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1. Introduction

The Malaysian Standards on MSPO provides general principles for the implementation, establishment and improvement of the operational practices of a sustainability system incorporated in Malaysia to ensure the sustainable production of palm oil.

This standard currently covers the oil palm industry supply chain comprising independent and organized smallholders, plantations and palm oil mills. It also includes grouping smallholders into Sustainable Palm Oil Cluster (SPOC) or other group management systems. Certification of palm kernel crushers, refineries and palm biomass and biofuel plants will be implemented once the standards are ready. This certification procedure is to be adhered to in order to be certified sustainable.

The scheme owner is the governing body of the certification system. Independent certification bodies that are registered with the Standard Malaysia and the scheme owner are allowed to evaluate the growers and millers based on the relevant MSPO standards to ensure that all participating premises comply with the MSPO standards. Certificates are issued by the independent certification bodies after conducting successful audits and followed by MPOB approval.


2. Scope

Applicable to all independent smallholder, organized smallholders, plantations and palm oil mills seeking MSPO certification.

For palm kernel oil, palm kernel cake, palm biomass, RBD products and derivatives; the certification for these products will be implemented once the standards are ready.

3. Normative References

- MS 2530-1:2013 Malaysian sustainable palm oil (MSPO) Part 1: General principles for sustainable palm oil
- MS 2530-2:2013 Malaysian sustainable palm oil (MSPO) Part2: General principles for independent smallholders
- MS 2530-3:2013 Malaysian sustainable palm oil (MSPO) Part 3: General principles for oil palm plantations and organized smallholders
- MS 2530-4:2013 Malaysian sustainable palm oil (MSPO) Part 4: General principles for palm oil mills


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- ISO17021 Conformity assessment – Requirements for bodies providing audit and certification of management systems
- IAF MD 1:2007 – IAF Mandatory Document for the Certification of Multiple Sites Based on Sampling.
- Code of Good Nursery Practice for Oil Palm Nurseries, MPOB 2009
- Code of Good Agricultural Practice for Oil Palm Estates and Smallholdings, MPOB 2008
- Code of Good Milling Practice for Palm Oil Mills , MPOB 2008
- Code of Good Crushing Practice for Palm Kernel Crushers, MPOB 2008
- Code of Good Refining Practice for Palm Oil Refineries; MPOB 2008
- Code of Good Practice for the Handling, Transport and Storage of Products From the Oil Palm; MPOB 2008


4. Glossary of Terms

The glossary of this document applies in addition to the glossaries of MSPO 1-4 and related normative references.


Certification Body (CB)	Certification bodies are independent bodies that provide conformity assessments to organizations for their various management systems, either individual or as product manufacturers and service providers. All certification bodies that are competent to carry out MSPO audits shall first be registered with MPOB.
Corrective Action Requests	Request from the certification body to the audited operator, to close a major or minor non-conformity within the relevant timeframe, and with defined consequences in case of successful or non-successful implementation of the CAR.
Governing Body	Body that formulates the MSPO policies and governs the implementation procedure of the sustainability

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	certification scheme in the oil palm industry.
Group certification of independent smallholders	<p>A group of independent smallholders who have agreed to comply with all the MSPO standard requirements and have appointed a Group Leader/Manager to establish and implement an Internal Control System (ICS) within the Group.</p> <p>A binding agreement is established and signed between Group Manager and members.</p> <p>The structure of a group certification is shown in Figure 1.</p>
Group certification	<p>Certification of an organized group of producers with similar production systems, where certification applies to the group as a whole.</p> <p>This includes the issue of the certificate to an identified central function (group manager), at which certain defined activities are planned, controlled or managed, and issue of sub-certificates of the group certificate to the operators which have confirmed their group participation by group participation contract with the group manager.</p>
Group Manager	<p>The organization, person or group of people who manages and is responsible for the actions of the group.</p> <p>A Group Leader/Manager is appointed by the members participating in the group certification.</p>
Group Member	An individual organization which participates formally in a group.
Individual certification	Smallholders, plantations and palm oil mills can apply for individual MSPO certification of their premises.
Independent smallholders	Independent smallholders are individual farmers who

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	<p>own or lease not more than 40.46 hectares (100 acres) of an oil palm farm and manage the farm themselves. They are generally not bound by any contract or credit agreement to any mill and have the freedom to sell their FFBs to any mill of their choice.</p>
Internal Control System (ICS)	<p>A documented set of procedures and processes that a group will implement to ensure it can achieve its specified requirements.</p> <p>It is a centrally administered, documented internal control and reporting system which is subject to continual monitoring and surveillance by the Group Manager.</p>
Major non-conformity	<p>A non-conformity which results in (or is likely to result in) a fundamental failure to achieve the objective of the relevant requirement.</p>
Minor non-conformity	<p>A non-conformity which is a temporary lapse, or unusual/non-systematic, or which has limited impacts in their temporal and organisational scale, and which does not result in a fundamental failure to achieve the objective of the relevant requirement.</p>
Observation	<p>An assessment finding that does not warrant non-conformity but is identified by the assessment team as an opportunity for improvement. The CB is strongly recommended to take corrective / preventive actions to indicate commitment to continual improvement.</p>
Operator	<p>Economic entities under the scope of the MSPO scheme, such as individual MSPO certificate holders, certificate groups, certification bodies, or further MSPO-registered operators in the supply chain of MSPO compliant palm product.</p> <p>Any operator must register in the MSPO database.</p>

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Organized smallholders	Smallholdings managed by government agencies such as FELDA, FELCRA, RISDA, SALCRA, SLDB and other state agencies.
Risk Management Approach	Quantification and addressing of the risks associated with critical aspects of an operator's operations. Risk management includes identification, analysis and evaluation of risks at the different stages over which an operator has responsibility, from acquiring, to handling and forwarding of palm products.
Self Assessment	<p>Document in which an operator applying for (re-)certification describes the risk which its operations add to the MSPO scheme, and how the operator manages and mitigates these risks.</p> <p>The certification body uses the Self Assessment when estimating the risk class of the relevant operator.</p>
Categories of premises	<p>There are two different categories for MSPO certification. These categories are:</p> <p>Category I: Premises which do not have any certification or those having management system certification e.g. ISO, COP, shall undergo both Stage I and Stage II Audits. However, those which have such certified management system in place may be subjected to reduced man-days.</p> <p>Category II: Premises which have obtained at least one internationally recognized sustainability schemes e.g. RSB, ISCC, RSPO. They are exempted from Stage I audit and need to undergo Stage II Audit.</p>
Stage I audit	<p>Initial due-diligence audit for operators which are entering into the MSPO system, and which</p> <ul style="list-style-type: none"> do not have any certification or

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	<ul style="list-style-type: none"> those having management system certification e.g. ISO, COP. <p>These operators shall undergo both Stage I and Stage II Audits.</p> <p>However, those which have certified management systems in place may be subjected to reduced man-days.</p> <p>Operators which have obtained at least one internationally recognized sustainability schemes e.g. RSB, ISCC, RSPO are exempted from Stage I audit and need to undergo Stage II Audit.</p>
Stage II audit	<p>Comprehensive audit of the operator applying for MSPO certification, against the MSPO standard requirements.</p> <p>See also “Stage I audit”</p>
Standards Malaysia	<p>Agency that handles the drafting of National Standard for Malaysia and is custodian of all the Malaysian Standards.</p>
Surveillance audit	<p>Comprehensive audit of the MSPO certified operator, against the MSPO standard requirements, within 12 months after (re-)certification.</p> <p>Same scope and extent as stage II audit.</p>
Suspension (of certificate)	<p>Temporary discontinuation of the MSPO certificate.</p>
MSPO compliant palm product	<p>Palm product which is produced, processed and forwarded throughout the palm oil supply value chain under application of the MSPO certification scheme.</p>
Withdrawal (of certificate)	<p>Revocation or cancellation of the MSPO certificate.</p>

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5. Principle of Certification

5.1 Individual Certification

5.1.1 Any economic operator that physically or legally owns and/or controls MSPO compliant palm product along the supply chain under the scope of the MSPO shall apply for MSPO certification.

5.1.2 Smallholders, plantations and palm oil mills can apply for individual MSPO certification of their premises, or for group certification.

5.2 Group Certification

5.2.1 Group members are economic operators who are seeking MSPO certification and have agreed to comply with the relevant MSPO standard requirements. Group managers get sub-certificates of the relevant MSPO group certificate. Figure 1 below shows the structure of a group certification.

5.2.2 Features of group certification are:


- Group Manager
- Members
- Internal Control System (ICS)
- Binding contract
- Internal procedures for handling grievances and complaints

5.2.3 Any member of this group can join irrespective of the size of their landholding.


5.2.4 The participating members to be audited will be selected based on random sampling (refer to certification procedures).

5.2.5 In order to be eligible for certification, the group shall appoint a competent Group Manager to act on behalf of the group.

5.2.6 The group manager shall have the competencies to ensure and implement an efficient management of the group. The group manager must have adequate technical knowledge to support and assist the participating members and to ensure that all members in the Group comply with the relevant MSPO standards. In particular, the group manager;

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- 5.2.6.1 shall manage the group contracts with the group members,
- 5.2.6.2 shall keep the list of group members up-to-date, and supply the up-to-date list to the MSPO database,
- 5.2.6.3 shall issue sub-certificates of the MSPO group certificate to the group members,
- 5.2.6.4 shall establish and implement an Internal Control System (ICS) within the group,
- 5.2.6.5 shall conduct the group self-assessment while demonstrating how the risk which is added by the group members is considered in the assessment,
- 5.2.6.6 shall conduct internal assessments,
- 5.2.6.7 shall issue internal corrective action to any participating members,
- 5.2.6.8 has the right to remove any group member from the group if the member is found to be non-compliant with one or more of the MSPO requirements, and is not successfully implementing the corrective action requests issued by the CB or the group manager himself, or if the member is unable to close the non-compliances.
- 5.2.7 Group managers are required to undergo MSPO training by competent organization and versant in MSPO requirements.
- 5.2.8 A new member shall only be added to the existing group during surveillance or re-certification audit. The group manager shall inform the CB in writing within ten (10) working days before an audit, if a member applies for group participation.

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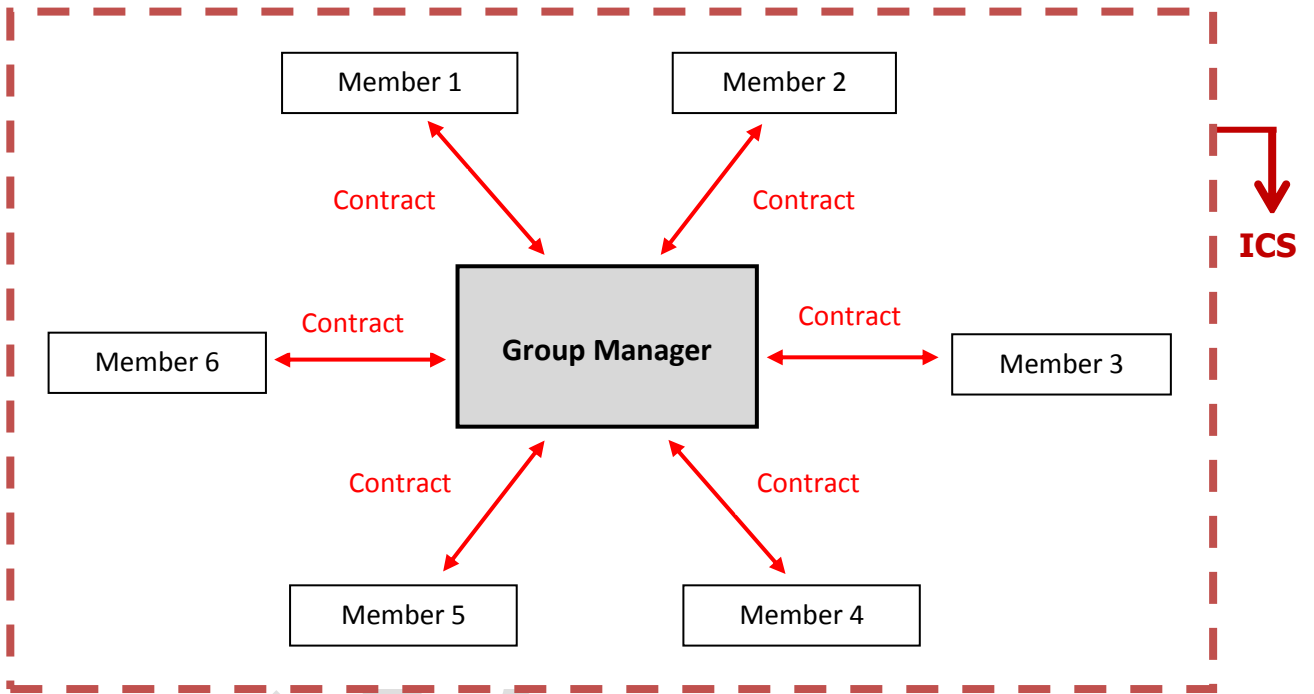



Figure 1: Group certification

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5.3 Palm Oil Mill as a Unit of Certification

A palm oil mill can act as the unit of certification of a group (see Figure 2).

- 5.3.1 This applies for companies or organizations which have multiple estates supplying to their own mills which also purchases FFB from third parties (FFB collection centre) or smallholders.
- 5.3.2 The palm oil mill shall be the group manager.
- 5.3.3 In addition to the requirements of 5.2 of this document, the palm oil mill shall be visited during the audit. The supplying estates to be audited will be selected based on random sampling (refer to certification procedures).

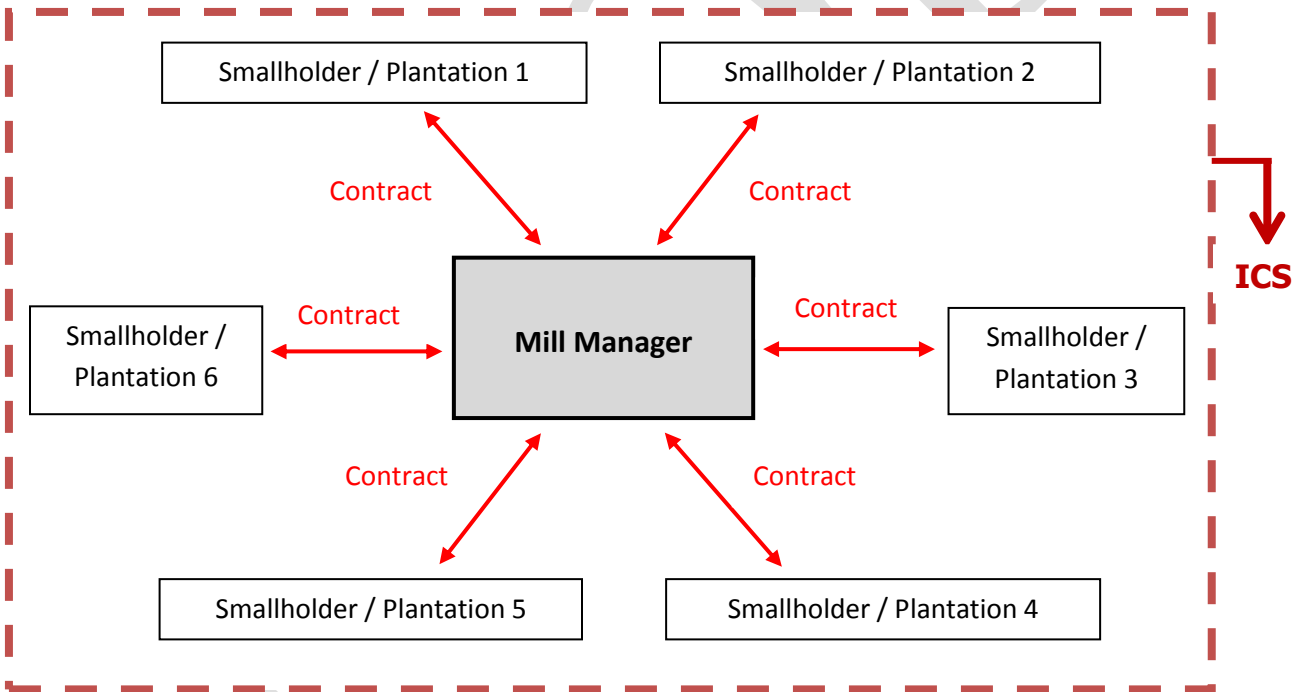



Figure 2: Palm oil mill as a unit of certification

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6. Governance structure of MSPO

The scheme owner is the governing body for this certification system. Independent certification bodies that are registered with the scheme owner are allowed to evaluate the organizations based on the relevant MSPO standards to ensure that all participating premises comply with the MSPO Standards. Certificates are issued by these independent Certification Bodies (CBs) after conducting successful audits. CBs are subjected to accreditation scheme by Standards Malaysia. The Standards Malaysia accreditation system is in accordance with the credible international standard such as MS ISO/IEC 17021 or others to ensure that the accreditation services provided are impartial, non-discriminatory and credible.

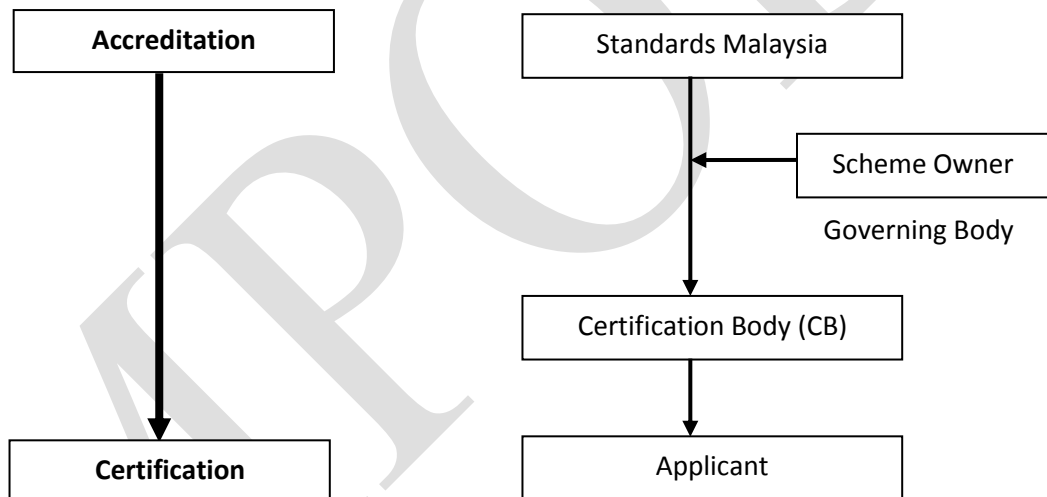



Figure 3: Governance structure of MSPO

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7. Certification Procedures

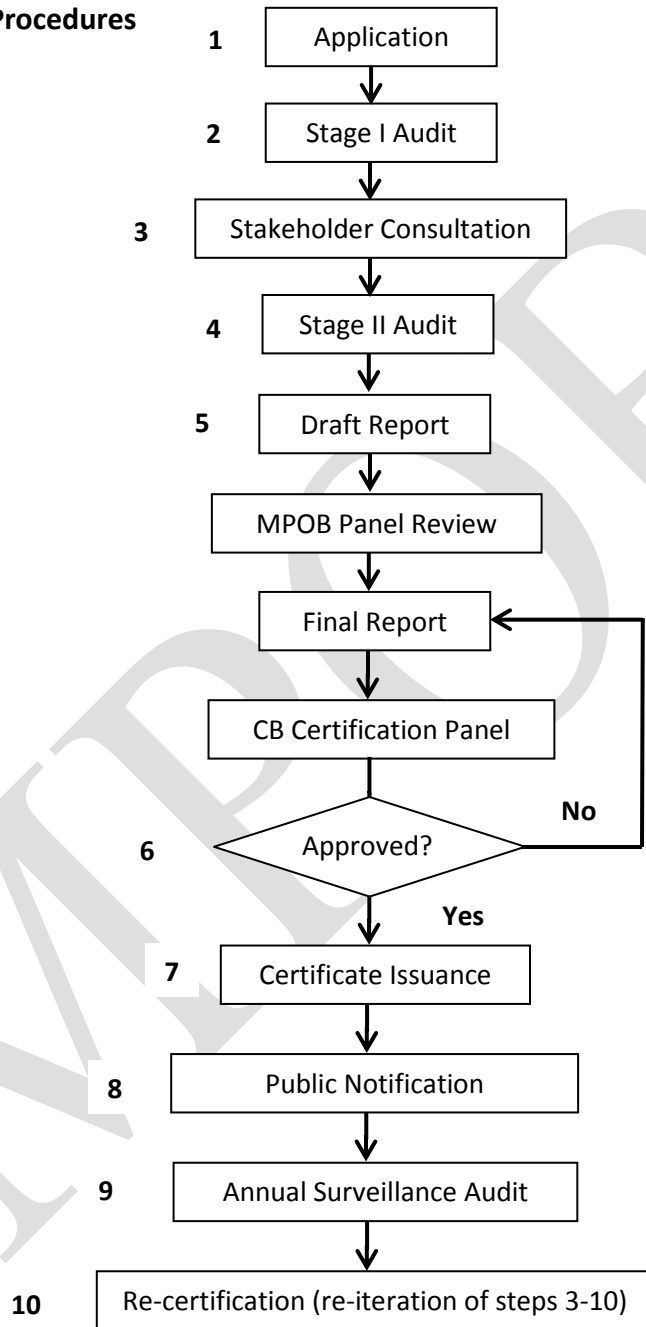




Figure 4: Certification procedures of MSPO

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7.1 Certification process details

The following table shows the steps of the certification process (see process chart).


Activity	Responsibility
<p>7.1. 1.1 Application for certification to scheme owner (SO).</p> <p>1.2 SO review and classify into category I, or II and pass to the CB for further action within fourteen (14) days.</p> <p>1.3 CB reviews application and plans for the audit.</p> <p>1.4 For group certification, the certification body shall select group members to be audited during Stage II audit based on random sampling of [risk factor]\sqrt{n}. The sample size is determined by the following formula:</p> <p>S = r\sqrt{n} S = sample size r = risk factor n = number of group members</p> <p>whereas the following risk factors apply (see appendix VI, no. 4.3.3):</p> <p>Low risk: risk factor 1.0 Medium risk: risk factor 1.5 High risk: risk factor 2</p> <p>The lowest possible sample size number is one.</p> <p>Based on the calculation above, the certification body shall use the sampling methodology described in IAF MD 1:2007 – IAF Mandatory Document for the Certification of Multiple Sites Based on Sampling.</p>	<p>Group Manager, Applicant, SO</p> <p>SO</p> <p>CB</p> <p>CB</p>
7.1. 2.1 CB schedules Stage I Audit and sends Audit Plan to auditee.	CB

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<p>2.2 Conducts Stage I Audit to ensure adequacy of documentation of MSPO scheme.</p> <p>Initial due-diligence audit for operators which are entering into the MSPO scheme, and which</p> <ul style="list-style-type: none"> do not have any certification or those having management system certification e.g. ISO, COP. <p>These operators shall undergo both Stage I and Stage II Audits.</p> <p>However, those which have certified management systems in place may be subjected to reduced man-days.</p> <p>Operators which have obtained at least one internationally recognized sustainability schemes e.g. RSB, ISCC, RSPO are exempted from Stage I audit and need to undergo Stage II Audit.</p> <p>2.3 Issues of concern are raised in the Stage I Audit Report.</p>	CB
<p>7.1. 3.1 The interval between Stage I and Stage II Audit shall not be more than six (6) months.</p> <p>3.2 External stakeholder consultation shall be conducted before Stage II Audit and Recertification Audit. The details pertaining to the outcome of the discussion with the stakeholders duly endorsed by both parties shall be documented and it shall form part of the audit report.</p> <p>3.3 Stakeholder issues are brought to Stage II and Re-certification Audits to be verified.</p>	CB and Auditee CB CB
<p>7.1. 4.1 Upon satisfactory resolution of issues of concern raised in Stage I Audit, CB schedules and sends Audit Plan for Stage II Audit.</p> <p>4.2 Conduct Stage II Audit to verify the implementation of the MSPO scheme through documentation and records, interview with personnel and field assessments. Details of interview outcome shall be documented.</p>	CB CB

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4.3	Audit findings comprise of non-conformities and observations and other details such as outcome discussion with stakeholders etc.	CB
4.5	During the closing meeting, all the audit findings shall be raised by the auditor and agreed by the auditee. The original copy of nonconformity report shall be given to the auditee during the closing meeting.	CB and Auditee
4.6	Draft Audit Report is prepared and sent to the auditee within thirty (30) days after the Stage II Audit.	CB
4.7	The auditee is required to take corrective action and submit the report to the CB within sixty (60) days.	Auditee
4.8	The CB shall review, accept and verify the corrective action submitted by the auditee. Upon satisfactory resolution of the audit findings, the report shall then be prepared by the CB within fourteen (14) days.	CB
4.9	Failure to respond or take any corrective action within the timeframe of sixty (60) days allocated and mutually agreed would result in the discontinuation of the MSPO Certification and the auditee will have to go back to Stage II Audit.	CB and auditee
4.10	The auditee may appeal for extension of not more than thirty (30) days in the event of failure to take corrective action on all non-conformities.	Auditee and CB
7.1.	5.1 The report shall include description of certification unit, scope of assessment, audit program, assessment findings and assessment recommendation. The report shall be submitted to MPOB for review. The reviewer shall complete the review within fourteen (14) days and submit the review comments to MPOB and the CB for action to be taken.	CB and MPOB
	5.2 The CB shall take necessary action on the review comments and finalize the report.	CB
	5.3 A final report shall be submitted to the certification panel for the award	CB

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	of MSPO certificate.	
7.1. 6.1	The CB shall notify MPOB on the granting of the MSPO certificate to the auditee within seven (7) days.	CB
7.1. 7.1	Validity of certificate issued is 5 years.	CB
7.1. 8.1	Public notification of MSPO certification shall be uploaded within seven (7) days in the MPOB, SO and CB's Website after the award of the MSPO certification.	MPOB, SO and CB
7.1. 9.1	Surveillance audit shall be conducted not more than twelve (12) months but not sooner than nine (9) months from the date of certificate issuance. The surveillance audit shall have the same scope and extension as the preceding stage II audit. The process of surveillance auditing follows steps 4-10 of the process above.	CB
9.2	The surveillance audit is carried out to verify previous audit findings, and to report if there are any changes in the certification unit which have significant impact on MSPO certification i.e. operation, FFB supply base, number of employees, MSPO compliant palm oil produced.	CB
9.3	A new member shall only be added to the existing group during surveillance or re-certification audit. The group manager shall inform the CB in writing within ten (10) working days before an audit, if a member applies for group participation.	CB and Auditee
7.1. 10	Re-certification Audit shall be carried out in the fifth year of certification sixth (6) months before expiry of the certificate.	CB and Auditee

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7.2 Unannounced audit and access to premises

- 7.2.1 Any individual certificate holder and any member of certificates groups agrees to unannounced on-site audits by MSPO recognized certification bodies. The unannounced audit can be requested by scheme owner or induced by the certification body that was conducting the last regular audit.
- 7.2.2 In case of an unannounced audit, and upon further request of the certification body or scheme owner, any operator shall grant unlimited access by certification body and/or scheme owner representatives to its premises and land.

8. Conformity system

- 8.1 Certification bodies shall assess whether non-conformity with a requirement of the MSPO standard, which was identified during an audit, constitutes a minor or major non-conformity.

Non-conformities shall lead to Corrective Action Requests, suspension or withdrawal of the certificate.

8.2 Minor non-conformity


A non-conformity shall be considered minor if

- a) It is a temporary lapse, or
- b) It is unusual/non-systematic, or
- c) The impacts of the non-conformity are limited in their temporal and organisational scale, and if
- d) It does not result in a fundamental failure to achieve the objective of the relevant requirement.

8.3 Major non-conformity

A non-conformity shall be considered major if, either alone or in combination with further non-conformities, it results in (or is likely to result in) a fundamental failure to achieve the objective of the relevant requirement. In particular, non-conformities indicate fundamental failures, if they

- a) Continue over a long period of time, or

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- b) Are repeated or systematic, or
- c) Affect a wide range of the production or a large proportion of workers, or
- d) Are not corrected or adequately addressed by the operator once they have been identified.

The certification body shall also consider the impact of a non-conformity by considering how it affects the integrity of the affected supply chains for MSPO-certified palm products and the stability of the MSPO scheme.

8.4 **Observation**

The auditor may also identify the early stages of a problem which does not yet constitute non-conformity, but which the auditor considers may lead to a future nonconformity if not addressed by the client. Such observations should be recorded in the evaluation report as 'observations' for the benefit of the client.

8.5 **Timelines**


- 8.5.1 The Corrective Action Requests timelines commence from the moment when the certification body formally presents them to operator, with the following timelines:
- 8.5.2 The operator shall correct minor non-conformities within the maximum of 9 months,
- 8.5.3 The operator shall correct major non-conformity within 60 days.

Guidance: Action(s) taken to correct a major non-conformity may continue over a period of time which is longer than 60 days. However, the operator must take action within this period, which is sufficient to prevent new occurrence of non-conformity within the scope of the certification.

8.6 **Consequences of non-compliance**

The certification body shall determine whether Corrective Action Requests have been appropriately implemented. If the certification body does not consider the action adequate,

- 8.6.1 Should the operator fails to take corrective action for minor non-conformity may become 'major' non-conformity and the operator shall correct them within a maximum period of 60 days.
- 8.6.2 Major non-conformity shall lead to immediate suspension of the certificate.
- 8.6.3 Major non-conformities shall not be downgraded to minor non-conformities.

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8.6.4 The certification body shall not issue, re-issue or lift suspension of a certificate that has open major non-conformities.

8.6.5 In case a certification body detects five or more major non-conformities in an audit, the certification shall be suspended immediately.

8.7 **Non-conformities in group certification**

In addition to the requirements above, following applies for group certificates:

8.7.1 If a certification body detects five or more major non-conformities in a group, the group certificate shall be suspended immediately.

8.7.2 If a certification body detects five or more major non-conformities to one and the same group member, the sub-certificate of this group member shall be suspended immediately, but not necessarily the certificate of the entire group.

The certification body shall consider whether and how the non-conformities identified at the group member level may result in non-conformities at the group management level, and whether and how the non-conformities are result of the performance of the group management (e.g. in case identical non-conformities were detected at several group members, this might be result of ineffective training or support by the group management).


9. **MPOB panel**

9.1 Two panel reviewers shall be appointed by the MPOB to review the audit report on the premises audited. The audit report shall be submitted by the CB to the panel reviewers.

9.2 The role of the panel reviewers is to ensure that the audit report has the necessary content to act as the basis for the recommendation to award or renew the certificate for MSPO Certification.

9.3 The panel reviewers shall (within fourteen (14) days) confirm that the audit team has:

- i. carried out an objective and professional audit against the requirements of the certification standard for MSPO Certification;
- ii. investigated all relevant data sources and avenues of enquiry;
- iii. arrived at the appropriate conclusion and recommendation based on the available audit evidence; and

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iv. prepared a concise and comprehensive audit report

10. Competency requirements of MPOB panel

The panel reviewers shall meet the following competency criteria:

- 10.1 have a minimum of five (5) years working experience in oil palm or expertise related to various aspects of sustainable oil palm, such as ecology, environmental sciences, biology, sociology and oil palm economics;
- 10.2 have the necessary training and work experience to assess the adequacy of the reports submitted by the auditors. In-depth knowledge on the applicable local regulations and condition of the oil palm areas audited, including the oil palm management system being implemented, would be an advantage;
- 10.3 have a good understanding of the certification standard for oil palm management;
- 10.4 have not provided any consultancy services including the preparation of the Oil palm Management Plan, in the three (3) years prior to the audit; for this purpose, the reviewers shall submit a list of all oil palm-related consultancy projects undertaken in the past three (3) years; and
- 10.5 have no financial, trade or business interest in the outcome of the certification decision made for the premises audited.