# Guidance Document MS2530-2-1: 2022

Malaysian Sustainable Palm Oil (MSPO) - Part 2-1: General Principles for Independent Smallholders (Less Than 40.46 Hectares)





#### Introduction

The purpose of the Malaysian Sustainable Palm Oil (MSPO) Guidance Document is to provide explanation on the criteria and indicators of the MSPO Standard (MS2530:2022) and to assist in understanding the requirements. Each part of the MSPO Standard has its own guidance document.

This guidance document has been reviewed by the Technical Committee on MSPO (TC MSPO) and Working Groups on MSPO (WG MSPO) members. The draft of this guidance document has undergone a series of pilot audits conducted in Sabah, Sarawak and Peninsular Malaysia to ensure its applicability and practicality. Feedback from the auditors who conducted the pilot test were incorporated to enhance this guidance document.

In this guidance document, reference was made to other related documents mentioned in the MSPO Standards (if applicable). Guidelines are the documents that explain the process for conducting assessments for Social Impact Assessment (SIA) and High Conservation Value Assessment (HCV). Another tool that reference was made is the GHG Calculator. Both the Guidelines and the GHG Calculator are not part of this guidance document.

### Guidance document for MS 2530-2-1:2022; Malaysian Sustainable Palm Oil (MSPO)

Requirements	Guidance
4.1 Principle 1: Management co	ommitment and responsibility
4.1.1 Criterion 1: Malaysian Sustainable Palm Oil (MSPO) policy.	The MSPO policy is a commitment in which the organisation outlines it intentions to support and enhance the production of sustainable palm oil.  In establishing the policy, the management should consider the impacts of its operation on the three pillars of sustainability (including the impact on children) and how will the organisation contribute to enhance its current condition. These could be stated in the policy statement.  The management should also ensure that the policy is compatible with the organisation's strategic direction and business processes.  The policy statement can be used for all sustainable palm oil schemes with a mention of MSPO.
4.1.1.1 Indicator 1:	The Internal Control System (ICS) of MSPO group certification of independent smallholders is used to manage risk and prevent non-conformance.  The ICS should include a documented set of policies, procedures and processes that defines how the group operates; functions and responsibilities of the ICS staff and members (organisation); ensures adherence to policies and regulations; and monitor and maintain records.

Requirements	Guidance
	The Malaysian Palm Oil Board (MPOB) established the MSPO group certification called Sustainable Palm Oil Cluster (SPOC). The SPOC is a group of independent smallholders within a specific boundary who are committed to produce sustainable oil palm through the cooperative structure using MSPO certification standard. The SPOC is generally managed by a Group Manager appointed by MPOB Management.
	On top of SPOC, there are also MSPO certification groups established and managed by other organisations. The set-up is similar to SPOC.
	The Group Manager is responsible for ensuring the Group's conformance with the MSPO standard and is responsible for the preparation and implementation of the ICS.
	The Group Members are independent smallholders managing the oil palm smallholdings within the SPOC vicinity. The Group Members prior to joining the group, must sign an agreement with the Group Manager committing to achieving conformance with the MSPO standard. The Group Members application records are kept by Group Manager.
	Policies are documented, communicated and implemented. The ICS has procedures for decision-making and responsibilities within the group. The Group is managed in a systematic manner by:  i. Identifying areas to be covered by the SPOC;
	<ul> <li>ii. Preparing, maintaining and documenting Group Members' information;</li> <li>iii. Clearly identify the responsibilities of all ICS staff and Group Members; and</li> <li>iv. Implementing and maintaining the rules of the Group including the criteria for membership.</li> </ul>

Requirements	Guidance
4.1.1.2 Indicator 2:	The continual improvement would mean any improvement that is within the organisation's capabilities to enhance its sustainability.  For the continual improvement, indicators may include (but is not be limited to):  a) Training of sustainable practices; b) Reduction of chemical usage; c) Pollution and emission reduction; d) Social impacts reduction; e) Environmental impacts reduction;
	<ul> <li>f) Waste reduction;</li> <li>g) Impacts on communities, workers and smallholders;</li> <li>h) Integrated management of HCV, peatland and other conservation areas; and</li> <li>i) Records of action plan for continual improvement, including actions to be taken in addressing non-compliances.</li> <li>Note: The workforce includes smallholders, families and employees working on the farm.</li> </ul>
4.1.2 Criterion 2: New planting	New planting of oil palm, if not carried out in a proper manner, may cause environmental degradation and negative social consequences. Hence, the intent of this criterion is to ensure that new plantings are done in areas that would not give rise to deforestation, destruction of peatlands, steep or hilly areas; minimise social impact and in accordance with state policy.

Requirements	Guidance
4.1.2.1 Indicator 1:	New planting of oil palm should follow national and/or state policies and take consideration of items a) to c) in the indicator.  a) Information on the types of forest that cannot be converted to oil palm plantations; and b) Soil suitability maps or soil surveys should be appropriate to the scale of the operation and should include information on soil types, topography, hydrology, rooting depth, moisture availability, stoniness and fertility to ensure the long-term sustainability of the development. This includes the availability of:  i. Topographic maps adequate to guide the planning of drainage and irrigation systems, roads and other infrastructure; and ii. Maps identifying marginal and fragile soils, including excessive gradients and peat soils.
	Among the approving bodies that need to be consulted are:  a) MPOB; b) DOE/NREB/EPD; and c) State /local Planning Authority and other relevant agencies  Conformance to these requirements should be in line with the latest announcement from time to time from
4.1.2.2 Indicator 2:	The Group Members should identify the owners of the lands for the expansion or acquisition. Where lands are encumbered by legal or customary rights, the Group Members should demonstrate that these rights are understood and not being threatened or reduced.  Negotiated agreements to acquire lands should be voluntarily and carried out prior to the land acquisition.

Requirements	Guidance
4.1.2.3 Indicator 3:	Refer to the HCV Assessment Guidelines for the MSPO Standards.
4.1.3 Criterion 3: Existing site management	SOPs are a set of instructions compiled by an organisation to implement its processes consistently.
4.1.3.1 Indicator 1:	The organisation should determine the SOPs required for its operation. The SOPs should specify the requirement, roles and responsibilities of the person(s)-in-charge. Records related to its implementation should be maintained.  The relevant SOPs for MSPO group certification could include:  a) Land preparation for both new planting and for re-planting;  b) Planting density, pattern and technique;  c) Soil Erosion controls;  d) Weeding and Weed Control;  e) Safe and applicable use of agrochemicals;  f) Application of pesticides that minimise risk and impacts;  g) Fertilising;  h) Managing soil fertility to sustain optimal yield;  i) Nutrient recycling from Empty Fruit Bunches (EFB) and palm residues;  j) Integrated pest management control;  k) Water management;  l) Pruning of fronds; and  m) FFB harvesting and extraction.
4.1.3.2 Indicator 2:	Oil palm should not be cultivated on slopes exceeding 25°. Cultivating on steep slopes increases soil erosion, surface runoff, sedimentation and occurrences of landslides. Techniques that minimise soil erosion such as ground cover management, biomass recycling, terracing, contour drain, silt pit should be adopted, wherever appropriate.

Requirements	Guidance
4.1.3.3 Indicator 3:	The authority's guidelines, such as the MPOB guidelines, illustrate the best management practices for oil palm planting on peat. The action plan for managing existing plantings on peat should include fire and water management.
4.1.3.4 Indicator 4:	A visual reference system of the planted area is for identification purposes so that it is easy to address any problems.
	The signage should display the following information (but are not limited to):  a) Land identification (e.g., Lot number);  b) Land area; and  c) Date of oil palm planting.
4.1.3.5 Indicator 5:	The organisation should apply recognised Integrated Pest Management (IPM) techniques, which incorporate cultural practices, biological, mechanical and physical methods to minimise the use of chemicals. Native species should be used in biological control where possible.
	The Group Members should be aware of chemical management and Integrated Pest Management (IPM), cross refer to Indicator 4.1.3.1.
4.1.4 Criterion 4: Replanting	The decision on when to conduct replanting depends on many factors such as the price of FFB, cost to establish and maintain new palms, as well as technology that changes the yield profile.

Requirements	Guidance
4.1.4.1 Indicator 1:	The replanting programme may start with the analysis of the yield, and review of HCV report, if available.
	Seedlings should be sourced from a certified nursery (COPN). Land preparation (felling, chipping, mulching, lining, holing, etc.) including repairing of infrastructure as well as planting and upkeep should follow industry best practices and legal requirements.
4.1.4.2 Indicator 2:	HCV areas should be identified in accordance with the HCV Assessment Guidelines for the MSPO Standards.
4.1.4.3 Indicator 3:	The authority's guidelines, such as the MPOB guidelines, illustrate the best management practices for oil palm planting on peat. The action plan for managing existing plantings on peat should include fire and water management.
4.1.5 Criterion 5: Training and competency	The intent of this criterion is to ensure Group Manager, Group Members, employees including contractors are adequately trained and competent to enable them to fulfil their jobs and responsibilities in accordance with documented procedures, legal and MSPO requirements.

Requirements	Guidance
4.1.5.1 Indicator 1:	The organisation should identify relevant trainings based on the job function to ensure Group Manager, Group Members, employees, including contractors are well trained in their job function and responsibility.
	Areas of training may include:  i. Group functions and Group embers' responsibilities;  ii. MSPO standard requirements; and
	iii. Standard operating procedures, Occupational Health and Safety, chemical management and legal requirement.
	Refer to the Sample of Training Needs Summary in Appendix 2
4.1.5.2 Indicator 2:	A training programme is usually established yearly basis. The programme should include the frequency of training, target audience and training modules and language considerations for foreign workers, if applicable.
	After the completion of the training, evaluation of the effectiveness of the training should be conducted. This can be in the form of on-job training, classroom assessment, interview or any other method appropriate to the organisation. Record of training and evaluation should be maintained.
4.1.5.3 Indicator 3:	The organisation should ensure that contractors and their workers have been trained on MSPO requirements and are competent to conduct the job.
	This requirement could be stipulated in the contract agreement to ensure that the contractors are aware.

Requirements	Guidance
4.1.6 Criterion 6: Economic and financial viability plan	Profitability is one of the elements of sustainability. A documented business plan will guide the organisation to achieve its business objectives, reduce risks and uncertainties as well as capitalise on opportunities. Financially viable business will enable MSPO implementation and improvement.
4.1.6.1 Indicator 1:	On top of the operation parameters (Indicator 4.1.6.2), expenditure for addressing social and environmental issues within the organisation, as well as profitability, should be part of the business plan.
4.1.6.2 Indicator 2:	The organisation should prepare the business or management plan and communicate it to the Group Members.
4.1.6.3 Indicator 3:	The Group Members should prepare a replanting plan prior to the replanting schedule.
4.1.7 Criterion 7: Commitment to contribute to local sustainable developments	The intent of this criterion is for the organisation to prosper together with the community, particularly at the local level. Consultation is key for understanding the community's needs and contributions that could be made on a short, medium or long-term basis.
4.1.7.1 Indicator 1:	In ensuring that the organisation prospers together with the local community, the key action is to understand the community's needs so that the community service can be provided, whenever applicable.  When conducting consultation, representatives of the stakeholders need to be accepted by the group that they are representing.

Requirements	Guidance
4.1.8 Criterion 8: Complaints and grievances	The organisation should establish mechanism to manage complaints and grievances. The key principle is to be transparent and strive for improvement.
4.1.8.1 Indicator 1:	The method/mechanism to manage complaints and grievances system would depend on the organisation and complainant's capabilities.
	The organisation should ensure that employees and stakeholders are aware of the existence of the complaints or grievances mechanism and can be made at any time.
	The mechanism should ensure impartiality to all parties involved. It should also consider gender and children's sensitivities.
	The organisation should ensure that the procedure is easily accessible and user-friendly, particularly towards indigenous communities, as well as provides protection for whistle blowers and ensure anonymity when required.
4.1.8.2 Indicator 2:	The resolution should be mutually agreed and accepted by both complainant and organisation.
	Any grievances should be resolved at an early stage.
4.1.8.3 Indicator 3:	All records of complaints and resolutions that do not involve legal procedures should be maintained for at least 24 months. Complaints that are yet to be resolved should be updated and followed up.

Requirements	Guidance
4.1.9 Criterion 9: Internal audit	The intent of this criterion is to provide assurance to the management on the status of MSPO implementation. It could also assist in determining areas for improvement. The organisation should determine the competency of the auditors as well as the audit process to ensure reliable results.
4.1.9.1 Indicator 1:	The organisation should implement the internal audit programme as a systematic, independent and documented process for obtaining audit evidence. The evidence should be evaluated objectively to determine the extent to which the audit criteria are fulfilled.
	Among the items that could be included in the planning of the audit would be the frequency of the audit, audit coverage/scope, and auditor(s) competency (including knowledge of forced labour and children's rights). Follow-up actions should include a timeframe for addressing/closure of findings.
4.1.9.2 Indicator 2:	Root cause analysis should be conducted to determine corrections and corrective actions to be taken by the organisation.
	There is no specific format for the root cause analysis in the MSPO requirements. Among the commonly used methods are the 5 whys, cause effect analysis and fishbone diagram.
4.1.10 Criterion 10: Management review	The intent of this criterion is for management to provide direction on the implementation of MSPO. This could be achieved when top management decides whether the implementation was satisfactory or whether other actions need to be taken, including the provision of resources.

Requirements	Guidance
4.1.10.1 Indicator 1:	<ul> <li>For b), examples of changes are:</li> <li>In discussing the review, changes in external issues could refer to emerging issues highlighted by media, expert in the industry that may affect the organisation (e.g., new legal requirement in buyer country);</li> <li>Internal issues could be on the management of different group of employees' needs; and</li> <li>Needs and expectations of stakeholders related to sustainability (e.g., multiple sustainable palm oil scheme requirements) specific to stakeholders (e.g., community and buyer).</li> <li>For c), this includes the progress of social, environmental, safety and health, water and other management plans required the MSPO Standards</li> <li>For e), examples of resources could be manpower, financial or material.</li> </ul>
Principle 2: Transparency	
4.2.1 Criterion 1: Communication and consultation	The intent of this criterion is to establish meaningful communication and consultation with stakeholders, particularly those who may be affected by the organisation's activities.
	Communication and consultation should be in the appropriate languages and forms that are acceptable to the stakeholders.
	Lean organisational structure may not have specific person in charge to deal with communication. However, when responding to stakeholders, the information must reflect the management's decision/input. The consultation process should be an ongoing process to ensure that any grievances can be resolved at an early stage. Stakeholders may include children in the living quarters or from nearby communities.

Guidance
The organisation should establish a simple and accessible procedure for communication and consultation to ensure effective communications.
When establishing its communication system, the organisation should:
a) Determine the types of information to be shared with different stakeholders; and
b) Timeframe for responding to complaints / requests for information.
Identification of stakeholders should be on the basis of whether the operation of the organisation would have an impact on them or whether their operation would have an impact on the organisation.
Potential stakeholders for the organisation may include (but are not limited to): a) Employees;
b) Authorities;
c) Nearby community(ies);
d) Contractors/suppliers; and e) NGOs.
A designated person-in-charge (Group Manager) should be responsible for effective communication.
The intent of this criterion is to ensure all oil palm products are traceable. For example, crude palm oil and palm kernel are traceable to the mill and FFBs are traceable to plantations/smallholdings/collection centres. The overall traceability data is managed by MPOCC through its IT platform.
The organisation should track traceability on the basis of one level up and one level down from its supply chain. Traceability starts at the plantation while traceability models start at the mill/collection centre.

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Requirements	Guidance				
4.2.2.1 Indicator 1:	The Group Manager should implement and maintain a system for traceability.				
4.2.2.2 Indicator 2:	The Group Manager/Group Members should maintain copies of all relevant documentation and records.				
	Documentation should include:  a) Invoices and receipts (purchase and sale); b) Identification of Group Members; and c) MSPO certification details and status.				
4.2.3 Criterion 3: Transparent and fair price dealing	The intent of this criterion is to ensure all parties along the supply chain are not at a disadvantage or put into vulnerable situations. The criteria used for determining prices should be transparent to all parties and any party that considers prices to be unfair should have access to the grievance mechanism.				
4.2.3.1 Indicator 1:	For fair, legal and transparent pricing of FFB, the Group Manager should explain the pricing mechanism to Group Members.  Documentation on the criteria for pricing could be on quality, delivery, long-term relationship, overall performance together with other information, if available. Any records of inputs/services should be documented and kept by the Group Members.  Agreed payments should be made in a timely manner.				

Requirements	Guidance				
4.2.4 Criterion 4: Ethical conduct	Ethical behaviour is characterised by honesty, fairness and equity in interpersonal relationships and mutual respect in dealings. This should cover zero tolerance for violence, exploitation and abuses as well as safeguarding the integrity of all entities and preventing conflicts of interest.				
	Hence, the best means of demonstrating the values of ethical conduct/behaviour is by having a policy statement that is communicated and applicable to all levels of the workforce including contractors.				
	Refer to Garispanduan Tatacara Mencukupi by SPRM.				
4.2.4.1 Indicator 1:	No further explanation for this indicator.				
Principle 3: Compliance to legal	and other requirements				
4.3.1 Criterion 1: Regulatory requirements	The intent of this criterion is to highlight that all operations must comply with legal requirements and any new requirements shall be updated. Going beyond legal requirements is encouraged.				
4.3.1.1 Indicator 1:	A general list of the applicable legal requirements is in Appendix 4. The organisations should enhance and update the list of applicable legal requirements as per their need.				
4.3.1.2 Indicator 2:	Method to monitor compliance could be through walkabout.				
4.3.2 Criterion 2: Rights to use land	The intent of this criterion is to highlight that all organisations must respect the rights of any person, local community or indigenous people that they have over land; that is occupied as oil palm plantation/processing facilities or collection centres. Rights particularly for accessibility or as part of roaming areas.				

Requirements	Guidance
4.3.2.1 Indicator 1:	The Group Members shall have maps or other documents that show the lands belong to them and are not claimed or contested by other parties with legitimate claims.
4.3.2.2 Indicator 2:	Where customary or legally owned lands have been taken-over, there should be documentary proof of the transfer of rights (sale) and payment or provision of agreed compensation.
4.3.2.3 Indicator 3:	FPIC have to be obtained prior to any acquisition of land for conversion to a palm oil mill and fair compensation have been agreed upon. Hence, these documents should be used as reference for any disputes.
	Where there is dispute or the land ownership is contested, grievance and complaint mechanism should be used or dealt through legal channel.
4.3.2.4 Indicator 4:	Smallholding operations should be within the legally determined area. There is a map showing the legal area and location of boundary maker.
4.3.3 Criterion 3: Native customary rights	The intent of this criterion is to highlight that land that belongs to indigenous community and when converted into oil palm plantations, the natives must be consulted for their consent.  For lands that are having overlapping claim, grievance mechanism should be used.
	Refer to the FPIC guidance in Appendix 3

Requirements	Guidance				
4.3.3.1 Indicator 1:	<ul> <li>The organisation should understand that lands encumbered by customary rights are not being threatened or reduced. When recognized customary or legally owned land has to be taken over, it will go through processes that include:</li> <li>a) Establishment of a process for identifying legal and customary rights and for identifying people entitled to compensation; and</li> <li>b) A procedure for calculating and distributing fair compensation (monetary or otherwise) is established and implemented.</li> </ul>				
4.3.3.2 Indicator 2:	A map or sketch plan with verification by community leaders (Tuai Rumah or Tok Batin) or any documents showing extend of customary rights from Land Office, Land Survey Department or any other government departments is also acceptable.				
4.3.3.3 Indicator 3:	No further explanation for this indicator.				
Principle 4: Responsibility to so	Principle 4: Responsibility to social, health, safety and employment conditions				
4.4.1 Criterion 1: Social Impact Assessment (SIA)	The intent of this criterion is to ensure that organisation prevents or minimises the social impacts resulting from its operation.  Refer to the SIA Guidelines and Approach for the MSPO Standards.				
4.4.1.1 Indicator 1:	No further explanation for this indicator.				

Requirements	Guidance				
4.4.2 Criterion 2: Employee's safety and health	The intent of this criterion is to prevent any injury and ill health as well as enhance the work environment.				
4.4.2.1 Indicator 1:	The Group Members should ensure:  a. All employees are adequately trained on safety and health including safe workplace practices;  b. Adequate and appropriate personal protective equipment (PPE) are provided at no cost;  c. Machinery and equipment are safe for use; and  d. Safe handling of chemical and other substances.				
4.4.3 Criterion 3: Employment conditions	Respecting human rights is paramount in ensuring good relations between employer and employee.  Specific attention to young persons at work will enable them to develop their full potential.				
4.4.3.1 Indicator 1:	The Group Manager should provide training to the Group Members about respecting human rights.				
4.4.3.2 Indicator 2:	No further explanation for this indicator.				
4.4.3.3 Indicator 3:	The Group Members should maintain records of payment to all employees				
4.4.3.4 Indicator 4:	It is acceptable for children to assist (not employed) their family business as long as it complies with the definition of "Child", "Child at work", "Young person", and "Child Labour" in the MSPO Part 1 Standard.				

Requirements	Guidance				
4.4.3.5 Indicator 5:	Contract for service (fulfill all legal requirement)  Contract of service (fulfill all legal requirement)  Contract for service is a formal, legally binding agreement before a business and a self-employment individual. It is more of a "business to business" type of contract.  Contract of service, also known as contract of employment or employment contract, refers to a written agreement between an employer and an employee that taken together with the rights of each under statute and common law, determines the employment relations between them.  Work of permanent nature refers to a situation where a worker who works on a permanent employment contract, for a permanent positions and should be eligible for full employment benefits offered by the employer.				

Requirements	Guidance				
4.4.4 Criterion 4: Living conditions	This criterion emphasises the responsibility of the organisation to provide decent living conditions if accommodation is offered to workers as part of the employment.				
4.4.4.1 Indicator 1:	The relevant legal requirement would be The Employees' Minimum Standards of Housing, Accommodations and Amenities Act for Peninsular Malaysia and the Department of Labour's agreement/approval for Sabah and Sarawak.				
	The accommodation provided should be suitable to the needs of the employees (single, group or family) should also be suitable for the local climate and enable respect for privacy. For employees who opt to r stay at the provided facilities, there is no obligation for the management to provide housing or travelli allowance as well as privileges (on working hours).				
Principle 5: Environment, natur	Principle 5: Environment, natural resources, biodiversity and ecosystem services				
4.5.1 Criterion 1: Environmental management	Protection of the environment is an important aspect of sustainability. The intent of this criterion is to manage the environmental impacts of the organisation's activities and products. Managing the impact should follow the highest level of commitment through the prevention of pollution, optimising resources, conserving/enhancing biodiversity and minimising climate change.				
4.5.1.1 Indicator 1:	The Group Members should have a good understanding of the potential negative impacts of their activities and appropriate mitigation techniques.				

Requirements	Guidance					
4.5.2 Criterion 2: Efficiency of energy use and use of renewable energy	The intent of this criterion is to create awareness of the impact of using non-renewable energy related to climate change and resource optimisation. The organisation should initially collect data on energy consumption (both renewable and non-renewable).					
	Whenever possible, an appropriate management plan should be established in the subsequent year to reduce non-renewable energy and increase renewable energy consumption (where possible).					
4.5.2.1 Indicator 1:	Examples of renewable energy include solar, wind, biogas, geothermal, biomass, low-impact hydroelectricity and emerging technologies (wave and tidal power).					
4.5.3 Criterion 3: Waste management and disposal	The intent of this criterion is to prevent pollution from waste disposal and encourage resource optimisation.					
4.5.3.1 Indicator 1:	The Group Members should identify the type of wastes (e.g., agricultural waste, scheduled waste, food waste) and its sources (e.g., crop biomass, spraying activities).					
4.5.3.2 Indicator 2:	The Group Members should monitor the disposal of wastes and ensure there is no risk of contamination of water sources, soils and human health.					
4.5.4 Criterion 4: GHG emission	The agricultural sector is known as one of the sources of GHG emissions. The intention of this criterion is to support the national commitment by using a stepwise approach as listed in the indicator. Currently, reporting is only to the scheme owner. The reporting is not for the carbon value of the product.					

Requirements	Guidance
4.5.4.1 Indicator 1:	This is the first step in familiarising the industry with greenhouse gases.
	The examples for the type of GHG emissions and its sources are Nitrous Oxide from fertiliser and Carbon Dioxide from fuel combustion.
4.5.5 Criterion 5: Water Resources	The intent of this criterion is for the organisation to be aware that water, despite being a renewable resource, if not properly managed, could still result in shortages as well as deterioration in the quality of supply. The water management plan should include information on water sources, its usages, and treatment involved; to optimise water management and minimise water pollution.
4.5.5.1 Indicator 1:	The Group Members should not contaminate the surface and groundwater. This could be achieved by implementing the best management practices on agricultural chemicals management and waste disposal. Refer to Indictors 4.1.3.1, 4.1.3.2, 4.5.3.2 and 4.5.6.4.
4.5.5.2 Indicator 2:	No further explanation for this indicator.
4.5.6 Criterion 6: Environmental conservation and protection	The HCV approach is a tool for managing conservation values within a landscape. It is widely used internationally and using it enables the Malaysian palm oil industry to maintain its position in the global edible oil market.
	Refer to the HCV Assessment Guidelines for the MSPO Standards.
4.5.6.1 Indicator 1:	Refer to the HCV Assessment Guidelines for the MSPO Standards.

Requirements	Guidance
4.5.6.2 Indicator 2:	The Group Manager or other HCV experts should conduct HCV training for the Group Members.
	Refer to the HCV Assessment Guidelines for the MSPO Standards.
4.5.6.3 Indicator 3:	Refer to the HCV Assessment Guidelines for the MSPO Standards.
4.5.6.4 Indicator 4:	Refer to the HCV Assessment Guidelines for the MSPO Standards.
4.5.7 Criterion 7: Zero burning	The intent of this criterion is to ensure that no fire is used for the disposal of waste throughout all stages of
practices	oil palm cultivation and operation. However, a response and mitigation plan should be established in case of any fire occurrences.
4.5.7.1 Indicator 1:	No further explanation for this indicator.
4.5.7.2 Indicator 2:	No further explanation for this indicator.

#### **Environmental Impact Assessment (EIA) Requirement Guidance**

#### Peninsular Malaysia:

EIA requirements related to agriculture as in The Environmental Quality (Prescribed Activities) (EIA) Order 2015:

#### First schedule:

- 1. Land development schemes covering an area of 20 hectares or more but less than 500 hectares to bring forest into agricultural production.
- 2. Development of agricultural estates covering an area of 500 hectares or more involving changes in the type of agricultural use.
- 3. Conversion of an area of:
  - i. Mangrove forest
  - ii. Peat swamp forest or
  - iii. Fresh water swamp forest

for industrial, housing or agricultural use covering an area of 20 hectares or more but less than 50 hectares.

4. Development in slope area – Development or land clearing less than 50 per cent of an area with slope greater than or equal to 25° but less than 35°

#### Second Schedule:

- 1. Land development scheme covering an area of 500 hectares or more to bring forest into agricultural production.
- 2. Any drainage of wetland, wild-life habitat or dry inland forest covering an area of 20 hectares or more.
- 3. Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 100 hectares or more
- 4. Logging or conversion of forest to other land use within:
  - A catchment area or reservoirs used for municipal water supply, irrigation or hydropower
  - ii. An area adjacent or near to any state park, national park or national marine park
  - iii. Any state park, national park or national marine park
  - iv. An area gazetted as water catchment forest under the National Forestry Act 1984 [Act 313]
  - v. Conversion of an area of:
    - a) Mangrove forest
    - b) Peat swamp forest or
    - c) Fresh water swamp forest for industrial, housing or agricultural use covering an area of 50 hectares or more.
- 5. Development in slope area Development or land clearing of 50 per cent or more of an area with slope greater than or equal to 25° but lesser than 35°.

#### Sarawak:

Section 11A (1) - Natural Resources and Environment (Amendment) Ordinance 1994, stipulates the statutory requirement for EIA for development activities in Sarawak. Details

are further stipulated in The Natural Resources and Environment (Prescribed Activities) Order, 1994.

The first schedule of the prescribed activities related to agricultural development:

- i. Development of agricultural estates or plantations of an area exceeding 500 ha:
- a) From land under secondary or primary forests; or
- b) Which would involve the resettlement of more than 100 families; or
- c) Which would involve modification in the use of the land.
- ii. Conversion of mangrove swamps into agricultural estates having area exceeding 50 ha.

Any other activities which may damage or have an adverse impact on quality of environment or natural resources of the state including the following:

- i. The clearing of vegetation on any land or the breaking up of any land for any purpose of an area exceeding 50 hectares;
- ii. In the opinion of the Board may pollute;
- iii. In any way affect the sources of water for human consumption;
- iv. Activities which may cause pollution of inland waters of the state or endanger marine or aquatic life, organism or plants in inland water;
- v. Pollution of the air or erosion of the banks of any rivers, watercourses or the foreshores and fisheries.

#### Sabah:

The specific EIA requirement for Sabah is stipulated in the Environmental Protection Enactment 2002, and further detailed in Environmental Protection (Prescribed Activities) Order 2005.

Prescribes activities related to agriculture are categorized into two as stipulated in Schedule 1 and Schedule 2 of the Order. Schedule 1 listed activities requiring proposal for mitigation measures (PMM):

- i. Development of agricultural estates or plantations covering an area of 100 hectares or more but less than 500 hectares
- ii. Development of agricultural estates or plantations involving change in type of crops covering an area of 100 hectares or more but less than 500 hectares
- iii. Conversion of wetland forests into agricultural estates or plantations covering an area of 20 hectares or more but less than 50 hectares

Schedule 2 listed activities requiring EIA:

- i. Development of agricultural estates or plantations covering an area of 500 hectares or more
- ii. Development of agricultural estates or plantations involving change in type of crops covering an area of 500 hectares or more
- iii. Conversion of wetland forests into agricultural estates or plantations covering an area of 50 hectares or more
- iv. Agricultural programmes involving the settlement of 100 families or more.

#### **Sample of Training Needs Summary**

Work Function/Types of Training Needed	Top Management	Internal Auditors	Person-in- charge	All employees
MSPO Standards and Sustainability	/	1	onar ge	
Management Roles in Implementing MSPO	/	/		
	1	1		
MSPO related legal requirements (Acts & Regulation)	1	1	1	
MSPO Awareness and Organization MSPO Related		/		/
Policies				
MSPO General SOP		/		/
Chemical Handling		/	/	
Scheduled Waste Management		/	/	
Emergency response plan		/	/	
Internal Audit		/		
HCV/SIA/GHG reporting		/	/	

#### Note:

- 1. Training Needs should be specific to an organisation and the sample above has least information
- 2. The summary could also identify the level of competency needed e.g.:

For scheduled wastes management person-in-charge;

- A manager would need certification in accordance to legal requirement
- A scheduled wastes handler needs to be trained on Scheduled Wastes Regulation and organization SOP on scheduled waste management.

#### **FPIC Guidance for MSPO Standard**

#### What is FPIC?

Free, Prior and Informed Consent (FPIC) is the right of Indigenous Peoples and local communities to give or withhold their consent to any independent smallholder or organisation's plantings affecting their rights, land, livelihoods, resources, territories, food security or environment. This right is exercised through representatives of their own choosing and in a manner consistent with their own customs, values, and norms. FPIC is a specific right to Indigenous Peoples that was established by the International Labour Organization (ILO) Convention 169 on Indigenous and Tribal Peoples and United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Countries that have adopted the ILO Convention and/or signed on to the UN Declaration may establish additional rights of Indigenous Peoples under national laws. While some countries have embedded the principles of FPIC into their national laws, this right is still absent in many countries. As the right to self-determination is a fundamental human right, MSPO requires that the principles of FPIC are applied.

- Free: Consent is given by the affected Indigenous Peoples and local communities voluntarily without coercion, duress, or intimidation.
- Prior: The consent is given before the specified activity is authorised or commenced.
- **Informed:** The consent is given after the Indigenous Peoples and local communities have received the relevant, timely, and culturally appropriate information necessary to make a fully informed decision.
- **Consent:** The Indigenous Peoples and local communities take a collective decision to grant or withhold approval of the specified activity.

FPIC is both a process and an outcome. As a process, FPIC is a series of information exchanges, consultation, internal deliberation, and negotiation steps conducted to seek consent from the affected Indigenous Peoples/local communities prior to implementing a given set of activities. This process may result in unqualified consent or consent with conditions for the proposed activities (or for a modified proposal), or it may result in the absence of consent. At the end of this process, the FPIC outcome is a written document that specifies what was or was not agreed to.

When the Indigenous Peoples and local communities provide consent, the written document further elaborates the terms of this consent, including the nature of the agreed activities, conditions placed on its implementation, monitoring plans, grievance mechanisms, and other terms or processes to ensure that agreed plans are duly enacted.

Not all FPIC processes lead to consent, and it is the right of the affected Indigenous Peoples and local communities to withhold consent. If this is the outcome, then the organisation needs to accept that the specified activity cannot proceed as planned. However, if appropriate—and only if the Indigenous Peoples and local communities invites continued dialogue—then a modified

proposal could then be developed and subject to further community engagement through the FPIC process.

#### Why FPIC?

- It is a requirement of the MSPO standards;
- It is a right of Indigenous Peoples enshrined in international law;
- It is widely accepted in global best practice standards;
- It facilitates the organisation achieving a 'social license to operate';
- It ensures the organisation respects communities' wider rights to lands and resources and to choose their own representatives;
- It means the organisation cannot be accused of 'land grabbing';
- It secures good relationships with local communities, important for smallholder partnerships and trouble-free employment;
- It results in a negotiated agreement binding to both the organisation and the communities:
- It helps the organisation avoid being embroiled in land conflicts;
- It helps the organisation avoid costly litigation, work stoppages or lost access to plantings resulting from land disputes.

#### How to carry out FPIC?

An FPIC process will vary according to the specific local context in which a project is to be developed, or in some cases, is already in the development stage. In the latter case, the organisation should cease operations in areas where disputes exist to avoid exacerbating ongoing conflicts. It may also be the case that the Indigenous Peoples/local communities affected already have their own FPIC guidelines. That said, in any given FPIC process, it is equally important to assess the qualitative aspects as well as the time devoted to it, with the following six key steps that any project manager must consider within different phases of the project cycle:

#### **Project Identification**

- (1) Identify the Indigenous Peoples'/ local communities concerns and their representatives
- (2) Document geographic and demographic information through participatory mapping.

#### **Project Formulation**

- (3) Design a participatory communication plan and carry out iterative discussions through which project information will be disclosed in a transparent way
- (4) Reach consent, document Indigenous Peoples' needs that are to be included into the project, and agree on a feedback and complaints mechanism

#### **Project Implementation**

(5) Conduct participatory monitoring and evaluation of the agreement

#### **Project Closure**

(6) Document lessons learned and disclose information about project achievements

The above process will need human and financial resources, and time, though it should not entail higher additional costs than the ones associated with the process of stakeholder engagement that any project or programme should undertake in proportion to the project scale.

#### Who is involved in FPIC and why is consultation important?

FPIC processes may involve various stakeholders, including the organisation, Indigenous Peoples, local communities, indigenous organisations, government agencies, religious institutions, and third parties. Each stakeholder plays a different role during the FPIC process.

Consultation with stakeholders is an ongoing process that organisations should engage in throughout the life of the organisation's operations and across supply chains to exchange information, identify and resolve challenges and problems, and thereby improve relations and outcomes for both the organisation and its stakeholders. Consultations with Indigenous Peoples and local communities are always required to ensure the right of meaningful and effective participation in the matters that may affect these groups. Consultation processes carried out in good faith should aim to reach agreement between the organisation and its stakeholders on the subject topics.

Acceptable forms of stakeholder communications and engagement include:

- Sending a formal letter or visiting the village and consulting with community members and/or representatives to decide on whether a meeting is wanted, and if so, who must be present.
- Best practice for any full community meetings includes giving communities adequate notice and preparation
- Active monitoring and support from third parties or other stakeholders may be helpful for the proper functioning of the process and ultimately it is for the community to decide whether they invite, request or allow such monitoring and support and under what terms and conditions.

#### How to identify customary land and prepare participatory maps?

A crucial first step for organisations seeking to acquire lands for plantations is to ascertain which areas are subject to legal and customary rights. Given that land titling systems usually do not register areas subject to the collective land rights of customary law communities, known as 'native customary rights' in Sarawak and Sabah, it falls on the organisation to find out which lands belong to the local communities by direct and open communication with the people themselves.

One of the best ways of clarifying the extent of customary rights is through participatory mapping. Using geomatic technologies, like GPS, it is now relatively cheap, quick and simple to work with community members and map the boundaries of indigenous lands and the forms of customary land use within these areas.

Consent for the processes of participatory mapping must be received from the communities prior to beginning. This includes agreeing on the process, participation, a timeline of implementation, terms of ownership and distribution of the documents, identification of key contact persons and details, and any in-kind compensation offered to those participating.

A first step may be to select a joint team of community representatives who will oversee community involvement in the mapping and who may be accompanied by organisation observers. The team can then use the GPS devices to survey the boundaries of community lands and establish where there is overlap between these lands and the areas where the organisation is interested in establishing its operations. More detailed mapping can then be undertaken of the areas of overlap to establish exactly who are the rights-holders in these areas and what are the current and historical land uses and cultural values of the areas. These maps can also be drawn out on paper referencing key natural resources, boundaries and religious sites among other areas of interest.

To map the focus area, all parties involved can make reference to maps depicting to the location of important areas to the communities. In case there is no previous formal mapping of the area, Indigenous Peoples and local communities can draw out the map based on cultural geographic knowledge.

Verification and validation of the maps must be carried out upon finalisation through consultations. Copies or summaries of each must be provided to communities in appropriate forms and languages and in a timely manner.

These maps are themselves important indicators of conformance with relevant MSPO criteria and indicators, and this information can then be used further in impact assessments and negotiated agreements.

Throughout the initial stages of FPIC, the organisation should aim to build consensus with its stakeholders. Most communities are made up of different types of people with different priorities and interests, so decisions may take time. Communities often place high value on maintaining harmony and good relationships among their members. Consequently, community representatives may not want to rush other community members or force an agreement. As a best practice, holding broad consultations with the wider community, rather than on a one-to-one basis with selected representatives, can be more effective as the social pressure of a collective setting often tends to limit individual decision-making based on self-interest rather than the collective will.

#### How to engage with representative organisations?

Free, Prior and Informed Consent means that communities or peoples should be represented by institutions of their own choosing. These institutions may be:

• the people's own customary institutions,

- institutions that have been imposed by the State but later accepted by the people, or
- novel institutions set up by the people themselves to deal with outsiders.

There is no rule to say which is the best – circumstances vary too much. The important thing is that the people should themselves choose how they want to be represented – they don't have to accept the institutions chosen or imposed by others. They can also choose to be represented through several institutions, not just one.

Conformance with the MSPO standards explicitly requires that organisations allow communities to choose for themselves how they represent themselves in negotiations.

Identifying community representatives is often a complex matter, as customary systems of decision-making have been only partially incorporated into local systems of administration. Communities may thus be presented by a multiplicity of institutions. The organisation must respect the choice of the communities to decide who represents them and should not assume that the Government recognised village spokesman are the only legitimate representatives for negotiations.

Establishing with whom to have dealings in negotiations about land is thus a challenge for organisations. To avoid misunderstandings and/or entering into agreements that do not secure the consensus of the communities and thus result in conflict, organisations should first work with the communities in an open way to identify who the communities choose to represent them in negotiations. Where there are doubts or mixed messages the best advice is to include more parties rather than unilaterally select fewer. The more time that is invested in establishing good communications at the beginning of a negotiation process, the more likely it is that negotiations can proceed in an agreed way thereafter.

#### How to provide information to allow fair participation and informed consent

The provision of adequate information to interested parties is a core aspect of Free, Prior and Informed Consent. Before communities can make fairly based and informed decisions about proposed developments on their lands, they need to understand the long- and short-term implications of developments including their:

- Potential impacts and costs
- Potential benefits and gains
- Legal implications

Transparency, information sharing, and communications are core considerations of the MSPO standards. In cases where development has already commenced and conflicts persist, transparent communications become even more vital.

#### How to ensure consent is freely given

A critical aspect of a proper Free, Prior and Informed Consent process is that the decision-making by the communities – about whether or not to accept a development on their lands (or in some cases, a proposed conflict resolution) and if so on what terms – should be non-coercive and free from other forms of manipulation, intimidation or duress. Adequate time must also be given to communities to consider proposals on their own in their own ways.

#### How to ensure consent is prior?

A critical aspect of FPIC is that communities are asked to make decisions well prior to investments, land acquisition or development plans being put in place. Communities must be informed and consulted about proposed plantations long before developments are decided on by organisations.

Processes of Free, Prior and Informed Consent should thus be iterative, that is say they imply an ongoing relationship between the organisation and the community. Typically, an organisation would first scope out an area of potential land for development, then identify the communities there and scope out their representative institutions and then negotiate with the communities to carry out a participatory impact assessment. During the assessment the exact extent of community lands, their systems of land use and systems of representation could then be determined. If the first phase of the impact assessment suggests that the area is viable from an organisation point of view for planting, the community can be asked if it wants the organisation to develop the area or not: a decision it can make based on its own inclinations and the information from the assessment.

If the community is not interested in a plantation the organisation should respect their decision. If the community agrees to open negotiations, the organisation should still not assume that planting can go ahead. What is then required is that the communities and the organisation enter into a dialogue to explore in more detail the conditions under which the investment can be accepted both by the organisation and by the community. It is noted that in general, the FPIC process is still applicable for resolving any conflict or land disputes that occur during all stages of development and operations.

#### How to ensure there is consent?

If all the above conditions have been satisfied, then there is a good chance that a decision based on Free, Prior and Informed Consent can now be reached. The potential overlap between community lands and proposed (or ongoing) developments should have been clarified, for example by participatory mapping. The community will have chosen and explained which institutions will directly represent the community in negotiations with the organisation and the organisation will have accepted these arrangements. If the communities had agreed to such a step, then in order to generate adequate information for informed decision-making, participatory impact assessments will have been carried out which will make clear to the communities what they stand to lose and gain and what the legal implications of the plantations are for their lands.

#### Appendix 3

Community members will have been free to get counsel and discuss their options with advisers of their choosing and time will have been afforded to the community to give consideration to their options prior to any final decisions being made.

A key aspect of the negotiation and decision-making that will ensure is that the communities' representative institutions are given space, time and opportunity to freely consult and discuss their options among themselves and with other interested parties. Customary decision-making often requires lengthy debates in the longhouse or other community forums between community representatives and the wider society. Such meetings are often interspersed with periods when decision-making is paused while further consultations and informal discussions are carried out at home and in council with other parties. Moreover, community representatives may enter negotiations with companies with mandates which require them not to make precipitous decisions but to bring interim offers and options back for wider discussion to allow communities to consider their options based on more detailed information. It is vital that companies respect these processes if they want to ensure that amicable and consensus-based decisions are reached among the community.

Assuming that the community has been reassured by the information provided that the plantation can bring them benefits, the stage is thus set for negotiations.

The details of these negotiations then need to be written down and agreed by the organisation and the communities involved in a formal agreement that is notarised as a legal agreement binding on both parties. Preferably such agreements should also be endorsed by the local government or relevant authority.

### List of Malaysian Oil Palm Industry-Related Laws

### Oil Palm Estates / Plantations

	Logislation
No.	Legislation Aboriginal Peoples Act 1054 (Act 124)
1.	Aboriginal Peoples Act 1954 (Act 134)
2.	Anti-Corruption Act 1997 (Act 575)
3.	Anti-Confund Act 1997 (Act 373)  Anti-Trafficking in Person and Anti-Smuggling of Migrants Act 2007 (Act 670)
J.	Anti-Tranicking in Ferson and Anti-Smuggiing of Migrants Act 2007 (Act 070)
4.	Child Act 2001 (Act 611)
5.	Children and Young Persons (Employment) Act 1966 (Act 350)
6.	Companies Act 2016 (Act 777)
7.	Control of Supplies Act 1961 (Act 122)
8.	Destruction of Disease-Bearing Insects Act 1975
9.	Drainage Works Act 1954 (1988)
10.	Electricity Supply Act 1990 (Act 447)
11.	Employees Provident Fund Act 1991 (Act 452)
12.	Employees' Minimum Standards of Housing, Accommodations and Amenities Act
- 10	1990 (Act 446)
13.	Employees' Social Security Act 1969 (Act 4)
14.	Employment (Restriction) Act 1968 (Act 796)
15.	Employment Act 1955 (Act 265)
16.	Energy Commission Act 2001 (Act 610)
17.	Environmental Quality Act 1974 (Act 127) and its regulations
18.	Factories and Machinery Act 1967 (Act 139) and its regulations
19.	Fire Services Act 1988 (Act 341)
20.	Holidays Act 1951 (Act 369)
21.	Human Resources Development Act 1992 (Act 491)
22.	Immigration Act 1959/63 (Act 155)
23.	Industrial Relations Act 1967 (Act 177)
24.	Irrigation Areas Act 1953 (Act 386)
25.	Land Acquisition Act 1960 (Act 486)
26.	Land Conservation Act 1960 (Act 385)
	<ul> <li>Johore Vide Enactment No. 15 of 1960;</li> </ul>
	<ul> <li>Kedah Vide Enactment No. 13 of 1960;</li> </ul>
	<ul> <li>Kelantan Vide Enactment No. 6 of 1960;</li> </ul>
	<ul> <li>Malacca Vide Enactment No. 7 of 1960;</li> </ul>
	Enakmen Penempatan Terengganu, 1356.
	<ul> <li>Negeri Sembilan Vide Enactment No. 21 of 1960;</li> </ul>
	<ul> <li>Pahang Vide Enactment No. 13 of 1960;</li> </ul>
	<ul> <li>Penang Vide Enactment No. 4 of 1960;</li> </ul>
	<ul> <li>Perak Vide Enactment No. 6 of 1960;</li> </ul>
	<ul> <li>Perlis Vide Enactment No. 12 of 1960;</li> </ul>
	<ul> <li>Selangor Vide Enactment No. 7 of 1960; and</li> </ul>
	Terengganu Vide Enactment No. 9 of 1960;
27.	Malaysian Anti-Corruption Commission Act 2009 (Act 694) and its regulations
28.	Malaysian Palm Oil Board Act 1998 (Act 582) and its regulations
29.	· · · · · · · · · · · · · · · · · · ·
	Minimum Retirement Age Act 2012 (Act 753)
30.	National Forestry Act 1984 (Act 313)

### Appendix 4

No.	Legislation
31.	National Land Code (Act 828)
32.	National Parks Act 1980
33.	National Wages Consultative Act 2011 (Act 732) and its regulations
34.	Occupational Safety and Health Act 1994 (Act 514) and its regulations
35.	Passports Act 1966 (Act 150)
36.	Penal Code (Act 574)
37.	Pensions Act 1980 (Act 227)
38.	Pesticide Act 1974 (Act 149) and its regulations
39.	Plant Quarantine Act 1976 (Act 167)
40.	Private Employment Agency Act 1981 (Act 246)
41.	Road Transport Act 1987 (Act 333)
42.	Sales Tax Act 1972 (Act 64)
43.	Street, Drainage and Building Act 1974 (Act 133)
44.	Trade Unions Act 1959
45.	Water Services Industry Act 2006 (Act 655)
46.	Waters Act 1920 (Act 418) and its regulations
47.	Weight and Measures Act 1972 (Act 71)
48.	Wildlife Conservation Act 2010 (Act 716)
49.	Windfall Profit Levy Act 1998 (Act 592)
50.	Workmen's Compensation Act 1952 (Act 273)
51.	Sabah:
	Biodiversity Enactment 2000
	<ul> <li>Drainage And Irrigation Ordinance, 1956 (Sabah No. 15 of 1956)</li> </ul>
	<ul> <li>Forest Enactment, 1968 (Sabah No. 2 of 1968)</li> </ul>
	<ul> <li>Forestry Development Authority Enactment 1981 (Sabah No. 24 of 1981)</li> </ul>
	Labour Ordinance (Sabah Cap. 67)
	<ul> <li>Land Acquisition Ordinance (Sabah Cap. 69)</li> </ul>
	<ul> <li>Land Development Board Enactment 1981 (Sabah No. 23 of 1981)</li> </ul>
	<ul> <li>Land Ordinance (Sabah Cap. 68)</li> </ul>
	<ul> <li>Water Resources Enactment 1998 (Sabah No. 6 of 1998)</li> </ul>
	Water Supply Enactment 2003
	Wildlife Conservation Enactment 1997 (Sabah No. 6 of 1997)
52.	Sarawak:
	Biodiversity Centre Ordinance 1997
	Forests Ordinance, 2015 (Cap. 71)
	<ul> <li>Labour Ordinance, 1952 (Cap. 76 (1958 Ed.))</li> </ul>
	• Land Code, 1958 (Cap. 81 (1958 Ed.))
	National Parks and Nature Reserves Ordinance, 1998 (Cap. 27)
	Natural Resources and Environment Ordinance, 1949 (Cap. 84 (1958 Ed.))
	Water Ordinance, 1994 (Cap. 13)
	Wild Life Protection Ordinance, 1998 (Cap. 26)
<u> </u>	