

MINUTES OF MEETING

Smallholder Standing Committee #9

Time : 1930- 2130 (MYT)

Date : Tuesday, 02/03/2021

Venue : Zoom Room 5 / Conference Call

Attendees:

| Name | Initial | Organisation | Representative Category |
|------------------------|---------|-------------------|-------------------------------------|
| Lee Kuan Chun | LKC | P&G | CGM - Substantive, Co-Chair |
| Marike Leegwater | ML | Solidaridad | Social NGO - Substantive, CO- Chair |
| Adhitya | A | | |
| Rob Nicholls | RN | PT Musim Mas | P&T - Substantive |
| David Wigand | DW | Aldi South Group | Retailer - Substantive |
| Philippa Walker | PW | WWF | Environmental NGO - Substantive |
| Maria Carmen Lopez | MCL | Oleopalma | Smallholder (LatAm) - Substantive |
| Eleanor Spencer | ES | ZSL | Environmental NGO - Substantive |
| Ian Orrell | IO | NBPOL | Smallholder (P,NG) - Substantive |
| Kalindi Lorenzo | KL | Planting Naturals | Grower (RoW) - Substantive |
| Rukiyah Rafik | RR | Setera Jambi | Smallholder (INA) - Alternate |
| Jalar | J | | |
| Sharyn Shufyian | SS | Wild Asia | Smallholder (MY) - Alternate |
| Francisco Naranjo | FN | RSPO Secretariat | |
| Guntur Cahyo Prabowo | GCP | RSPO Secretariat | |
| Ainaa Karina | AK | RSPO Secretariat | |
| Krishnabalan Jeyabalan | KJ | RSPO Secretariat | |
| Kertijah Abdul Kadir | KAK | RSPO Secretariat | |
| Emir Bustami | EB | RSPO Secretariat | |
| Nefissa Sahnoun | NS | RSPO Secretariat | |
| Nizar Wickasono | NW | RSPO Secretariat | |

Agenda:

| Time | Topic |
|----------------|--|
| 7:30 – 7:35 pm | 1. Welcome and Introduction <ul style="list-style-type: none"> • RSPO Antitrust laws • RSPO Consensus-based decision making • Declaration of Conflict of Interest |
| 7:35 – 7:45 pm | 2. Adoption of Meeting minutes(Annex 1) and Update on Action Points |

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| 7.45 – 8:05 pm | 3. <i>[Discussion]</i> Updates from Secretariat. Q&A Session 3a. Updates in SH program membership 3b. Updates on SH livelihood program 3c. Updates in SH certification program 3d. Updates on the simplified HCV-HCS assessment 3e. Updates on the development of simplified FPIC 3f. Updates on the development of ISH Peat BMP 3g. Updates on the development of LI for Indonesia 3h. Updates on Market Uptake |
| 8.05 – 8:25 pm | 4. <i>[Decision]</i> Interpretation on internal audit requirements |
| 8:25 – 8:45 pm | 5. <i>[Discussion]</i> Update & discussion RSSF Funding and Governance Policy |
| 8:45 – 9:05 pm | 6. <i>[Discussion]</i> SH representation in the BoG |
| 9:05 – 9:30 pm | 7. AOB • Next Meetings dates |

DISCUSSION:

| No. | Description | Action Points (PIC) |
|------------|--|---------------------|
| 1.0 | Welcome and Introduction | |
| | <p>The Chair welcomed everyone and presented the agenda. No comments were made and the agenda was accepted.</p> <p>The RSPO Antitrust Guidelines were read out to the members of SHSC. The Chair also reminded everyone that the Committee uses consensus-based decision making, and any Conflicts of Interest (CoI) should be declared.</p> | |
| 2.0 | Adoption of Meeting (Annex 1) and Update on Action Points | |

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| | <p>The Committee went through the draft meeting minutes of the meeting held on 25th January 2021 with a request for an amendment by a Member on Page 9. MoM is accepted with the amendment.</p> <p>Action Tracker was presented with no comment and is accepted.</p> | To recirculate the 8th SHSC MoM with the amendments |
| 3.0 (Discussion) Updates from Secretariat. Q&A Session | | |
| 3a | Updated on the number of ISH applications. 6.8% of membership growth within the past 3 months | |
| 3b | <p>Livelihood program - Smallholder Trainer Academy</p> <ul style="list-style-type: none"> - 7,342 participants are reported to have undergone training with 166 training events took place as of Jan 2021 - GIZ-SCPOPP Thailand conducted 123 trainings from September-December 2020; trained 6,139 participants - Currently developing a virtual training plan with the RSPO capacity development unit - Revising contents of the STA Smallholder Training guide and group training guide for an update | |
| 3c | <p>Smallholder Certification</p> <p>78.4% increase in CSPO volumes for ISH and 10.2% in certified volumes of scheme SH between Jan 2020 and 2021.</p> <ul style="list-style-type: none"> - A Member noted an important point in going forward: it should be reported on how many groups are in Eligibility, how many countries are in Milestone A, and etc; to keep visibility of progress. | |
| 3d | <p>Updates on the development of simplified HCV-HCS assessment</p> <ul style="list-style-type: none"> - Further development is required for the components that have been identified in the draft proposal - Announcement for an expression of interest has been put up on the website and invites has been sent out to consultants with known experience in the field of industry - Work plan: <ul style="list-style-type: none"> - 12 March 2021 - Deadline for expression of interest - 10 May 2021 - Deadline for completion of further development - Public consultation and field testing - Finalisation of Simplified Combined HCV-HCS Approach <p>The SHSC Members in the IS-NDTF to channel the comments regarding the document from the SHSC when it is finalised and reviewed.</p> <p>Simplified FPIC</p> | |
| 3e | Feedback has been taken into account and there is now a 3rd draft for | |

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| | <p>public consultation</p> <p>Work Plan</p> <ul style="list-style-type: none"> - Translation to Spanish, French, Thai and Bahasa Indonesia is in progress. - Public Consultation: tentatively planned for the mid of March 2021 - For 30 days - Pilot testing - potential to be carried out during the public consultation <p>Public Consultation (30 days) is tentatively planned for 19th of March 2021</p> <p>The 4th Expert Group Meeting will tentatively be held after the public consultation period.</p> | |
| 3f | <p>Updates on ISH Peat BMP</p> <ul style="list-style-type: none"> - Development is overseen by the Subgroup of Peatland Working Group - Development of ISH Peat BMP <ul style="list-style-type: none"> - Independent Smallholder Best Management Practices (BMPs) for existing oil palm cultivation on peat - Final Draft - Flood Risk Assessment Template - Final Draft - Public consultation will begin in Mid-march | |
| 3g | <p><u>Updates on SH Program for Indonesia</u></p> <ul style="list-style-type: none"> - Two series of Internal Audit Training was conducted in South Sumatra and Riau Province. 23 Groups representative including 7 new potential members. - 40 smallholder group profiles and success stories are commissioned for writing. It will be featured in the upcoming SH Hub to improve RSEP content. - Legal firm has been appointed to carry out a comprehensive Indonesian legal analysis against the ISH Standard - RISS NI vs LI will be decided by SSC next meeting | |
| 3h | <p>IS Credit market overview</p> <p>Credit transactions are off to a very strong start this year. In January alone, 21,553 IS-CSPO credits were traded, which corresponds to almost a quarter of last year's total number.</p> <p>The IS-CSPO average price was 16.3 USD which is 26% higher than last year's average</p> | |
| 3i | <p>RSPO Smallholder Engagement Platform</p> <ul style="list-style-type: none"> - The RSEP currently has a very low number of Facilitator and | |

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| | <p>Market Player registered compared to the 11 smallholder groups registered</p> <ul style="list-style-type: none"> - As of June last year, the Secretariat has started reviewing how the RSEP can be promoted better. The aim is to increase exposure for ISH groups and encourage more active players to register - As part of the revamp of the Smallholder Hub, the RSEP is being factored in as an element that will be more visible to audiences - The SH Hub revamp work is currently ongoing since April 2020 and the targeted end product is providing a one-stop Centre reference on all RSPO Smallholder-related information | |
| 4.0 (Decision) Interpretation on internal audit requirements | | |
| | <p>Petite Comite Discussion</p> <ul style="list-style-type: none"> - ICS B1.1 MS B: The ICS is implemented and an annual internal audit of the group is conducted for all group members and all audit findings are resolved - Proposed Interpretation of ICS B1.1 MS B <ul style="list-style-type: none"> - Compliance against the requirement of ICS B1.1 MS B shall be shown by completing an internal audit for all group members by: <ul style="list-style-type: none"> - The first annual surveillance audit (i.e. ASA 1) for New ISH Groups - The second surveillance audit (i.e. ASA 2) for Existing ISH Groups transitioning from the RSPO Management System Requirements and Guidance for Group Certification of FFB Production to the RSPO ISH Standard - For the consecutive annual surveillances of the certificate, the group manager shall carry out a risk assessment of the ISH group members. High and medium risk group members shall be audited annually. - The risk assessment shall consider diversity as well as the perceived risk relating to the activities undertaken by group members and previous year's internal and external audit results. - A minimum of 33% of the group members will be required to be audited annually. This includes new members being added to the ISH Group. <p>Risks associated with Interpretation</p> <ul style="list-style-type: none"> - Noncompliance to the requirements by some members of the group who are not audited annually. <p>Implication of Interpretation</p> <ul style="list-style-type: none"> - Increase in ISH Groups being certified as a result of reduction in | |

the cost of certification (i.e. reduction in resources/capacity needed to conduct internal audit)

Action Requested from the SHSC

- RSPO Secretariat requests approval from the SHSC on this proposed interpretation

Decision: Taking into consideration of the transition process with the new requirements, the proposed interpretation is **accepted**.

5.0 (Decision) Update & discussion RSSF Funding and Governance Policy

The SHSC Lead gave a recap of what happened during the last meeting in regards to this issue.

Presented the RSSF reactivation operational (and revamp) plan to the Committee.

Operation Steps and Projected Timeline:

5. RSSF reactivation work plan



| Operations Steps | Mar | Apr | May | Jun | Jul | Aug | Sep |
|---|-----|-----|-----|-----|-----|-----|-----|
| Develop Secretariat operational roadmap for approval by SHSC | | | | | | | |
| Design interim solution to get funds to Smallholders (e.g. COVID-19 Hardship allowance) | | | | | | | |
| Recruit Head of Unit, Smallholder Programme | | | | | | | |
| Recruit RSSF Fund Manager | | | | | | | |
| Prepare Resourcing Plan for CEO approval | | | | | | | |
| Finalise RSSF Fund Approval Committee (4 RSPO Directors + one external) | | | | | | | |
| Allocate hours and FTEs in Operational Plan | | | | | | | |
| Submit revised RSSF Governance Policy to SHSC for approval | | | | | | | |
| Secure BoG Endorsement | | | | | | | |
| Establish RSSF Approval Committee | | | | | | | |
| Reactivate RSSF Fund | | | | | | | |

One of the Chairs wanted to note that the RSSF will be managed by RSPO, and the previous option of inviting an external consultant for the management of the RSSF is no longer considered.

Interim Solution to provide funds to ISH

1. Financial assistance size and fund origin
 - Total amount is USD 350 000. Needs to be confirmed by finance, and could change depending on fund availability
 - Funds come from the Secretariat's operational budget, including CEO's budget surplus.
 - Allocation requires a budget requisition from the RSPO's CEO.
2. Financial assistance allocation criteria

- ISH Groups are the only beneficiaries
 - Certified ISH groups will get more than non-certified.
 - To ensure fair distribution, the certified area size will be taken into account as an allocation criterion.
 - Minimal or non-existent paperwork burden for ISH groups
3. Fund Allocation proposal
- Membership fee waiver (78 ISH groups paying a total of USD 46 000 per year)
 - Hardship allowance due to the covid crisis.

| Row Labels | Sum of ISH Total Number of SH(Certified) | Sum of ISH Areas (Certified) | USD |
|--------------------|--|------------------------------------|----------------|
| Indonesia | 7,198 | 17,784 | 126,319 |
| Malaysia | 1,179 | 6,085 | 43,221 |
| Thailand | 3,649 | 18,367 | 130,460 |
| Grand Total | 12,026 | 42,236 | 300,000 |

The table above shows the distribution of financial aid based on total area certified by country.

Decision: The proposal was unanimously accepted.

6.0 SH representation in the BoG

1. RSPO Statutes

- 11. (b) Each Ordinary Member may only elect a member within their own sector and sub-sector as specified in Article 6(e) to the Board of Governors. However, Oil Palm Growers - Small Grower members as per article 6(e)(i)(i.iv)
- 6. (e)(i)(i.iv) The interested party that is applying to become Ordinary Members must specify and qualify for one of the following sectors and sub-sectors;
 - (i) Oil Palm Growers:
 - (i.i) Oil Palm Growers - Malaysia
 - (i.II) Oil Palm Growers - Indonesia
 - (i.iii) Oil Palm Growers - Rest of the World
 - (i.iv) Oil Palm Growers - Smallholder Group Manager
 - (i.v) Oil Palm Growers - Small Grower

2. Smallholder Group Manager and Small Grower Membership

- As of today, there are 78 smallholder groups that are active members of the RSPO
- The majority of smallholder groups are from Indonesia

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| | <p>and Thailand</p> <p>3. The BoG will develop a proposal for effective SH representation.</p> <p>The CEO had previously met with the two BoG Chairs to discuss this issue and it was decided that the Board will be able to select the representative, but will work in tandem with the SHSC.</p> <p>Next steps: A call should be scheduled between with the SHSC Co-Chairs, SHSC Secretariat Lead, RSPO CEO and BoG Co-Chairs to determine the best way to come up with a proposal that is within the interpretation of the Statutes, and have it ready before the next General Assembly.</p> <p>Ideally, the 78 ISH groups would be able to form their own constituency and select their own representative to the BoG.</p> | |
| 7.0 AoB | | |
| | <p>Next Meeting date:</p> <ul style="list-style-type: none"> - The Chair would like the options starting the week of the 10th of May. | <p>Secretariat lead to set up a meeting with the relevant peoples to carry out the next steps.</p> <p>Secretariat to send out 3 options for next SHSC Meeting Dates</p> |

Meeting ended 1920

ABBREVIATIONS

| | |
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| 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 |
| SCPOPP | Sustainable and Climate-Friendly Palm Oil Production and Procurement |
| SHSC | Smallholder Standing Committee |
| STA | Smallholder Training Academy |