

# **2<sup>nd</sup> KAMI MALAYSIA ADVISORY COMMITTEE MEETING**

**Wednesday, 14 September 2022**

**Hybrid: Double Tree Hilton Putrajaya + Virtual**

**Malaysia time: 1400 - 1700**

**Attendance: 65 participants (as per Annex 1)**



# Agenda

Activity	Time
<b>1. Welcome remarks by Co-chairs</b> <ul style="list-style-type: none"> <li>i. European Union (Ms. Henriette Faergemann, First Counsellor – Environment, Climate Action, ICT)</li> <li>ii. Malaysia (YBhg. Datuk Haji Daud Amatzin, Chief Executive Officer, MPOCC)</li> </ul>	2.00 pm – 2.15 pm
<b>2. Panel Discussion + Q&amp;A session</b> <ul style="list-style-type: none"> <li>i. Overview on approach for jurisdictional support for sustainable palm oil in Malaysia (ISIS-Malaysia)</li> <li>ii. Results of KAMI supported work on jurisdictional palm oil supply chain traceability in Malaysia (EFI)</li> <li>iii. EU due diligence mechanisms and requirements across commodity supply chains (EU)</li> <li>iv. Malaysia palm oil policy landscape and targets (MPOB)</li> </ul>	2.15 pm – 3.15 pm
<b>3. Lesson Learnt from Existing Initiatives + Q&amp;A session</b> <ul style="list-style-type: none"> <li>i. Lesson learnt from Indonesia's Terpercaya initiative (EFI)</li> <li>ii. Lesson learnt from jurisdictional approach for sustainable palm oil in Sabah (Forever Sabah)</li> </ul>	3.15 pm – 3.45 pm
<b>4. Tea Break</b>	3.45 pm – 4.00 pm
<b>5. Discussion (moderated by CIRAD-UPM)</b> <ul style="list-style-type: none"> <li>i. Sustainability indicator development process and key consideration</li> <li>ii. Proposed Working Group under KAMI Advisory Committee</li> </ul>	4.00 pm – 4.50 pm
<b>6. Closing</b>	4.50 pm – 5.00 pm

# Minutes of meeting

## 1 Welcome remarks by co-chairs

### 1.1 Opening remarks by Ms. Henriette Faergemann, First Counsellor – Environment, Climate Action, ICT

Ms. Henriette welcomed everyone to the second meeting of the KAMI Malaysia multi-stakeholder Advisory Committee. Ms. Henriette informed that the KAMI project in Malaysia started in 2020. She said the aim of the KAMI project is to foster good dialogue, and to make sure everybody in Europe understands better what is going on the ground in Malaysia and Indonesia in terms of sustainable palm oil production. The project in Indonesia has its own set of challenges and situations, and now the focus is on Malaysia. Ms. Henriette thanked everybody that has been working together up to this point and noted the KAMI project has a good consortium of consultants with much experience of the situation in Malaysia. Ms. Henriette also mentioned that explanations of the KAMI project were the focus of the first Advisory Committee meeting and hoped to work more on substantive issues in the second meeting. Ms. Henriette informed that she had a chance to discuss with MPOCC over the last couple of days and confirmed joint aims of how to use the project to bring Europe and Malaysia closer to each other and ensure information exchange as a basis for good communication and decision making. Ms. Henriette mentioned that she presented the EU Deforestation Regulation at the International Palm Oil Sustainability Conference and the first KAMI Advisory Committee Meeting. Ms. Henriette thanked everyone and wished for a good and fruitful discussion.

### 1.2 Opening remarks by Datuk Haji Daud Amatzin, Chief Executive Officer, MPOCC

Datuk Haji Daud Amatzin said he was delighted to welcome everyone to the second Advisory Committee Meeting and pleased that Malaysia and the EU were able to touch base earlier. He said the agenda between the producing and consuming countries is important, but that intellectual engagement between civil people for their country and their organisation is more important than between legal or scientific people. Datuk Haji Daud Amatzin emphasised that this will be an ongoing process, as all the issues cannot be solved in just two meetings. Datuk Haji Daud Amatzin shared that the Malaysian palm oil industry cannot be what it is today without Europeans: as an example, there are 468 MPOB licensed palm oil mills with machinery from Europe. Datuk Haji Daud Amatzin emphasised the need to be efficient in the meeting and to be as clear as possible. Datuk Haji Daud Amatzin mentioned that Malaysian Sustainable Palm Oil (MSPO) certification is new in terms of the aims of the meeting today. It started with RSPO, and ISCC, another certification scheme that Europe is familiar with. Datuk Haji Daud Amatzin informed that he would rather want to listen to work in progress, or certain findings, even certain initiatives that have been actioned, because an action is better than just talking. He emphasised that the conversation should be fair and clear for everyone to understand.

### 1.3 Remarks by Ms. Henriette Faergemann, First Counsellor – Environment, Climate Action, ICT

Ms. Henriette thanked Datuk Haji Daud Amatzin for the opening remarks and gave the floor for Point 2 in the agenda. Ms. Henriette mentioned that KAMI is a work in progress and that while the project is being steered by the Strategic Country Board, there is good cooperation and communication among all stakeholders. The point is to have the Advisory Committee give as many different perspectives as possible and to bring everything into the discussion.

## **2 Housekeeping (ISIS)**

2.1 ISIS Malaysia outlined the format and rules for conducting the meeting.

## **3 Panel Discussion**

### **3.1 Overview on Approach for Jurisdictional Support for Sustainable Palm Oil in Malaysia – Alizan Mahadi, ISIS Malaysia - Key points**

- Brief introduction to ISIS team, the jurisdictional approach, and KAMI support for a jurisdictional approach for sustainable palm oil production in Malaysia.
- As per the KAMI Malaysia work plan endorsed by the Strategic Country Board, sustainability indicators will be developed to: (i) track and demonstrate sub-national/district level progress towards sustainable palm oil production, and (ii) inform the EU and other global markets on Malaysia's progress towards addressing deforestation and sustainable palm oil production and trade.
- Proposed characteristics of jurisdictional approach under KAMI: (i) Government-led; the jurisdiction level indicators would be based on existing data/information and collection of the data should not burden producers. The indicators and the concept should comply with legality and sustainability norms, (ii) Government agencies would collect and provide data from existing sources, including as a way to complement MSPO certification in informing global markets and providing information in relation to the mandatory due diligence process under the EU deforestation regulation proposal.
- Existing jurisdictional approach examples relevant to Malaysia are the RSPO Jurisdictional Approach to Certification for sustainable palm oil (Sabah), and MTCS Forest Management Certification for sustainable forestry and timber production. A jurisdictional approach for palm oil as supported by KAMI does not constitute a new certification and does not have to follow the Terpercaya approach in Indonesia.
- Way forward and a potential model for Malaysia: The sustainability indicators will be developed at the sub-national level with multistakeholder input and will be in accordance with Malaysian laws, the SDGs, relevant domestic information needs, and requirements from the EU to define sustainable commodities including palm oil.

#### **3.1.1 Questions, answers and comments:**

##### *3.1.1.1 Comment from TPr. Dr. Mohd Sabri Ahmad - PLAN Malaysia*

Dr. Mohd Sabri Ahmad expressed concerns about what the presenter said about land use, as land is primarily a state matter but maybe there is some misconception. Land alienation and land ownership is a state matter, but land use is concurrently within Federal and State control because agricultural zoning is planned under Town and Country Planning Act 176. There is a national level master document, called Rancangan Fizikal Negara 4, which adopted at the state level, Rancangan Struktur Negeri informs Local Plan/Rancangan Tempatan. This document includes planned oil palm zoning for the future, which in turn defines the land use. However, land alienation and land ownership are fully state matters.

##### *3.1.1.2 Response from Mr. Alizan Mahadi – ISIS Malaysia*

The comment highlights the importance of the jurisdictional approach - to recognise and reinforce collaboration and synergies between Federal and State levels.

##### *3.1.1.3 Comment from Ms. Fuziah Md Amin – Department of Statistics Malaysia*

Ms Fuziah Md Amin noted that, overall, data compiled on SDGs is at the national level, and not specific to palm oil or other commodities.

#### 3.1.1.4 Response from Dr. John Tey - UPM

Dr. John Tey said this shows there will be a need to zoom in when it comes to examining data access and availability with respect to the palm oil industry. He noted that this will be discussed further at a later point in the meeting.

### 3.2 Jurisdictional Palm Oil Traceability in Malaysia: Findings and Next Steps – Dr. Josil Murray, EFI - Key points

- Brief introduction on the study conducted by Proforest on jurisdictional palm oil traceability in Malaysia.
- Methods: Proforest has a risk-calibrated approach to palm oil traceability; a B2B platform and drew on their previous experience to inform this work.
- Consultations were carried out with at ~17 stakeholder groups in preparation for the study and wider stakeholder consultations took place towards the end with some 70 stakeholders participating and giving insightful feedback for revision of the report.
- The design concept is still at the preliminary stage, but needs to be tested and operationalised in one or two key jurisdictions to see how the concept could potentially be scaled up in Malaysia.
- Key findings:
  - Current traceability data flows: Information and data are crucial for operators to carry out due diligence and will be necessary for them to make their due diligence statements in relation to the EU proposed deforestation regulation. The information could also apply to other markets and will be very valuable for B2B interactions.
  - The SPOC approach implemented by MPOB: The Sustainable Palm Oil Cluster (SPOC) approach is very useful as a means to aggregate smallholder information. The SPOC approach is led by MPOB and TUNAS (extension service) officers act as group managers for the SPOC units. Proforest suggested that SPOCs would make a good traceability unit for smallholders, while estates could be identified as individual units because they are large enough and can probably provide geolocation information and other key legal origin information that smallholders may struggle with.
  - Traceability data reported in MSPO Trace: Proforest identified traceability data reported in MSPO Trace to be very useful and potentially a critical part of due diligence reporting. The information is submitted by various entities such as certification bodies, mills or other supply chain actors. Acknowledging that there are some gaps, Proforest suggested that MSPO Trace could be a starting point, especially since the system is mandatory under MSPO and will eventually cover all palm oil supply chain actors.
  - Concept design of the jurisdictional traceability system: Proforest suggested a concept design for jurisdictional traceability in Malaysia. There is already good traceability data and, for example, location, hectareage and volume flow information is collected under existing arrangements such as MPOB License Application and Renewal, MSPO Certification, Supply Chain B2B Disclosures, and MSPO Reporting.
- Proposed concept for jurisdictional traceability: Proforest proposed a Risk-based approach to jurisdictional traceability to help meet due-diligence requirements from markets concerned about supply chain deforestation risk. The approach proposes the following elements:
  - (i) Data entry, mapping and aggregation: Proforest noted that high resolution information would be more accurate and more useful for traceability, but noted

that aggregating information at the jurisdictional level would help to address data sensitivities while still facilitating risk-based sourcing.

- (ii) Risk assessment for each jurisdiction: A proposed risk layer would support deforestation risk assessment at the jurisdiction level and within SPOC and estate-level boundaries. For due diligence statements, assessment of actual post cut-off deforestation and oil palm expansion within SPOC and estate-level boundaries would be necessary to ensure deforestation-free supply.
- (iii) Validation and verification. Proforest suggested validation and verification of data and information available in existing systems as a means of adding a layer of transparency and accountability, and to provide assurances. Relevant spatial/GIS data layers and traceability information would contribute to the integrity of the existing certification reporting system in MSPO Trace. Suggested data are.
- Recommendations: (i) maintain SPOC boundaries as traceability units for smallholders' production landscapes, (ii) implement data management for a jurisdictional traceability system, (iii) standardise MSPO Trace reporting, (iv) develop functionality and corresponding data inputs to facilitate risk analysis, (v) integrate data from Land and Survey departments, and (vii) establish verification processes.

### **3.2.1 Questions, answers and comments:**

#### *3.2.1.1 Question from Mr. Mohd Hasbollah Suparyono - MPOCC*

Mr. Mohd Hasbollah Suparyono asked which cut-off date was referred to for EU Proposal, noting that there are many cut-off dates being discussed, for example the MSPO one is different to that in the EU proposal.

#### *3.2.1.2 Response from Dr Josil Murray – EFI*

Dr Josil said when we discuss cut-off dates in the traceability presentation, we refer to the EU proposal but it's not yet fixed. If stakeholders in Malaysia decide that the MSPO Trace related regulatory framework and traceability system would be built upon the MSPO's deforestation cut-off date would presumably apply, which is prior to the EU's proposed cut-off date.

#### *3.2.1.3 Response from Mr. Mohd Hasbollah Suparyono - MPOCC*

Mr. Hasbollah responded to say that MPOCC hasn't yet decided and requested that for future meetings, presentations be shared in advance.

#### *3.2.1.4 Response from Dr Josil Murray – EFI*

Dr. Josil noted that in the future presentations would be shared in advance and also that Ms Henriette suggested that EFI share the traceability report and its findings with key stakeholders consulted during the preparation of the report, including MPOCC. In this respect, feedback from MPOCC would be welcomed.

#### *3.2.1.5 Response from Mr. Mohd Hasbollah Suparyono - MPOCC*

Mr. Hasbollah said that sharing the report would benefit all Advisory Committee members and as such it should with everybody.

#### *3.2.1.6 Question from Mr. Tan Chee Yong - MPOCC*

Mr Tan Chee Yong noted the importance of receiving verification from stakeholders involved in the consultations to ensure that their input has been accurately represented in the report, and that this should be done before findings are presented to the Advisory Committee.

### **3.3 The EU Deforestation Regulation proposal and current efforts to strengthen EU-Malaysia dialogue on sustainable palm oil – Presented by Ms. Henriette Faergemann, First Counsellor – Environment, Climate Action, ICT - Key points**

- Brief introduction to main elements of the EU Deforestation Regulation proposal.
- Six commodities are proposed to be covered, and palm oil included.
- Main elements
  - 1: mandatory due diligence rules for all operators that place the commodities and products on the EU market or export them from the EU.
    - i. Only products that are both deforestation-free and legal to be allowed on or to be exported from the EU market – need to be covered by a due diligence statement.
    - ii. 'Deforestation-free' would be based on existing definitions (esp. FAO & EU RED legislation).
    - iii. Strict traceability linking the commodity to the plot of land where it was produced.
  - Main elements 2:
    - i. Country benchmarking system according to level of risk of deforestation (low, standard, high).
    - ii. Specific obligations: simplified due diligence for low-risk and enhanced scrutiny for high-risk.
    - iii. No ban against any country or commodity.
    - iv. Minimum level of inspections for EU Member States' authorities.
    - v. Effective, proportionate and dissuasive penalties.
- Ongoing negotiations:
  - The EU Commission came forward with the proposal at the end of last year, and the European Parliament and Council are reviewing it.
  - Based on the European Parliament's resolution of 13 September 2022; they are proposing significant changes to the proposed amendment:
    - I. Product scope: include maize, pig, sheep, goat, poultry and several other products.
    - II. Bring forward the cut-off date from the end of 2020 to the end of 2019.
    - III. Negotiation is still in progress, and agreement is expected by the end of 2022 or early 2023.
    - IV. There will be a two-year period before entry into force.

#### **3.3.1 Questions, answers and comments:**

##### **3.3.1.1 Comment from Datuk Haji Daud Amatzin, Chief Executive Officer of MPOCC**

The members of this meeting are to digest and share the information and convey the message from Ms Henriette's presentation on the EU Deforestation Regulation proposal with their organisations and channel questions through him if any. Principles need to be considered and it should be recognised that key decisions are made by Parliamentarians.

### **3.4 Malaysia Sustainable Palm Oil (MSPO) certification – Presented by Dr. Zaki Aman, Director (Smallholder Development Research Division) - Key points**

- Brief introduction on the MSPO certification scheme, the objectives and the timeline of MSPO standards.
- The revised standards of MSPO MS2530:2022 will be implemented in 2024. Improvements made to the standards include:

- Supporting the Sustainable Development Goals (SDG) 2030 by incorporating them into the revised standard.
- Introducing and incorporating the High Conservation Value (HCV) approach.
- Strengthening requirements for new planting to include HCV, SIA and EIA requirements after the cut-off date of 31 December 2019.
- Introducing and incorporating Green House Gas Calculation (GHG) for the entire supply chain.
- Clarifying requirements to prohibit any forms of forced or trafficked labour.
- Roles of MPOB in implementing MSPO Standard:
  - Smallholder Development Research Division:
    - Assist independent smallholders from application to certification.
    - Training and awareness.
    - Documentation preparation.
    - Manage certification fund of MSPO from government.
  - Licensing and Enforcement Division:
    - Licensing and enforcement.
- MPOB to assist in the certification of all smallholders through 162 SPOCs (Sustainable Palm Oil Clusters).
- Status of MSPO implementation as of 31 August 2022:
  - 82% of independent smallholders and 100% of organised smallholders have been certified.
- Several activities have been conducted with regards to MSPO certification, namely: MSPO awareness programme to smallholders, briefing on personal protective equipment (PPE), MSPO audit on smallholders' record, and MSPO audit activity at smallholders' farms.
- MSPO has received recognition from:
  - Tokyo 2022 Olympics and Paralympics games.
  - Cooperation with the China Green Food Development Centre.
  - Indian Palm Oil Sustainability Framework (IPOS).
  - CPOPC, Global Framework Principle on Sustainable Palm Oil (GFP SPO).
- To conclude, the MS2530:2022 Sustainability Standards Certification does as follows:
  - Addresses the identified gap between the 2013 version and other schemes, as well as market needs.
  - Includes all actors in the value chain as our country's commitment to ensure our palm oil is sustainable.
  - Considered the practicality of the requirements for all main users of the standards, as they have to conform to them;
  - Ensures that palm oil products from Malaysia meet market demand and use certified and sustainable palm oil (CSPO) from Malaysia.
  - Meets demands from environmentally sensitive markets.

### **3.4.1 Questions, answers and comments:**

#### *3.4.1.1 Question from Mr. Josh Hong, ILO National Project Coordinator*

Mr Josh Hong asked if there is any initiative or effort to address the issue of child labour? He noted that 'child labour' does not only mean a child who works on the plantation, but any child who is found around the plantation, especially on smallholders' farms where irregular workers may have accompanying children. He asked if there is any effort to give such children access to education instead of hanging around the plantation site.



#### *3.4.1.2 Response from Dr. Zaki Aman, MPOB*

Dr. Zaki Aman noted that MPOB has conducted several seminars around Malaysia on child labour and forced labour awareness.

#### *3.4.1.3 Follow up by Mr. Josh Hong, ILO National Project Coordinator*

Mr Josh Hong asked if smallholders are working in Sabah or Sarawak to facilitate children's education in community learning centres.

#### *3.4.1.4 Response from Dr. Zaki Aman, MPOB*

Dr. Zaki asked whether the previous comments on child labour are referring to foreign workers. He noted that for local labour, parents are aware of this issue and the role of MPOB is to educate them. The current practice in Malaysia is that children are help their parents during school holidays, and he noted that this is a different issue as the culture is different from other countries.

#### *3.4.1.5 Response from Dr. John Tey, Universiti Putra Malaysia*

The child labour issue may become a Woking Group discussion topic.

#### *3.4.1.6 Comment from Prof. Denny Ng, Heriot-Watt University Malaysia Campus*

Prof. Denny Ng noted that sustainability indicators have already been identified and articulated under MSPO, therefore he asked if there is an endeavour to repeat what has already been done, or is the idea to build upon it? The MSPO standards include many developments and sustainability indicators have been identified and articulated, so it is important to ensure that KAMI indicators do not repeat has been done. Prof. Denny noted his hope that the proposed work in Malaysia would support what is already in place and not push to develop more indicators and that there should be an understanding of how the jurisdictional approach differs between countries.

#### *3.4.1.7 Response from Mr. Alizan Mahadi, ISIS Malaysia*

Mr. Alizan Mahadi confirmed that the intention is to build upon what Malaysia already has and to understand the context and localise accordingly rather than to simply copy the approach in Indonesia. He noted that this needs to be done in a multistakeholder manner and that the difference between the proposal and MSPO is the jurisdiction element: looking not at producer level, but at a level to be determined (either district or state). He further noted that it would be ideal to aggregate and that the Advisory Committee would be involved in answering key questions. While recognising that the work needs to be localised, he noted the opportunity to address certain market requirements including the EU regulation as a way to reinforce supply chains for sustainable palm oil.

#### *3.4.1.8 Response from Mr. Mohd Hasbollah Suparyono, MPOCC*

Mr. Mohd Hasbollah Suparyono clarified with respect to the earlier comment that Malaysian smallholders' children usually go to school and suggested that the issue may relate more to foreign workers.

#### *3.4.1.9 Response from Datuk Haji Daud Amatzin, Chief Executive Officer of MPOCC*

Datuk Haji Daud Amatzin credited the Danish International Development Agency (DANIDA) for donating to and teaching at the learning centres in Sabah and Sarawak, noting that they have engaged many retired government teachers to teach the children of guest employees. He said the legal issue is complex and difficult, and in terms of assistance to the children of guest employees, is a work of progress. He also credited Hap Seng Plantations Berhad and Humana Child Aid Society Sabah.

## **4 Lesson Learnt from Existing Initiatives**

### **4.1 Lesson Learnt from Indonesia's Terpercaya Initiative – presented by Dr. Satrio Wicaksono, EFI - Key points**

- Dr. Satrio noted that, given the differences between the two countries, the presentation objective is not to suggest that Terpercaya will be cloned or duplicated in Malaysia but rather to share insights from the process from Indonesia that could be useful to advance the process in Malaysia.
- Brief introduction to Indonesia's Terpercaya Initiative, which is a multi-stakeholder initiative to:
  - Define and track deforestation-free palm oil at scale in Indonesia.
  - Provide analysis of supply chains and opportunities for area-based verification.
  - Support districts in transitioning to sustainability and accessing global markets.
- Through Terpercaya, a jurisdictional (district level) monitoring system could support the inclusion of smallholders in deforestation-free districts who are currently outside the supply chain for sustainable palm oil due to logistical issues related to registration and/or certification. We have worked closely with the government of Indonesia at the national level to better monitor and to promote district sustainability at scale.
- The Terpercaya Advisory Committee and the associated working group provides advice on indicators and data availability, while also providing the link to palm oil supply chain actors and other stakeholders in the forest and land-use sectors. The Terpercaya AC is co-chaired by representative of the Indonesian government (the Director of Food and Agriculture of BAPPENAS (Ministry of National Development Planning) and the EU (the First Counsellor – Environment, Climate Action and ICT). The committee meets several times a year, during which the progress of Terpercaya is presented and stakeholders are consulted on key issues and potential solutions. Further information about the AC meetings, briefings, and papers related to Terpercaya since 2018 can be found on the EFI website.
- The Terpercaya indicators are refined from time to time based on consultation. Initially, there were 22 indicators but recently a new indicator on food security was added because stakeholders saw the need to monitor the conversion of paddy fields to other uses, especially oil palm plantations.
- A user-friendly Terpercaya platform has been developed to facilitate analysis and dissemination of Terpercaya indicator data. We have also added a function to set indicator thresholds to evaluate districts and hope that the tool can inform policymakers and market actors. It can serve as a potential tool for the companies to perform due diligence in making sourcing and investment decisions based on district sustainability performance.
- A key milestone for Terpercaya was when the Terpercaya database and data platform were transferred from the EU to BAPPENAS on 11 November 2021. This handover allows the Government of Indonesia through BAPPENAS to lead Terpercaya in support of national initiatives such as the fiscal transfer/special allocation fund for food and agriculture, and also Satu Data Indonesia (One Data Indonesia) initiative in the context of monitoring SDG achievement. Terpercaya has also been integrated into the guidelines for developing subnational action plans for sustainable palm oil in collaboration with the Coordinating Ministry for Economic Affairs and Ministry of Home Affairs. Legal and policy frameworks to support the implementation of Terpercaya indicators and data platform are being developed, a beta version of the data platform is currently under development and BAPPENAS is hoping to showcase it in the upcoming G20 meeting.

- In terms of lessons learnt, the Terpercaya initiative has shown that building consensus among stakeholders on jurisdictional sustainability indicators is indeed possible, that government leadership can strengthen other national processes aiming to achieve sustainability in palm oil production, and that government ownership can ensure the initiative's longevity and effectiveness. Other lesson learned are that availability of data, and especially accurate and up-to-date data, is a key determinant of success, and that to ensure cost effectiveness, data collection at the district level must be conducted through government agencies. Additionally, it should be noted that information access remains a challenge.
- Regarding next steps, a mechanism for verifying data collected through jurisdictional monitoring and supply chain traceability systems can help to ensure the credibility of Terpercaya to users and third parties. In addition, in addressing the new global market requirement such as in relation to EU, UK and US due diligence requirements, additional indicators will be explored.

#### **4.1.1 Questions, answers and comments:**

##### *4.1.1.1 Comment from Mr. Mohd Hasbollah Suparyono, MPOCC*

With regards to monitoring and verification, Mr. Mohd Hasbollah Suparyono said it is important to note that if we were to follow the existing legal framework in Malaysia, this would involve the national accreditation body as well as the existing third-party verification system which is internationally recognised, through our Department of Standards Malaysia.

##### *4.1.1.2 Question from Dr. A. Fadzli Abdul Aziz, Palm Oil Refiners Association of Malaysia (PORAM)*

Dr. A. Fadzli Abdul Aziz said he understands the rationale for using a jurisdictional approach in Indonesia, but he said Malaysia is not as complex in terms of land ownership as district and state boundaries are already there. He understood that a jurisdictional approach would make data collection and reporting easier but suggested that a jurisdiction could cut across district and state boundaries. He also asked whether jurisdictions might cut across federal boundaries, such as between East Malaysia (Sabah and Sarawak) and Kalimantan.

##### *4.1.1.3 Response from Mr. Alizan Mahadi, ISIS Malaysia*

Mr. Alizan said these questions should be discussed at the working group level. For example, he said there are questions relating to the levels at which decision-making occurs, such as land-use planning decision making at the state level. Again, he noted that this is only the beginning of the discussion on the jurisdictional approach and what format it should take in Malaysia.

##### *4.1.1.4 Question from Mr. Adrian Yeo, Earthworm Foundation*

Mr. Adrian Yeo noted that there is some sensitivity and some government regulations that prevent sharing of concession maps outside the country. He enquired how this is handled by Terpercaya's jurisdictional approach, or if it is not relevant in Indonesia?

##### *4.1.1.5 Response from Dr. Satrio Wicaksono, EFI*

In terms of forest and land-related data, Dr. Satrio Wicaksono said there are a few ministries in charge, and that they are part of the Terpercaya Advisory Committee as well as the KAMI Strategic Country Board steering committee. He reiterated that BAPPENAS is creating a policy framework on data sharing. He said that for each type of data there are laws and regulations specifying data custodians, including for geolocation data. At the moment, BAPPENAS is in discussions with the appropriate ministries, in this case the Ministry of Environment and Forestry and Ministry of Agriculture.

#### **4.2 Sabah Jurisdictional Approach Initiative – Presented by Mr. Sean Andrew Labansing, Sabah Jurisdictional Certification Steering Committee - Key points**

- Brief introduction to the Sabah Jurisdictional Approach (JA):
  - Started in 2015 and created the Jurisdictional Certification Steering Committee (JCSC) and currently moving forward to 2025.
  - The initiative has experienced three different governments and the Sabah commitment to JA and sustainable development remains strong.
- Sabah's jurisdictional certification committee is governed by Sabah State Secretary. Under JCSC, there is a secretariat and working groups chaired or co-chaired by the JCSC members. The working groups are formed to future-proof the industry.
- The composition of the steering committee is a balance of the government, civil society, industry and technical advisors.
- The JCSC opened the working groups to government agencies, academics, civil society and industry.
- The focus of Sabah's JA:
  - Providing a platform for Sabah's sustainability journey.
  - Government leadership, support and collaboration in facilitating a multi-stakeholder process.
  - Focus on multi-stakeholder partnerships to tackle environmental and social challenges at the landscape level.
  - Drive dialogue and convergence of common goals across direct/indirect Sabah palm oil industry stakeholders.
- The difference between Sabah's JA and CSPO as implemented by certificate holders and how they complement each other:
  - Sabah's JA engages with NGOs, higher learning institutions, trade associations, and accreditation and certification bodies in Sabah and also collaborates with CSPO certificate holders.
  - Sabah's JA interprets and complements CSPO standards, aligning with existing laws, government agency procedures, and work instructions.
- How the Sabah JA functions:
  - JCSC: Vehicle to drive the Sabah JA initiative.
  - Secretariat: Vehicle to manoeuvre the Sabah JA initiative.
  - Aiming to adopt the Malaysia Sustainable Palm Oil (MS2530: 2022).
  - Guided by RSPO Jurisdictional Approach Piloting Framework.
  - Aligns with Sabah State ordinance, enactments, policy, and national laws.
- There are about 130 ordinances, enactments, and national laws related to the Sabah context.
- There are about 80 JAs around the world, and 25 JAs including Sabah that share common elements.
- Lesson learnt from Sabah JA:
  - Government leadership is critical but risky.
  - Ability and willingness to acknowledge and address challenges is necessary.
  - Stakeholders need to have similar initial goals.
  - Wide participation needs to be promoted
  - Expectations need to be managed.

## **5 Discussion (moderated by CIRAD & UPM)**

### **5.1 Sustainability indicator development process and proposed working groups under KAMI Advisory Committee - presented by Dr. John Tey - Key points**

- The proposed jurisdictional sustainability indicators can potentially serve development purposes and are a way to provide information in relation to due diligence requirements under proposed regulations in global markets. The goal is to have an interactive and informative system not just for due diligence but also to provide information of relevance in relation to domestic policy.
- The proposed indicators reflect progress in three areas: policy, performance and practice. They are grouped under four pillars of sustainability: economic, social, governance and environmental.
- The goal at this juncture is to consultatively develop and collectively improve the proposed sustainability indicators.
- The indicators will build on existing systems and resources in Malaysia, guided by best practices and scientific research. SDGs, domestic legal frameworks and policy relevance will also guide their development, as will alignment with MSPO.
- Dr. Tey presented a first selection of proposed sustainability indicators. He mentioned that data relevant for many of the indicators are already reported at the national level and are publicly available, therefore little additional effort is required to collate data. Where any additional effort is required, the working group will be consulted and proposals will be brought forward but in essence, the public sector is to be responsible for collecting and integrating data.
- Development of sustainability indicators will take a stepwise approach. A key question is whether the indicators should be palm-oil specific or should relate more generally to deforestation-free supply chains for multiple commodities. A stepwise approach could also be followed whereby the focus would be palm oil at first followed by other commodities.
- The jurisdictional level (e.g. district or state) at which indicators would be applied has not yet been determined. There is a need to consider the feasibility of indicators, sources of data, and possible standard operating procedures.
- The main challenges are:
  - How to select an appropriate jurisdictional scale?
  - Which pilot site(s) should be considered first?
  - How should the indicators be refined: i.e. palm oil-specific or more general indicators?
  - How to integrate and analyse data?

#### **5.1.1 Discussion session (led by Dr. Marcel Djama)**

##### *5.1.1.1 Dr. Marcel Djama*

Dr. Marcel Djama said there is a need to synergise information from state and federal levels to create an agenda for working group meeting proposed for 6 October 2022. He said the discussion at the working group meeting should focus on the indicators, and associated data access, data collection and data integration.

##### *5.1.1.2 Ms. Henriette Faergemann*

Ms Henriette Faergemann noted that, as of now, there is no formal decision on using jurisdictional indicators, and it remains a proposal. However, she said they could be useful in complying with regulations in global markets and also in relation to internal processes. She

suggested that the following questions could guide discussions: What is it that Malaysia has to show to the world? What indicators are useful to the internal processes in the country? She also said it may be useful for the working group to discuss the added value of a set of jurisdictional indicators.

#### *5.1.1.3 Question from Ir Kok Sum Ng, Heriot Watt University*

Ir. Kok Sum Ng said the objectives and target audience need to be considered before creating indicators, and consensus should be reached to prevent a mismatch of expectations. Further, that only with all information at hand can a reasonable and auditable report be created to present to the world, suggesting that more discussions is needed prior to coming up with indicators.

#### *5.1.1.4 Response from Dr Marcel Djama*

Dr. Marcel Djama said an important element of due diligence is the due diligence statement, and operators will need to have relevant supply chain information/verification.

#### *5.1.1.5 Question from Ir Kok Sum Ng, Heriot Watt University*

Ir. Kok Sum Ng asked if the outcomes of the Terpercaya initiative have been accepted by the EU, as this could help identify gaps in MSPO's model and guide further efforts. He noted that the revised MSPO standards were just launched in March 2022 and the process of educating stakeholders is continuing and further it may be 2-3 years before the situation stabilises and all stakeholders are performing according to the new standards. He said the development of indicators might require a longer time frame to include implementation of a gap analysis.

#### *5.1.1.6 Response from Mr. Mohd Hasbollah Suparyono, MPOCC*

Mr. Mohd Hasbollah Suparyono stressed the importance of understanding market needs so as not to waste resources. He said a concern is that having a set of indicators does not guarantee EU market access. He therefore said the consultant may need to do more work to manage expectations.

#### *5.1.1.7 Response from Mr. Sean Andrew Labansing*

Mr. Sean Andrew Labansing said that in Sabah, the Forestry Department is involved in the JCSC and has data, but it's unclear how sensitive that data is. Therefore will be important to hear from the state forestry departments beforehand.

#### *5.1.1.8 Question on Zoom:*

Is there a KAMI indicator to monitor methane emissions from POME?

#### *5.1.1.9 Response from Ir Kok Sum Ng, Heriot Watt University*

Ir. Kok Sum Ng said POME reporting on GHG emissions is already part of the carbon emissions data reported by Malaysia to the UNFCCC, noting that this information is already available but it is not collected centrally. He said that if there is interest from customers, data can be tailored specifically to palm oil. He noted that Malaysia is a non-Annex 1 country and is reporting on this voluntarily, and thereby setting a high standard.

#### *5.1.1.10 Response from Dr. Josil Murray, EFI*

Dr. Josil Murray said we need to ask how indicators can be used to report on Malaysia's achievements and noted that Malaysia has made good progress on palm oil sustainability but it is not necessarily well communicated. As stakeholders, she said that there is now the

opportunity to demonstrate Malaysia's progress towards sustainability objectives in a way that reflects the Malaysian context.

#### *5.1.1.11 Response from Mr. Alizan Mahadi*

Mr. Alizan Mahadi stressed that the core point is to determine the objective/s of the indicators, and group discussion is key to this process. He said it is important for stakeholders to decide if we want to create palm oil-specific indicators or use this opportunity to address sustainability more broadly. He highlighted that key concerns are market access and addressing EU regulations and that KAMI provides an opportunity for exchange, so the challenge is to understand what indicators can inform that process. If done correctly, he said the indicators can also inform Malaysia's policy. He noted that an indicator is a good tool for communication on Malaysia's progress on sustainability, while for the EU market it is also a potential risk assessment tool. A jurisdictional system could therefore be designed to have multiple functions to address, e.g. market access and general sustainability. This is what the first working group should discuss so that stakeholders' input can be gathered.

#### *5.1.1.12 Response from Ms. Henriette Faergemann*

Ms. Henriette Faergemann suggested for the Advisory Committee to consider what indicators could be useful in terms of deforestation regulations, as this kind of information will be needed for EU operators' due diligence statements. She said the working group should have discussions on general sustainability issues and what Malaysia would like to show internationally, as indicators can be useful in communicating to global audiences in addition to supporting due diligence. She noted that it appears from the conversations that such information can be obtained easily from existing data.

#### *5.1.1.13 Response from Dr. Marcel Djama:*

Dr. Marcel Djama said there needs to be a realistic view of the scope of the exercise due to time limitations and potential fatigue. In terms of reporting, he said there will be a need for EU-based importers to report on deforestation-free supply chains from Malaysia, and there is also a need for further guidance from EU on the scope of the final legislation. He noted that there may be new requirements coming from the EU in the future as well and reiterated the importance of a step-by-step approach, addressing the due diligence needs now, but also considering infrastructure needed to facilitate data collection and improvement.

#### *5.1.1.14 Response from Mr. Mohd Hasbollah Suparyono, MPOCC*

Mr. Mohd Hasbollah Suparyono stressed that the process must be inclusive in the context of the goals it wishes to achieve and suggested the development of a working paper. In the Malaysian context, he said that consultations must be conducted beyond the AC and working group and should involve the public, as this will be key to developing a credible system. He noted that some palm oil related industry associations have pulled out, but feedback from operators is important in developing means to demonstrate compliance, especially with regard to forced labour and child labour.

#### *5.1.1.15 Response from Dr. Mohammad Sabri, PLAN-Malaysia*

Dr. Mohammad Sabri said there are different interpretations of oil palm areas, for example some have been designated by the state for oil palm but have yet to be developed as such. He asked if such areas would be considered oil palm or forest? He noted that it usually takes 2-3 years for an oil palm area to become operational because it requires approval from relevant authorities, etc.

#### *5.1.1.16 Response from Mr. Alizan Mahadi*

Mr. Alizan Mahadi noted that at a later stage, definitions will be very important, especially what constitutes 'forest', so now is the opportunity to give consideration to different definitions.

#### *5.1.1.17 Response from Ir Kok Sum Ng, Heriot Watt University*

Ir. Kok Sum Ng urged caution when engaging with stakeholders so as not to mislead them into thinking that there will be another standard to follow, especially since the revised MSPO has only just been developed and stakeholders are understandably resistant to new standards. He said the message and philosophy should be continuous improvement for the future. Regarding whether the indicators should be palm oil-specific or more general, he said they should be geared towards palm oil. He said the key concern of industry stakeholders is market access, and this justification can be used in developing the indicators, especially in the context of issues related to perceived bans in international markets. He called for work on continuous improvement, gap analysis and encouraging transparency in reporting. Noting there are real challenges on the ground, he asked how KAMI can help operators to do a better job of traceability and suggested leveraging the work of MSPO. He said the working group should promote existing systems in Malaysia, and build on the strengths of the local palm oil industry which has more sustainability standards than other crops.

#### *5.1.1.18 Response from Dr. Law Chu Chien, Solidaridad Asia*

Dr. Law Chu Chien stressed the need to manage expectations from the buyers' and the suppliers' side and said there should be a sense of belonging for suppliers. He noted that MSPO is based on the principle of leaving no one behind and is different from other standards in Malaysia as it is mandatory. He said that MSPO does have shortcomings that cannot be fixed in a short time and that it is therefore important to identify current gaps between MSPO and expected due diligence requirements. He also said the differences between the MSPO and RSPO standards and the EU requirements should be well communicated.

## **6 Closing Remarks**

### **6.1 Concluding statement by Ms. Henriette Faergemann, EU:**

Ms. Henriette Faergemann said this is only the start of the process, and the openness among stakeholders to discuss the issues is very positive. She noted that the exact EU due diligence requirements will be detailed further and updates will be provided accordingly. She urged participants not to take the Working Groups as just another formal meeting, but an opportunity to voice willingness and be part of the conversation.

### **6.2 Concluding statement by Mr. Mohd Hasbollah Suparyono, MPOCC (o/b of CEO):**

Mr. Mohd Hasbollah Suparyono said there should be more engagement with forestry authorities at both federal and state levels. He noted that we should learn from Sabah where the jurisdictional initiative is moving well, largely due to ownership and leadership by the Sabah Forestry Department. He said it had been a good second KAMI AC meeting and offered thanks for support from the EU and all participants.



## Annex 1: List of Participants

No.	Name	Organisation	Designation	Attendance
1	<b>YBhg. Datuk Haji Daud Amatzin (co-chair)</b>	<b>MPOCC</b>	<b>Chief Executive Officer</b>	<b>P</b>
2	<b>Henriette Faergemann (co-chair)</b>	<b>EU Delegation to Indonesia</b>	<b>First Counsellor</b>	<b>P</b>
3	Alex Hinrichs	European Forest Institute	Head of EFI Regional Office	P
4	Jeremy Broadhead	European Forest Institute	KAMI Manager	P
5	Josil Murray	European Forest Institute	KAMI Technical Expert	P
6	Christine Cullen	European Forest Institute	KAMI Communications Expert	P
7	Satrio Wicaksono	European Forest Institute	EFI, Forest and Land Use Governance Expert	P
8	Thomas Sembres	European Forest Institute	EFI, Supply Chain Expert	P
9	Rully Amrullah	European Forest Institute	Stakeholder Engagement Expert KAMI Indonesia	O
10	Josh Hong	International Labour Organization	National Project Coordinator	P
11	Marcel Djama	CIRAD	Senior Research Fellow	P
12	Kanne Kelchtemans	Delegation of EU to MY	-	P
13	Mehrani Saharudin	Department of Environment	Env Control Officer	O
14	Norazlina Suito	Department of Environment	-	P
15	Fuzaih Md Amin	Department of Statistics Malaysia (DOSM)	Director	P
16	Md Sobri Md Yusoff	Department of Statistics Malaysia (DOSM)	Asistant Director	P
17	Incham Sardin	DOPPA	-	O
18	Sivasankari Ranganathan	Earthworm	-	P
19	Adrian Yeo	Earthworm Foundation	Strategic Engagement Manager	P
20	Yeray Lopez de Abechuno	Economic and Commercial office	Embassy of Spain	O
21	Rosmayuzi Musa	Economic Planning Unit	-	O
22	Nur Dziela Omar	Economic Planning Unit	-	O
23	Anni Stahle	Embassy of Finland	First Secretary/Deputy Head of Mission	P
24	Sami Leino	Embassy of Finland	Ambassador	P
25	Béatrice DI PIAZZA	Embassy of France in Malaysia		P
26	Li Huan Hoh	Embassy of Netherland	-	O
27	Dan Bărbulescu	Embassy of Romania in Malaysia	Advisor for Ambassador	O
28	Che Kodir bin Baharum	Economic Planning Unit	Director	O
29	Matej Dornik	EU FPI	Project Manager	O

No.	Name	Organisation	Designation	Attendance
30	Surekha Gunasagaran	EUROCHAM Malaysia	Government Relations Executive	O
31	Haji Mohd Altifazial Mohamad Ali	Forestry Department of Peninsular Malaysia	Senior Assistant Director (Governance, Compliance and Discipline)	O
32	Professor Ir. Dr. Denny K. S. Ng	Heriot-Watt University, Malaysia	Head of Business Engagement and Innovation Services	P
33	Allie Subramaniam	IDH - The Sustainable Trade Initiatives	Deputy Country Manager	P
34	Vinita Ganesh	IDH - The Sustainable Trade Initiatives	Program Officer, Landscapes	P
35	Alizan Mahadi	Institute of Strategic and International Studies (ISIS) Malaysia	Senior Director (Research)	P
36	Ahmad Afandi	Institute of Strategic and International Studies (ISIS) Malaysia	Senior Analyst	P
37	Lee Min Hui	Institute of Strategic and International Studies (ISIS) Malaysia	Analyst	P
38	Dr. Ruslan Abdullah	Malaysia Palm Oil Council (MPOC)	Director	P
39	Ahmad Shahdan Kasim	Malaysian Palm Oil Green Conservation Foundation (MPOGCF)	Conservation Manager	P
40	Tengku Ahmad Shahrol Nizam	MPIC	Senior Assistant Secretary. Palm and Sago Industry Development Division	P
41	Adrian Gires	MPIC	Principal Assistant Secretary, Palm and Sago Industry Development Division	P
42	Ummi Husna Abdullah	MPIC	Officer, Palm and Sago Industry Development Division	P
43	Tengku Muhammad Aiezuddin Shah	MPIC	Senior Assistant Secretary, Palm and Sago Industry Development Division	P
44	Zaki Aman	MPOB	Director (Smallholder Development Research Division)	P
45	Jackie Chua	MPOB	Research officer	O
46	Dr. Ruslan Abdullah	MPOC	Director	
47	Anthony K. Veerayan	MPOC	Manager	P
48	Mohd Hasbollah Suparyono	MPOCC	Senior Manager (Strategic Management)	P
49	Tan Chee Yong	MPOCC	Technical Outreach & Extension Service Unit	P
50	Dr. Doreen Lee	Palm Oil Refiners Association Malaysia (PORAM)	Chairman	P

No.	Name	Organisation	Designation	Attendance
51	Norlida Kamil	Perak State Forestry Department	Assistant Director (Planning & Development)	O
52	Mohamad Sabri Ahmad	PLAN-Malaysia	Deputy Director	P
53	Tpr Dr Mohamad Sabri Ahmad	PLAN-Malaysia	Deputy Director	P
54	A. Fadzli Abdul Aziz	PORAM	General Manager	P
55	Surin Sukswan	Proforest	Southeast Asia Regional Director	O
56	Siti Khadijah Abdul Mujid	RISDA	Principal Assistance Director	P
57	Aini Azura Ali	RISDA	Manager	P
58	Sean Andrew Labansing	Sabah Jurisdictional Certification Steering Committee (JCSC)	Acting Secretarial Director	P
59	Joan Frederick	Sabah Jurisdictional Certification Steering Committee (JCSC)	Administration and Communication Officer	P
60	Dr. Law Chu Chien	Solidaridad Network (Malaysia) Berhad	Manager	P
61	Wong Siew Yien	Solidaridad Network (Malaysia) Berhad	Programme Manager	P
62	Dr. John Tey	UPM	Senior Research Officer	P
63	Suryani Darham	UPM	Research officer	P
64	Syahaneem Mohamad Zainalabidin	UPM	Research officer	P
65	Benjamin Loh	WWF-Malaysia	Senior Manager	O

**Total Participants: 65 pax**

**Physical (P) – 48 pax, Online (O) – 16 pax**

## Annex 2: Photos

