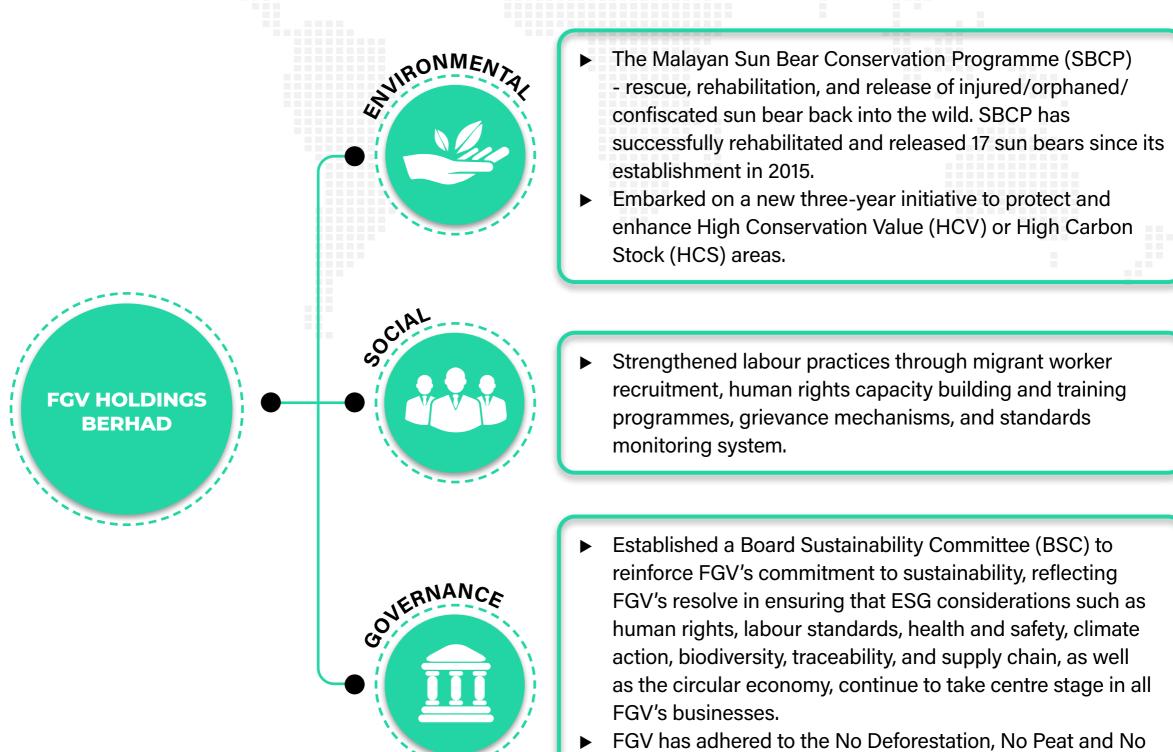


UNITED PLANTATIONS BERHAD

No. 2 ranking in the SPOTT ESG transparency assessment 2022 against 100 global palm oil producers, processors, and traders.







Sources: FGV Holdings Berhad Sustainability Report 2021 FGV Holdings Berhad SUSTAINABILITY PERFORMANCE AND UPDATES 2021-2022

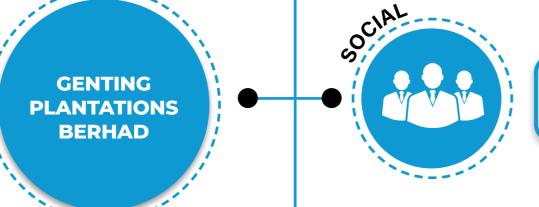
Exploitation (NDPE) policy since the inception of its Group

Sustainability Policy (GSP) in 2016.





► Conducting land assessments before land clearing to ensure new developments protect invaluable flora and fauna.



- ▶ Providing decent living wages for all employees.
- Providing housing and living necessities for all workers.



- ► Fully supports the NDPE policy, having embedded key aspects of this policy across all operational practices since 2015.
- ► Imposes strict standards for all suppliers to adhere to best practices in order to embed shared responsibility in maintaining a healthy and sustainable supply chain.

Sources: Genting Plantations Berhad Annual Report 2021
Genting Plantations Berhad Sustainability Report 2022



- Soil conservation practices as part of soil nutrient management.
- Sustainability Agriculture policy; no new development on peat areas regardless of depth.
- ► Monthly riparian monitoring to comply with the Sabah Water Resources Enactment 1998. To date, the company has maintained 1,056.74 hectares of riparian buffer area.
- Monthly patrols by monitoring team around forest reserve perimeter.



- ► Providing 2,651 hectares of land for infrastructure and residential facilities for employees and their families.
- Providing funds for non-profit NGOs, which provide education for thousands of children who live in plantations and other remote areas far from schools in Sabah.



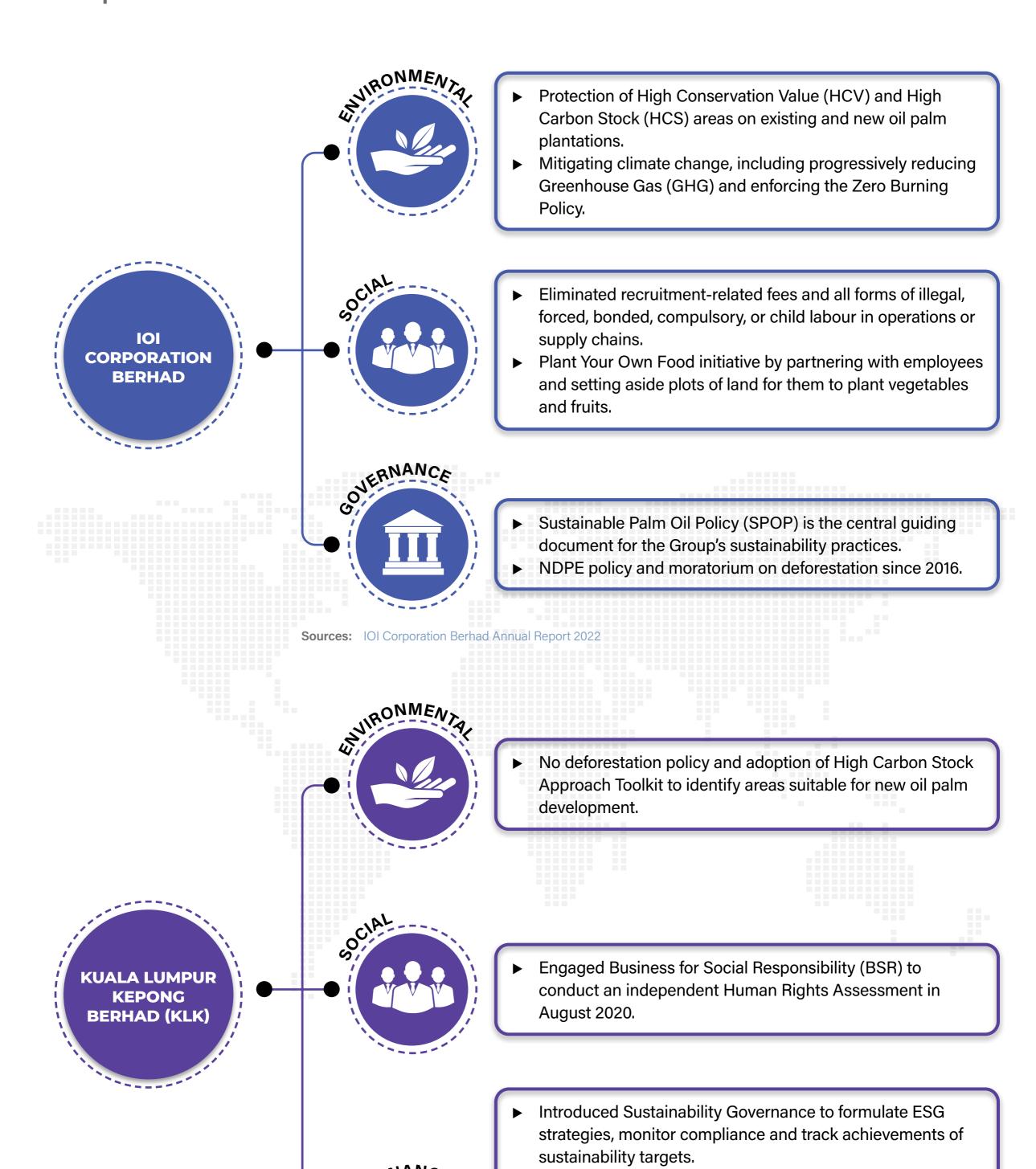
- Successfully achieved 100% MSPO certification in February 2018.
- ► Sustainability Reports (SR) are prepared according to the Global Reporting Initiative (GRI) Standards: Core Option and Bursa Malaysia's Sustainability Reporting Framework.

Sources: Hap Seng Plantations Holdings Berhad Annual Report 2021

Hap Seng Plantations Holdings Berhad Sustainability Report 2022

Hap Seng Plantations Holdings Berhad Sustainable Agriculture Policy





▶ 14% increase in Traceability to Plantations (TTP) for KLK Refineries & KCPs and a 2% improvement in Traceability to Mills (TTM) for KLK Oleochemical Plants.

Updates and publishes a suppliers' list on the website every

Compliance with Bursa Malaysia's Sustainability Reporting

Guide (3rd Edition) while aligning them with requirements

of both the Global Reporting Initiative (GRI) Standards and

the Task Force on Climate-Related Financial Disclosures

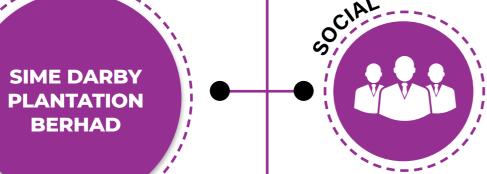
six months as part of its transparency commitment.

(TCFD).





- Kicked off the first phase of reforesting 400 hectares of peatland in its operations in Sarawak, East Malaysia, into a functional peat ecosystem with 30,000 seedlings provided by the Forest Department Sarawak in November 2023.
- Large-scale tree planting initiatives to boost sequestration and insetting/offsetting carbon footprint.
- Draw the Line Policy: Ensuring their supply chains are 100% deforestation-free by 2025.



Established Human Rights Charter (HRC) in 2017 as a guiding document on social-related commitments in line with fundamental human rights guidance, such as the Universal Declaration for Human Rights and the United Nations Guiding Principles (UNGP) on Business and Human Rights, revised in 2020.



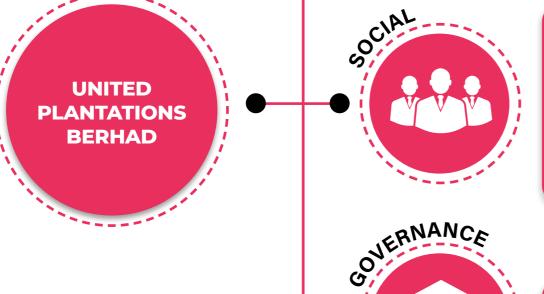
- Participation in the Palm Oil Collaboration Group (POCG) to address social issues, focusing on integrating human rights due diligence into management systems since 2020.
- Target of 100% traceability by 2025 by maintaining transparency of progress with supply chains through traceability and Crosscheck platforms.
- Assessing all supplying mills for compliance with NDPE policy requirements using the NDPE Implementation Reporting Framework (NDPE IRF) every six months.

Sources: Sime Darby Plantation Sustainability Report 2021

https://simedarbyplantation.com/sime-darby-plantation-is-worlds-first-palm-oil-company-with-fully-validated-net-zero-targets/ https://simedarbyplantation.com/sime-darby-plantation-kicks-off-400-hectare-peatland-restoration/



- Allocated 13% of the total planted area for conservation purposes.
- No Deforestation, no new development on High Conservation Value (HCV) areas, and no further development on peat soils regardless of depth.
- "Zero tolerance" to the killing of endangered and protected species, including orangutans.
- 62% reduction in its GHG emissions per kg of palm oil produced from 2004 to 2022, including indirect land use change (iLUC) and nature conservation.
- In line with the target of reaching a 66% reduction in GHG emissions per kg of palm oil by 2030.



- Implemented a Human Rights Policy in standard operating procedures that provides the over-arching principles to ensure their human rights commitments are upheld and operationalised throughout all business functions.
- Established Guest Worker Policy in 2021, including ethical hiring and employer-pay principles.

Newly acquired plantation, Tanarata Estate, successfully received MSPO certification in April 2022.

Sources: United Plantations Berhad Sustainability Report 2022





UK STAKEHOLDERS GROUP EMBRACING THE MSPO 2.0 CERTIFICATION SCHEME

With a focus on addressing challenges in the palm oil industry, the webinar underscored UK stakeholders' growing interest in MSPO, recognising its pivotal role in global supply chains.

In a recent webinar held on 30 January 2024, organised by the Malaysia Palm Oil Council (MPOC), the British High Commission and the UK Government's International Forests Unit came together to discuss the important role of the Malaysian Sustainable Palm Oil (MSPO) certification scheme in meeting UK and global sustainability requirements. The panel of speakers included David Wallace, Deputy British High Commissioner in Malaysia, and Belvinder Sron, CEO of the MPOC, among others. The webinar, attended by industry experts and UK business stakeholders, shed light on the way forward for sustainable palm oil production and consumption.

Gaining Insight into the Importance of MSPO

The webinar featured a detailed discussion on traceability and market access in the palm oil industry, with speakers exploring the challenges of traceability, emphasising the importance of transparency in supply chains and the need for pragmatic solutions to share information in a workable format.



The webinar highlighted the increasing interest of UK stakeholders in sustainable Malaysian palm oil, acknowledging its crucial role in global supply chains. Since 85% of 2022 palm oil imports in the UK are certified as RSPO-segregated, the focus is on addressing remaining challenges, particularly in traceability and assurance for derived products and by-products such as palm kernel expellers and palmbased oleochemicals. MSPO has emerged as a promising solution in bridging these gaps, providing a comprehensive framework for certified Malaysian sustainable palm oil production.

IMPORTANT TAKEAWAYS FROM THE WEBINAR:

MSPO Certification Landscape

92% of the Malaysian production area has achieved MSPO certification, signalling significant progress towards sustainability goals. However, support for smallholders remains crucial to achieving full certification coverage. Concerted efforts are being made to ensure that the 450,000 smallholders, who operate 26% of the total planted area, receive the necessary assistance and incentives to be included in the certification scheme.

- ▶ The conversation also delved into the implications of the EUDR legislation and the MSPO trace system, highlighting the efforts to meet regulatory requirements and industry market demands.
- Additionally, the speakers addressed traceability's complexities, including information availability for the general public and the challenges smallholders and farmers face in complying with traceability standards.
- ► The pivotal role of smallholders in the palm oil supply chain was also discussed, shedding light on the obstacles they face in obtaining certification. The speakers emphasised the need for inclusivity and sustainability in the industry, advocating for a holistic approach.
- ▶ The challenges related to land rights and economic sustainability for smallholders were also addressed, particularly in regions like Sabah and Sarawak. Furthermore, the potential for diversity and regenerative agriculture to unlock value in the palm oil industry was discussed while also touching on the impact of climate change and the need for resilience in smallholder engagement.



▶ The meeting also highlighted the complex challenges faced by South American agriculture, particularly the detrimental effects of a disease on crops, leading to scarcity and increased oil costs. The discussion emphasised the labour-intensive nature of managing the new resistant hybrid variety, which requires hand pollination, leading to higher labour costs. However, amidst these challenges, there is optimism in the potential of the new variety to offer higher productivity and sustainability, ultimately requiring less land for the same yield.

Voices from UK Stakeholders

Smallholder support is central to the transition to more sustainable land use, especially for independent smallholders. They are key agents for change in this sector, not least because of the volume of them working as producers but because that is where you have some interesting innovation.







MSPO Trace offers a reliable traceability process, enabling products certified under MSPO supply chains to be traced back to their origin. The MSPO 2.0 standards align with the EUDR requirements and industry market demands, reflecting a commitment to compliance and sustainable practices within the palm oil sector."

Mohd Hasbollah Suparyono,

Head, Industry Planning and Development of MPOCC

As the UK Sustainable Commodities Initiative, we look forward to initiating more conversations to find pragmatic solutions to meet everyone's needs. Collaboration is key; whether it is a manufacturer in the UK, a smallholder, or a government entity, we must work together to find these solutions. The evolving focus on biodiversity, regenerative agriculture, and climate initiatives is leading to innovative solutions and discussions that are quite exciting. I find that the shifting agenda, the move towards recognising biodiversity, regenerative agriculture, and climate agenda, all of these agendas that a few years ago were

working almost in isolation, now seem to be coming together

into quite innovative solutions and discussions, which I find

Emily Fripp,Founding Director of Efeca

Shaping a Sustainable Future

As the palm oil industry navigates the complexities of global sustainability requirements, MSPO stands out as a beacon of progress, providing a way forward for sustainable Malaysian palm oil production and consumption. The insights shared during the webinar highlighted the shared dedication of stakeholders to adopt sustainable practices and drive positive change within the industry.

exciting."_____

Moving Forward with MSPO

The webinar catalysed ongoing dialogue and cooperation between UK business stakeholders and the Malaysian palm oil industry. With MSPO at the forefront, there is immense potential to strengthen partnerships further, enhance sustainability practices, and create a more resilient and equitable Malaysian palm oil sector.

For more information on MSPO and its role in sustainable Malaysian palm oil production, visit the MPOC website and explore the available resources.



FREQUENTLY ASKED QUESTIONS (FAQ)

Your go-to guide for understanding the palm oil industry and gaining insights into sustainability, environmental impact, and industry practices.

QUESTION:

How can Malaysian palm oil's sustainability be assured and verified? Is its supply chain traceable and transparent?

MALAYSIAN palm oil is subjected to a mandatory sustainability certification scheme, the Malaysian Sustainable Palm Oil (MSPO), to ensure sustainable production. MSPO-certified palm oil and its supply chain are fully traceable and transparent, as they can be verified through the scheme's MSPO Trace application, which stores its geolocation and certification information. This is now supported by MPOB's recently launched Sawit Intelligent Management System (SIMS), which contains additional traceability and transaction details. Both platforms now enable manufacturers, retailers and consumers alike to verify the traceability and the source of origins for MSPO-certified palm oil, and will be essential in meeting product traceability requirements found in recent global sustainability legislation, such as the EU's Deforestation Regulation (EUDR).





QUESTION:

In what ways has the Malaysian Sustainable Palm Oil (MSPO) certification scheme adopted sustainability measures? Does it address key issues of deforestation, labour rights, and climate change commitments?

The Malaysian Sustainable Palm Oil (MSPO) certification scheme is an official national scheme of Malaysia that aims to certify oil palm plantations, independent and organised smallholders, as well as palm oil processing facilities per the strict criteria set by the MSPO. The MSPO certification scheme, particularly its latest version, MS 2530:2022, is pivotal in addressing sustainable development issues. With a stringent no-deforestation cut-off date of 31 December 2019, it has established an effective foundation for responsible land use. Beyond this, MS 2530:2022 incorporates critical sustainability measures:

- 1. High Conservation Value (HCV) Assessment
- 2. Greenhouse Gas (GHG) Calculator
- 3. ILO Forced Labour Indicators and Decent Work Agenda
- 4. Social Impact Assessment (SIA)
- 5. Triangular Employment
- 6. Ethical Conduct and Anti-Bribery
- 7. Mandatory corporate accountability
- 8. Compliance for palm oil dealers

MSPO PROGRESS AS OF DEC 2023 (CUMULATIVE)

MSPO-Certified Planted Areas, 5.23 million hectares

92.2%

MSPO-Certified Mills,

92.6%

428 units

177,335

Estimated MSPO-Certified Sustainable

No. of MSPO-Certified Smallholders

16.64

Palm Oil Production

million tonnes

(Able to provide a continuous MSPO-CSPO supply globally)



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