

MINUTES OF MEETING Smallholder Standing Committee #21

Time : 1500 - 1730 (WIB)

Date : Meeting #21 Tuesday, 20/11/2023

Venue: Physical Meeting at Hotel Mulia Senayan, Jakarta

Attendees:

Name	Initial	Organisation	Representative Category	Attended Yes/No
1. Lee Kuan Chun	LKC	P&G	CGM - Substantive, Co-Chair	Yes
2. Marieke Leegwater	ML	Solidaridad	Social NGO - Substantive, Co- Chair	Yes
3. Rob Nicholls	RN	PT Musim Mas	Processor & Trader - Substantive	Yes
4. Roka Lampert	RL	HOFER Kg	Retailer - Substantive	No
5. Ivan Novrizaldie	IN	Asian Agri	Oil Palm Grower (INA) - Substantive	Yes
6. Eleanor Spencer	ES	ZSL	Environmental NGO - Substantive	No
7. Stephanie Lim	SL	WWF-Singapore	Environmental NGO - Substantive	Yes
8. Ian Orrell (online)	Ю	NBPOL	Smallholder (PNG) - Substantive	Yes
9. Narno Sayoto Irontiko	NA	Asosiasi Amanah	Smallholder (INA) - Substantive	No
10. Johan Verburg	JV	Rabobank	Financial Institution - Substantive	No
11. Kalindi Lorenzo (online)	KL	Planting Naturals	Oil Palm Grower (RoW)- Substantive	Yes
12. Sharyn Suffian	SS	WildAsia	Smallholder (Malaysia) - Substantive	Yes
13. Jorge Coronel	JC	Oleopalma (Mexico)	Smallholder (LatAm) - Substantive	No
14. Charles Sackey (online)	CS	Twifo- Unilever	Smallholder (Africa) - Substantive	Yes
15. Rukaiyah Rafik	RR	Setara Jambi	Smallholder (INA) - Alternate	Yes
16. Alfred Yee	AY	LKSS	Smallholder (MY) - Alternate	Yes
17. Adithya Achmad	AA	Unilever	CGM - Alternate	Yes
18. Lilian Garcia	LGL	RSPO Secretariat	Shared Responsibility (SR)	Yes
19. Bilge Daldeniz	BD	Proforest	Consultant - EUDR Gap Study	Yes
20. Claire Reboah	CR	Proforest	Consultant - EUDR Gap Study	Yes



Note: Due to technical issues, members who were attending the meeting online were not able to attend the meeting fully. The Secretariat Team apologized for the inconvenience caused.

Francisco Naranjo	FN	Technical Director
Guntur Cahyo Prabowo	GCP	SH Unit RSPO
Kertijah Abdul Kadir	KAK	SH Unit RSPO
Bella Sosa	BES	SH Unit RSPO (LatAm)
Nur Nazifah Rosland	NZR	SH Unit RSPO
Edem Asimadu	EA	SH Unit RSPO (Africa)
Wandee Krichanan	WK	SH Unit RSPO (Thailand)
Syamimi Binti Shahri (online)	SYA	SH Unit RSPO (KL)
Prommul (online)	PM	SH Unit RSPO (Thailand)
Aprilia Trianasari	AT	SH Unit RSPO (JKT)
Dika Dwi Darmawan	DDD	SH Unit RSPO (JKT)
Felix Among G. Prasetyo	FLX	SH Unit RSPO (JKT)

Agenda

Time	Topic
3.00 – 3:05 pm	 Welcome and Introduction RSPO Antitrust laws RSPO Consensus based decision making Declaration of Conflict of Interest Acceptance of Meeting Agenda
3:05 – 3:10 pm	2. Adoption of Meeting minutes (Annex 1) Meeting #20
3.10 - 3.40 pm	3. [Discussion]SH Representation Action Plan - Update from morning session on Speech Key Message and Action Plan - (Decision) BoG SH Representation Seat 1+3 (use slide from Membership)
3.40 - 4.10 pm	4. [Update]Presentation of EUDR Gap Analysis with ISH Standard 2019 by Consultant
4.10 – 4.30 pm	5. [Update]Shared Responsibility Requirement
4.30 - 5.00 pm	6. [Update] RSSF Update
5.00 - 5.10 pm	7. [Update] Carry Forward IS-Credits Volumes
5.10 - 5.20 pm	 8. Q&A Session on Secretariat Update Slide Deck: Only for critical question to be asked (Refer Annex 2) Progress Metrics/ membership certification, credit trade CTTS - Certification, Trade & Traceability System



	 Livelihoods programme Progress Update on the Development of Forest Protection Approach (status quo until IS-NDTF meeting made) Regional highlights
5.20 - 5.30 pm	9. AOB

DISCUSSION:

No.	Description	Action Points (PIC)
1.0	Welcome and Introduction	
	ML welcomed members attending the meeting physically.	
2.0	Adoption of Meeting (Annex 1)	
	Minute of meeting for #20 were adopted.	
3.0	SH Representation Action Plan	
	KAK started the discussion by briefly updating members on the ISH Global Group discussion workshop which was held earlier in the morning at Century Park Hotel. The discussion was facilitated by an external facilitator and was attended by representatives of ISH groups from Indonesia, Malaysia, Thailand, Mexico, Ghana and India. SHSC members were represented by KC, RR, NA and AY, while RSPO Secretariat was represented by the SH Team members. After presentation of issues by RR (note: similar content of presentation made to a larger audience of ISH from other groups globally were made on 14th Nov via a webinar), the facilitator then guided the discussion on identifying key messages and action plan to achieve to address the issues. Five key messages identified were on Values & Directions, Partnerships, Cost of certification, market support and communication. Participants were then divided into sub-group to discuss 'What could be done' and the reframe into Action Plan (who and what). One key step identified is to add SH representation in BoG. ML added the background for this initiation (of discussion) was as general perception that SH are seen as recipients of the certification, there is a need to ensure more governance and autonomy is given to SH, and RR has brought that up in the board. So the workshop this morning was an initial discussion with SH representatives not as the recipients of the certification but as the owners and drivers of the system itself. RR further added that she sees the key support is to increase capacity of our SH members. One of the facilitations needed is language - we need to communicate to all SHs in all regions. She shared	



that she saw this morning that all SH reps see the same problem and they want to be connected to each other.

LKC shared his opinion that the discussion was meaningful, given the representatives attending. For an initial discussion, he was glad that it was a smaller group as opposed to big group, as the HS reps realized that it's time for them to get together. Nonetheless, LKC was of the opinion that other than Indonesia (with Fortasbi as a gathering platform) other countries are not necessarily having mechanisms to come together in a small community. So as the starting point, we need a regional representative. However, this effort has to start at the country level, then the region will work, because it's a combination of different countries. Those who were in the discussion realize that they can be the catalyst - at least to start the line to the next level.

FN then elaborated on the outline of action plan key activities. According to RSPO governance, ways to increase the SH representation in the BoG by adding more alternate seats - similar to Grower (RoW) representation. FN explains as all members of BoG (substantive and alternate) are appointed based on election, selection of candidates representing SH will be via the choice of sub-sector members (ie Grower (SH)) which are the ISH groups.

RN supported the idea of involving the SH groups to be proactive on how they can increase their voice in RSPO, despite the fact that the main language in RSPO is English. RSPO SH regional manager (BES and EA) equally supported the effort to connect SHs at the country level, and eventually at regional level.

KC suggested that a similar level of meeting ie ISH Global Meeting such as this morning should happen more often. The size may remain small ie engaging via key representatives. This will enable our effort to continue improving and a way to empower the representatives to play a leadership role in their country and their region.

KAK reminded that the Secretariat via the SH Team is to support SH to move towards this, but the commitment and ownership of process and aspiration has to come from the SH groups themselves. FN added that the process and communications approach can be learn from sub-sector Grower (RoW) as currently having 1+3 seat representation at BoG.

RR summarized this agenda by highlighting the BoG SH Rep needs for facilitation support (ie language, contacts, organizing) from Secretariat in order for them to be able to reach out to all SH groups globally.

Post meeting update as of March 7th 2024: (BoG Meeting) No objection from the BoG members to add two more alternate seats for sub-sector Grower(SH). Total representation is 1 (substantive) + 3 (alternate).

4.0 Presentation of EUDR Gap Analysis with ISH Standard 2019 by Proforest (refer Annex 3 for slide deck)



Proforest represented by BD and CR presented progress of the EUDR Gap Analysis study against ISH Standard and its potential impacts to smallholders. The briefing focuses on the consultant's initial thoughts on recommendation after analyzing potential impacts. Main points captured in the presentation are:

- Benchmarking was the key piece of the study where the consultant looked at how far the standard meets the different elements of EUDR by using a benchmarking tool, apart from desk research, surveys and interviews.
- Three main elements in EDUR that will have direct influence on smallholders are traceability, confirmation of no or negligible risk of deforestation (worth noting here, that negligible hasn't been properly defined yet) and ability to demonstrate legality according to the laws of the producer countries.
- A critical approach needs to be considered for ISH groups who have the volume or would have the potential to be in physical supply chains going to the EU, where certain aspects in the current RSPO documents and tools could be tweaked (to meet EUDR requirement). This can be in an additional module that only those who want to supply to the EU would then need to meet, so as not to unduly burden ISH groups that don't have the volume or potential to supply physically.

Q&A notes as per below:

- ML asked if estimation of money lost due to credits that can no longer be sold to the EU market were calculated and whether there is a trend (push or development) to cause more scheme SHs due to this. Consultant answered no to these questions.
- 2. ML requested comments from members from CGM and Retailers on the news about buyers in Europe that stops purchase from SHs due to concern of high risks. RN shared his concern that these deforestation rules will implicate smallholders being more marginalized from the market. It does not motivate people to change and SHs can decide to ignore all these. If that happens, possible reverse impact (to environment) may happen.
- 3. When asked whether the study shows any indication of markets stepping away from credits (due to EUDR requirement), the consultant said more information is needed in terms of sourcing policies for credits of the downstream market in Europe. However, it was indicated that the main issue with credits is lack of traceability - because cannot associate geolocation point to the volume.
- 4. LG reminded that we should not jump into conclusion that European companies are stopping purchase of credits, as the RSPO European team is working to ensure this will not happen via their communication message and research on European members. FN added that RSPO is gathering data to estimate how much certified (physical) volume from ISH is going to



Europe which is not big.

- Responding to SS's point of view that credits are actually still traceable (by knowing where the volume came from and proving its deforestation free), ML assured that EUDR are clear on not accepting credits.
- 6. GCP supported RN's comment on the difficulties of SH to comply with EUDR. He further added that the other party that is going to be affected are the independent mills. Many independent mills are sourcing from ISH and they are at risks to shut down due to these regulations. He later posed a question whether there is still room to negotiate on the deadline for implementation for SH to allow transition period (to meet compliance). ML again confirmed that there is no space for negotiation. Solidaridad (representing SH growers) will be attending an EUDR platform meeting on 15 Dec and will try to ask for allowance of margin of uncertainty, e.g. it starts at 30% and reduces over a period of time of implementation.
- 7. Apart from getting the benchmark against EUDR, GCP suggests that the study also covers what ISH Standard covers (in terms of requirement) that EUDR does not. It is important to send the message across because traceability is not sustainability. Traceability does not care about inclusion. Another aspect to include is what is the implication of regulating this for physical (end to end) while offsetting virtual transactions like credits. This is to show the benefit of credits in comparison to physical in SH context. His last point was a call for action for the Europe market to also be an accountable player if they want traceability by as eg: make a percentile target (eg 20% or 30%) of supply chain coming from ISH, then the effect will trickle down (to SH to be able to comply).

5.0 [Update] Guidance for Shared Responsibility Requirement

LG started her presentation with an invite to members to attend the Shared Responsibility Workshop during RT where discussion will be on opportunities and challenges to replicate smallholder inclusion projects in the buyers market region and realities.

LG then reminded members to have a look at Draft 3 of the Shared Responsibility Guidance document where guidance on SH inclusion requirements i.e. SR13, SR14, SR28 and SR29 are added accordingly. Each requirement will be followed by its guidance (for eg SR13 - G13). Members are requested to provide comments or inputs if necessary.

SR13

Organisation supports inclusion of smallholders into sustainable supply chains. For example: RSPO Smallholder Support Fund, RSPO Smallholder Academy and scholarships; supporting ISH groups to implement the ISH standard; legal/registration support.

Draft guidance:



G13	It is up to the organisation to decide which activities they want to undertake to support smallholders (not limited to RSPO certified smallholders) in the PO	
*	supply chain. Some examples are: 1. RSPO Smallholder Support Fund (RSSF): co-funding certification projects. RSPO members can co-fund smallholders who receive an RSFF grant, email rssf@rspo.org to learn more about which smallholders are looking for co-funding. 2. Partnering with RSPO Smallholder Trainer Academy (STA): sign-up as a STA partner and become a Master Trainer. The Academy helps oil palm smallholders and their supporting organisations get access to high quality training so that smallholders develop more capacity to achieve sustainable livelihoods 3. Direct investments in, or facilitate Independent Smallholder (ISH) Certification projects, e.g. a. Legal/registration support in country of ISH operations b. HCV mapping c. Internal audit by consultant to assess if a smallholder unit is ready for certification	
	d. Purchasing Personal Protective Equipment (PPE) 4. Providing technical support and training to smallholders in the supply base on RSPO standards. 5. Support livelihood improvement projects for smallholders, e.g. a. Support with legality and land tenure issues for non-certified smallholders in the supply base. b. Training best management practices and good agricultural practices. 6. Sourcing oil palm products from smallholders, e.g. through RSPO IS-Credits.	
SR14	Organisation reports on actions to incorporate smallholders into sustainable supply chains (see above).	
G14	Reporting of actions can be done through uploading relevant documents on your MyRSPO profile or on the organisation's website. Examples of the type of evidence which can show your support to smallholders are: - Smallholder project report, - Sustainability report, - Annual impact report, - Memorandum of Understanding (MoU), - Proof of purchasing/claiming RSPO IS-Credits.	
SR28	Services and support to RSPO, for example participation in RSPO Working Groups & Task Forces, Involvement in Jurisdictional/ Landscape Approach, support to ISH certified, is provided.	
SR29	All members commit resources to ensure effective implementation of SR.	
G28&29	Supporting RSPO and resourcing activities to ensure effective implementation of SR does not always mean a financial investment or contribution, but could also be allocating time and people to deliver or contribute to these activities. Activities may include; - Participation in RSPO Working Group or Task Forces; - Support Independent Smallholders (ISH); - Contribute to the RSPO Smallholder Trainer Academy; - Direct investments in Independent Smallholder Certification projects; - Involvement/direct investments in Jurisdictional/Landscape approach; - Direct/collective investments in conservation and restoration initiatives; - Financial contribution to support members with Remediation and Compensation (RaCP) process, direct/collective investments in conservation and restoration initiatives; Allocating FTE to promote the production or consumption of certified sustainable oil palm products.	
Q&A note		
t	ML enquired if the requirement is voluntary. LG clarified that the SR framework is mandatory to implement as it was	
	che SR framework is mandatory to implement as it was endorsed by the BoG. However, it is important to keep in mind	



that SR is not a standard, hence it is not linked to a certificate. The SR framework applies to all ordinary members except Growers. There is a <u>SR Scorecard</u>, published in the RSPO website, where members' SR performance is translated into a score. ML suggested if the level of SR 'project' (or investment under this requirement) should commensurate with the turnover or size of the company - to match reality. SL pointed out that the match reality description should be more specific, because there could be P&T members with a lesser supply base - which may mean the company may not want to invest too much for it. LG agreed to include a sentence in the guidance document, referring to the implementation of SH inclusion projects 'in line with the capacity of the members.

- 2. RR proposed that the guidance also include support for SH to be part of the segregation system and support to comply with international regulations. GCP further added that via SR, introducing a certain percentage of volume to be from ISH in the segregation model, will create a trickle down effect (ie from P&T to mill to sourcing from ISH). AA agrees that it's a good idea, but reminded that deciding percentile is a business decision internally for a company. LG reminded the group that before setting up mandatory rules to reach the SR uptake targets, we need to ensure that there is enough volume available to be supplied by ISH.
- 3. AA then further asks for clarity on the expectation from the requirement/guidance to members whether any noncompliance will directly affect the SR scorecard. LG clarified that the scorecard is a reputational way to incentivize members to perform better when they see other members, perhaps competitors, performing better in specific areas where they can be lagging behind. The SR Scorecard is an exercise of transparency and keeping the accountability on the members, when it comes to the implementation of the SR requirements
- 4. Coming back to the idea of percentage (to report coming from ISH), LG clarified that the SRWG are in the opinion that there is no position in RSPO to say that credits is better or worse than physical supply chain model. Hence we only include SH inclusion requirement because we cannot force buyers on uptake. It is their business decision. Regarding the SR uptake target, members can choose to reach the target by physical uptake or buying credits, preferably the IS- Credits.
- 5. LG further explained that via the scorecard database, members which have no score on SH inclusion, can be identified and will be reached out and advised on what they can do to comply with SH inclusion using the SR guidance. Thus, SRWG is seeking agreement from SHSC on the recommendation that SRWG are giving to members to do. SH Unit and SR Unit to align on these members without SH Inclusion activities, to make them familiar with the RESP and SH inclusion projects.



- It was later agreed that an addition of a line indicating 'the
 project has to be in line with the capacity of the company' will
 be included in the guidance for SR13, as well on localization
 and reference.
- 7. In the interest of time, for G14, G28 and G29 members can share their comments to LG separately.

6.0 [Update] RSSF (refer to Annex 4)

FLX presented the RSSF update accordingly. Among points highlighted were:

- There are still 11 ongoing projects (5 in Indonesia and 6 in LatAm) which have been contracted since 2018/2019. These projects were delayed in terms of completion due to pandemic, adjustment to new 2019 standards among others.
- In addition with the new approved projects for 2023, there will be 28 projects altogether. The Unit is anticipating some challenges to monitor all projects effectively with limited resources and poor handover from the previous manager.
- For FY2023/2024, USD1.5 million are committed to support ongoing and new projects. The balance of USD 594,000 will be enough to only support one-off audit cost projects in 2024.

Q&A Note:

- 1. Upon LKC comments whether total spent since last 10 years from the allocation of USD 6.6 million was only 3, FN clarified that the underspent indication was not due to Secretariat inability to spend, but due the delay of implementation or capacity to implement of the project implementers.
- 2. GCP further added that even with a freeze of new openings for four years (2019-2022), the ongoing projects are not completed. What it means is that if we're going to open again, there will be another potential backlog piled up, and it's not just because of the Secretariat capacity, but also about capacity of the recipients to not be able to implement it on time.
- 3. SL pointed out that from an NGO perspective, there are always challenges to implement projects esp for the next 3 years, hence the backlog. One example is due to the restriction of what the fund can be used for i.e. not for paying salaries. So even when a project is approved, there is no one to implement it because they cannot use the fund to pay salaries. Other organizations may face different issues.
- 4. FN pointed out 3 main messages from this presentation which are:
 - a. Firstly, we need to acknowledge that there is a backlog. So we need to make a decision whether we want to have to open RSSF (for multiyear project) again knowing that there's a backlog.
 - b. Secondly there is a need to build some internal



- capacity. For that we are developing a salesforce module to be able to monitor, track and manage in a better way on RSSF.
- c. Thirdly, we cannot just simply approve new funds, knowing that we need resources to monitor them. So it is not only about allocating money for implementation but also allocating money for monitoring.

FN emphasized that there is a need to discuss with SHSC on how to move ahead with the RSSF, with the information given. What is the implication if we open for new application knowing we are having these backlog and internal capacity to improve.

- 5. LKC added that there is a need to understand from the project implementers on the challenges they faced that need to be address, so we don't continue to build inventories of ongoing projects. LKC was also in the opinion that RSSF should show an overspent so it is much better to fight for additional fund rather than justifying underspent.
- 6. It was agreed that a separate meeting on RSSF will be conducted with either all members or a smaller group at the end of January.

7.0 [Update] Carry Forward IS-Credits Volumes

GCP updated that the request to continue allowance for carry-forward of IS-Credits volume was accepted by Assurance Unit. However, this mechanism will be incorporated into the transaction system at the same time with the development of CTTS. Current system will not allow to carry over credits due to the current system being very attached to physical.

RN expressed appreciation that this is being looked into. He shared the reason being was the limited time left to sell the balance of 30% credits volume which has been a main concern. For some of other ISH groups/associations who don't have good marketing or market connections, it takes longer than a month to negotiate the sale of IScredits, which usually causes them to lose part of the volume for next year. RN offered help to support (if needed) with a note that the focus should be on helping ISH and if we make it difficult for them, it's another reason for more not to join (in the RSPO system). GCP stated that the certification system document will be revised to tally with this request and practical inputs/experience will be sought from relevant parties (including RN) in the process.

SS expressed support for the carry forward allowance even though at the moment WAGS Group only sells actual volumes.

RR enquired if the 30% balance can be reduced to 10% instead. FN explained that the setting of 70-30 is not stated in the standard document (but rather in PalmTrace) because PalmTrace was developed considering the mill and its supply base, not the ISH's FFB. In response



to RN comment, FN responded that the principle (of RSPO) is to improve the platform and RSPO documents and not burden SH. SS highlighted that sales of CSPO physically using PalmTrace does not include PKO volume - which could be an issue within the PT system.

LKC enquired if the carry forward allowance can be applied into the current PT platform so this can minimize the interruption it's causing, instead of waiting for the CTTS completion. FN responded that the request needs to be addressed at two different levels, which is the certification system document and the platform. If using the current platform that is about to be ended upon completion of CTTS, it will still require some amount of expenses. Nonetheless, the Secretariat will look into this suggestion to see the possibility of improving the current PalmTrace system.

8.0 AoB

- 1. RR requested that Pak Rahmat Ansori who is replacing Pak Dani in IS-NDTF to be brief on update first before he commence attending the next IS-NDTF.
- 2. BS update on the preparation for SH Plenary Session to happen in RT. ML advised to include highlights on the percentage of ISH credits contributed to the European market as this volume will be gone unless buyers continue to buy credits.
- 3. LKC highlighted that while we are defending for credits to be recognised, we also need to drive SH volume to be included in the physical shipment. The digital system that RSPO is developing (ie CTTS) need to include a solution for Mass Balance (MB).

Meeting ended 1735



ABBREVIATIONS

ASA Annual Surveillance Assessment

CSPO Certified Sustainable Palm Oil

FFB Fresh Fruit Bunches

FPIC Free, Prior and Informed Consent

HCS High Carbon Stock

HCV High Conservation Values

ICS Internal Control System

ISH Independent Smallholders

MoM Minutes of Meeting

MS Milestone

NDTF No Deforestation Task Force

RaCP Remediation and Compensation Process

RISS RSPO Independent Smallholder Standard

RSEP RSPO Smallholder Engagement Platform

RSSF RSPO Smallholder Support Fund

SHSC Smallholder Standing Committee

STA Smallholder Trainer Academy