

RSPO

Roundtable on Sustainable Palm Oil



16TH ANNUAL GENERAL ASSEMBLY OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL MEMBERS (GA16)

VENUE: BANGKOK MARRIOTT MARQUIS QUEEN'S PARK, BANGKOK,
THAILAND

DATE: 6 NOVEMBER 2019

TIME: 3:00 - 6:00 PM

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PART A
**16TH GENERAL ASSEMBLY
OF THE RSPO**

NOTICE FOR THE 16TH GENERAL ASSEMBLY

Notice is hereby given that the **16th General Assembly (GA16)** of members of the Roundtable on Sustainable Palm Oil (RSPO) will be held at **Bangkok Marriot Marquis Queen's Park, Bangkok, Thailand** on **Wednesday, 6 November 2019** at **1500 hours (GMT+7)** for the following purposes:

AGENDA

1. Members' roll call.
2. Opening Address by the RSPO Chairperson.
3. Report presented by the RSPO Chairperson.
4. Confirmation of minutes for the last General Assembly (GA15) held on 15 November 2018.

Minutes: <https://www.rspo.org/ga16/GA15DraftMinutes.pdf>

Attendance List: <https://www.rspo.org/ga16/GA15AttendanceList.pdf>

5. To receive and adopt the Treasurer's Report and the RSPO's financial statement for the year ended 30 June 2019.

Treasurer's Report: https://www.rspo.org/ga16/Treasurers_report_2019.pdf

Financial Accounts: https://www.rspo.org/ga16/RSPO_Financial_Statements_30_Jun_2019.pdf

6. Resolution GA16-6a:
To confirm the appointment of PricewaterhouseCoopers as the auditors of the RSPO for the financial year ending 30 June 2020.

Resolution GA16-6b:

Ensuring transparency and multi-stakeholder engagement in the quality assurance of assessments and audits.

Download: <https://www.rspo.org/ga16/Resolutions/ResolutionGA16-6b.pdf>

Resolution GA16-6c:

Expanding the authority of RRO Indonesia to support the delivery of services to Indonesia's independent smallholders to accelerate transformation of norms and inclusiveness.

Download: <https://www.rspo.org/ga16/Resolutions/ResolutionGA16-6c.pdf>

Resolution GA16-6d:

Balanced representation in the RSPO General Assembly Voting Process.

Download: <https://www.rspo.org/ga16/Resolutions/ResolutionGA16-6d.pdf>

Resolution GA16-6e:

Submission of Peat Inventory by all RSPO “Grower” and “Processor and Trader” Members.

Download: <https://www.rspo.org/ga16/Resolutions/ResolutionGA16-6e.pdf>

Resolution GA16-6f:

Adoption of the RSPO Independent Smallholder Standard (RISS) 2019 for the production of sustainable palm oil by Independent Smallholders.

Download: <https://www.rspo.org/ga16/Resolutions/ResolutionGA16-6f.pdf>
https://www.rspo.org/ga16/Resolutions/RSPO_RISS_2019.pdf

7. Election of Board of Governors (including Alternates) for the following sectors and sub-sectors:

- Oil Palm Growers:

Malaysia

- **MPOA, represented by the principal Carl Bek-Nielsen and the alternate being Lee Kuan Yee**, the two-year term of which is expiring is available for re-election. No other nominations have been received.

Indonesia

- **Golden Agri-Resources Ltd, represented by the principal Agus Purnomo and the alternate being Fadhil Hassan**, the two-year term of which is expiring is available for re-election. No other nominations have been received.

Rest of the World

- **The alternates of the incumbent Board of Governors member Agrocaribe, being John Clendon (Univanich Palm Oil Public Company Limited), Audrey Lee (Olam International Limited) and the interim alternate being Sander von den Ende (SIPEF)**, are up for approval by the General Assembly.

Smallholders

- **FELDA, represented by the interim principal Mahadzir Mustafa and the alternate being Izham Mustaffa**: Mahadzir Mustafa was designated as interim principal as a consequence of the retirement of Othman Omar. Therefore, the designation of interim principal Mahadzir Mustafa and the alternate being Izham Mustaffa are up for approval by the General Assembly.

- Processors and/or Traders:
 - **Wilmar International Limited, represented by the principal Daphne Astrid Hameeteman and the alternate Olivier Tichit (Musim Mas Holdings Pte. Ltd.),** the two-year term of which is expiring is available for re-election. No other nominations have been received.
 - **The alternate of the incumbent Board of Governors member AAK AB being Caroline Westerik** is up for approval by the General Assembly.
- Consumer Goods Manufacturers:
 - **Unilever, represented by the interim principal Petronella Wilhelmina Meekers and the interim alternate being Martin Huxtable,** the two-year term of which is expiring is available for re-election. No other nominations have been received.
 - **The interim alternate of the incumbent Board of Governors member Procter & Gamble being Girish Despande** is up for approval by the General Assembly.
- Retailers:
 - **The interim member Aeon Co., Ltd, represented by the interim principal Kahori Miyake and the interim alternate being Yumi Kawashima,** are up for approval by the General Assembly.
 - **Belinda Katharine Howell the principal representing Retailers' Palm Oil Group** is retiring at this General Assembly. Her replacement being **Julian Walker-Palin as the principal and the alternate Hugo Byrnes (Royal Ahold Delhaize NV),** are up for approval by the General Assembly.
- Banks & Investors:
 - **HSBC Holding Plc, represented by the principal Ian Thomas Hay and the alternate being John Laidlow,** the two-year term of which is expiring is not available for re-election. One nomination was received from **Standard Chartered Bank, represented by the principal nominee Samantha Bramley and the alternate nominee being Roger Charles.**

The nomination of Standard Chartered Bank can be downloaded at:

https://www.rspo.org/ga16/GA16Nominations_SCB.pdf

- **The interim alternate of the incumbent Board of Governors member Rabobank International being Martin van Vaals** is up for approval by the General Assembly.

- Environmental NGOs:
 - **World Resources Institute, represented by the principal Anne Rosenbarger and the alternate Michael Guindon (Zoological Society of London)**, the two-year term of which is expiring is available for re-election. No other nominations have been received.
 - **The alternate of the incumbent Board of Governors member WWF International being Harjinder Kler (HUTAN - Kinabatangan Orang-utan Conservation Programme)**, is up for approval by the General Assembly.
- Social NGOs:
 - **Oxfam International, represented by Madeline Brasser**, the two-year term of which is expiring is not available for re-election. Nominations were received from:
 - **Forest Peoples Programme, represented by the principal nominee Marcus Colchester and the alternate nominee being Madeleine Brasser (Oxfam International)**; and
 - **Solidaridad, represented by the principal nominee Marieke Leegwater and the alternate nominee being Rukaiyah Rafik (Yayasan Setara Jambi)**.

The nominations can be downloaded at:

https://www.rspo.org/ga16/GA16Nominations_FPP.pdf

https://www.rspo.org/ga16/GA16Nominations_Solidaridad.pdf

Only members in the relevant sectors and sub-sectors are eligible to vote in the above Board of Governors seats.

8. Any other business.



Anne Rosenbarger

Co-Chairperson - Roundtable on Sustainable Palm Oil

10 October 2019

IMPORTANT NOTICE:

(I) IMPORTANT DATES

Activity	Date
GA Online Registration Starts	10 October 2019
GA Online Registration Ends	4 November 2019, 1200 hours (GMT+7)
Casting of E-Vote & Submission of Proxy Forms End	4 November 2019, 1400 hours (GMT+7)
Collection of Ballot Papers Starts	6 November 2019, 1400 hours (GMT+7)
General Assembly Convenes	6 November 2019, 1500 hours (GMT+7)

(II) PHYSICAL VOTING

Please ensure you are able to attend the GA in person. Kindly bring your confirmation of registration to expedite the collection of ballot papers.

(III) E-VOTING

GA registration will open on **10 October 2019** at <http://www.rt.rspo.org/garegistration>. A member may choose to e-vote by selecting the **E-Voting** option on the online GA registration form. Upon submission you will receive an email confirmation of your registration and a PIN to access the E-Voting platform.

Please DO NOT forget to cast your vote. Members who have chosen to e-vote, may not change their voting option to vote physically or by proxy.

Should you wish to attend the GA proceedings after casting your e-vote, kindly bring your confirmation of registration to collect your E-Voter pass.

You may register onsite by approaching the Registration Counter which will open on **3 November 2019, 1700-2000 hours (GMT+7)** and **4 November 2019, 0900-1200 hours (GMT+7)**.

(IV) PROXY

Ordinary members who are unable to attend the GA may appoint a proxy by completing the proxy form. You may download the form at https://rt.rspo.org/GA16_Proxy_Form.docx.

If you choose to appoint a person other than a Board member, you are responsible to inform the person you are appointing as the proxy holder and he/she **must** be physically present at the GA.

All proxy forms must reach the Secretariat office in Kuala Lumpur either by fax (+603 2302 1542) or email (ga@rspo.org) by **4 November 2019, 1400 hours (GMT+7)**.

(V) IDENTIFICATION VERIFICATION PROCESS

RSPO will carry out an **identification verification process** during the collection of ballot papers at the GA.

Kindly take note that you are required to produce a valid **national identification document or passport for verification purposes**. RSPO may disallow the collection of ballot papers should you fail to produce a relevant identification document.

Draft minutes

Roundtable on Sustainable Palm Oil 15th General Assembly (GA15)

Date: 15 November 2018

Venue: The Magellan Sutera Resort Kota Kinabalu, Sabah, Malaysia

Start Time: 3:00 pm (GMT +8)

Chair: Tim Stephenson, Board Member

Attendance: 138 Ordinary Members in attendance (including 27 proxies) and 113 e-Voters
(Total of 251 of 1,714 eligible to vote)

RSPO Secretariat

Affiliate members and observers

- Agenda:**
1. Members' roll call.
 2. Opening address by the Chair.
 3. Report presented by the Chair.
 4. Confirmation of minutes for the last General Assembly (GA14) held on 30 November 2017.
 5. To receive and adopt the Treasurer's Report and the RSPO's financial statement for the year ended 30 June 2018.
 6. To discuss and adopt resolutions:
 - Resolution 6a: To confirm the appointment of PricewaterhouseCoopers as the auditors of the RSPO for the financial year ending 30 June 2019.
 - Resolutions 6b: Requiring members involved in primary procurement to publish Smallholder third-party supplying mills lists
 - Resolution 6c: Delinking Auditors from the operations they audit
 - Resolution 6d: Discouraging RSPO members subject to complaints from avoiding their obligations by divestment or withdrawing their membership
 - Resolution 6e: Resolution to extend Smallholder Interim Group (SHIG)
 - Resolution 6f: Proposal to exempt Smallholders from immediate suspension as required under point 4.9.4 of the RSPO Certification

- System for Principles & Criteria 2017 until the endorsement of the new independent smallholder standards
- Resolution 6g: Adoption of Principles and Criteria for the Production of Sustainable Palm Oil (2018)
 - Resolution 6h: Resolution to amend the Statutes of the RSPO to formalise the election of alternates for the RSPO Board of Governors
 - Resolution 6i: Resolution to amend the Statutes of the RSPO to support its tax exemption status in Switzerland
 - Resolution 6j: Resolution to amend the Statutes of the RSPO to provide procedure for voting in the event of tie vote
7. Election of Board of Governors for the following sectors:
- a) Oil Palm Growers -- 2 seats
 - b) Processors and/or Traders -- 1 seat
 - c) Consumer Goods Manufacturers -- 1 seat
 - d) Retailers -- 2 seats
 - e) Banks & Investors -- 1 seat
 - f) Environmental NGOs -- 1 seat
 - g) Social NGOs -- 1 seat
8. Any other business

1. Members roll call

The 15th Annual General Assembly (GA15) of the RSPO members was called to order at 3:10pm on 15 November 2018 at Kota Kinabalu, Sabah. The Chairperson, Tim Stephenson, presided over the meeting after the minimum quorum of 80 Ordinary Members present or represented was reached.

2. Opening address by the Chair

Tim Stephenson welcomed the assembly and said that while the RT16 is a very important forum for the members to be heard with a great deal of discussions but here at the General Assembly is where decisions are made. Stephenson was standing in for both the Co-Chairs of RSPO.

Tim Stephenson informed that Resolution GA15-6g shall be moved up the agenda after Resolution GA15-6a.

3. Report presented by the Chair

The Report by the Chair was presented by Elizabeth Clarke (Board member).

The RSPO Secretariat has legal presence in 7 countries including Malaysia, Indonesia, United Kingdom, the Netherlands, China, Colombia and the United States of America. There are also representatives in 5 other countries including Thailand, India, Ghana, Cameroon and Italy. Current staff is 84 full time employees, an increase of 10 staff from last year, to strengthen the Kuala Lumpur office in the areas of standard development, assurance, smallholder and complaints. The RSPO has also strengthened its support in Indonesia, to support activities of Indonesian stakeholders and key strategic programmes. Other additions to support other regions include Africa, the US, Latin America and Europe.

Membership base continues to grow, as of October 2018, there are 4040 members from 92 countries.

IMPACTS AND EVALUATION

After completing the Theory of Change last year, the RSPO has started building on internal learning by rolling out a monitoring and evaluation plan and developing a research agenda. The RSPO has also started measuring and evaluating their impacts based on the Theory of Change and aligned with the United Nations Sustainable Development (UNSDG) goals. This can be observed in the impacts 2018 report, downloadable online.

The RSPO is a member of the ISEAL alliance and is subjected to the ISEAL code of good practice and we are pleased to announce that the RSPO has successfully completed its first ISEAL impact code of good practice independent evaluation this year without any non-conformity.

There has been a notable growth in the total submission of Annual Communication of Progress (ACOP) from members in 2017. The submission rate has risen to a new high of 80 per cent.

OUTREACH AND ENGAGEMENT

Globally 6 RSPO roadshows were hosted in 2017 to 2018 as part of the RSPO outreach programme. In 2018, the RSPO gained 26,000 new followers across social media platforms, with engagement rates increasing by 60%. 151 new RSPO trademark licenses were issued with 5 new countries where RSPO products are now being sold.

Europe:

In June 2018, the RSPO held its annual EURT in Paris with over 400 representatives from the global palm oil industry, the estimated media coverage from the event reached 3.2 million views with articles across 9 European countries. Two internationally recognised French radio media bodies and 5 out of 6 major French mainstream newspapers covered the event.

China:

In March 2018, the RSPO and China Chamber of Commerce of Foodstuff and Native Produce (CFNA) signed a Memorandum of Understanding in Beijing outlining a 5 years strategic partnership to promote sustainable palm oil. In July 2018, the China Sustainable Palm Oil Alliance (CSPOA) was jointly launched by the RSPO, CFNA and WWF.

India:

In Feb 2018, the RSPO received an award for excellence in promoting sustainability in the palm oil sector in New Delhi, India. In Oct 2018, the Sustainable Palm Oil Coalition for India (India-SPOC), was launched as a collaborative effort between the Centre for Responsible Business (CRB), WWF, RSPO and Rainforest Alliance.

North America:

In Dec 2017, the North American Sustainable Palm Oil Network (NASPON) was launched and it doubled membership in 2018 to 32 members. In 2018, North America has seen a 38% membership increase, with the US being the largest RSPO members market with 469 members.

Latin America:

In June 2018, the RSPO held the 7th Latin American Conference in Colombia with over 400 participants from over 20 countries.

South East Asia:

In February 2018, the RSPO co-hosted a roadshow event with the South East Asian Sustainable Palm Oil Alliance. In Oct 2018, the RSPO launched the social media campaign “Every Palm Matters”, reaching 170,000 monthly views via bloggers who partnered in the campaign and engaging 285,000 views on Instagram in Malaysia and Singapore.

ASSURANCE AND STANDARDS DEVELOPMENT**The P&C Review:**

The RSPO has conducted the second revision of the P&C. The process that started in May 2017, conducted in accordance with ISEAL requirements involved 6 task force meetings, 2 public consultations including face-to-face meetings with stakeholders in 10 regions. The exercise has resulted in a new P&C which is restructured according to the RSPO Theory of Change, incorporation of high carbon stock elements, strengthening of human rights and labour requirements, no new planting of peat regardless of depth, as well as an enhanced quality management system. Realising the special situation of Smallholders, a separate new Smallholder standard is in the pipeline. The RSPO is hoping for a smooth adoption of the new P&C at this GA. Once

approved, the new document will be effective immediately with a grace period of one year for full implementation. Several normative and informative documents will need to be revised to align with the new P&C. National interpretation will need to be revised to embrace the new P&C, and the Board is working closely with the Secretariat to ensure smooth implementation and adequate resourcing.

ISEAL:

RSPO has been a member since 2012, complying to 3 codes - Standards Setting, Assurance and Monitoring and Evaluation. The RSPO is required to comply with new Assurance Code since 2018 and is subject to annual reporting and independent evaluation. A few non-compliances were issued for improvement and the RSPO is working to address this. The RSPO is also involved in other ISEAL activities aiming to increase the credibility of the standard and system and is also a member to a number of working groups established to develop new documents.

Smallholders Strategy:

The terms of reference for the Smallholder Standing Committee has been endorsed and a call for nomination has been sent out, the Smallholder Standing Committee is expected to be set up by the end of Nov 2018. The Smallholder Unit has been established within the RSPO secretariat and a number of positions has already been filled.

Access to capacity building programmes and services has been one of the main barriers to smallholder livelihood improvement and inclusion into the RSPO system. To overcome this barrier to smallholder, the Smallholder Academy is being developed. The academy will use the “Train the Trainer” approach to make the training accessible to smallholder. A pilot of the academy has been completed in Oct 2018 and the academy is expected to be launched globally in June 2019. Development of an agronomy book for Smallholders providing guidance on best management practices is in progress.

The Smallholder Interim Group (SHIG) was established as an offshoot of the P&C review taskforce to develop a simplified approach to certify Smallholders. Simplification includes developing a new set of P&C for independent Smallholder, simplified assurance mechanisms and market incentive mechanisms. The second public consultation of the simplified approach is expected to happen in Feb 2019, followed by pilot testing and endorsement at GA16. Simplified tools and guidance for conducting High Conservation Value (HCV), the Social and Environmental Impact Assessment (SEIA), Greenhouse Gas (GHG) emission calculations and Land Use Change Analysis (LUCA) were developed and launched in August 2018.

The Smallholder Engagement Platform was launched in Dec 2017 and aims at linking Smallholder groups with the market. Market outreach has been conducted to create awareness and support for credits sold by independent Smallholders.

COMPLAINTS

The complaints panel has delivered final decisions on 67% of all complaints received since 2009. The timeline for resolution of new cases lodged under the revised Complaints and Appeals Procedures has reduced to an average of 80 working days. The Complaints Panel has been successful in delivering decisions on several complex legacy cases in the last year.

STRATEGIC PROJECTS

The Jurisdictional Approach (JA) working group has been established. 3 jurisdictional level commitments towards a 100% RSPO certification has been secured in Ecuador, Seruyan (Indonesia) and Sabah (Malaysia). Jurisdictional landscape level efforts on i) multi stakeholder governance structure (with government as the leading role); ii) land use planning; and iii) enabling policy and legal framework (i.e. FPIC) have gained much attention.

PAST GA RESOLUTIONS

Resolution GA12-6g: To improve the ACOP reporting process

The RSPO has allocated additional resources to improve the ACOP reporting process this year and is currently in the final phase of enhancement. The enhancement will be completed before the next ACOP submission. The final system enhancement includes migration of ACOP questionnaire to a new platform with automated checks, individual report cards for members to review and measure their own progress, and ACOP guidelines to support members to report their progress.

Resolution GA12-6h: Ensuring quality oversight and credibility of RSPO assessments

Various training and outreach on specific subject such as Free Prior Informed Consent (FPIC), partial certification, High Conservation Values (HCV), SEIA and others have been conducted. The RSPO has delivered suspensions and terminations on many Certification Bodies (CB's). There's been an increased oversight through witness and compliance audits, nevertheless it is recognised that improvement is still required on human rights and labour complaints and oversight with respects to HCV. New elements such as delinking of CB's with the clients will be explored and continuous improvement efforts will be made with more training and outreach.

Resolution GA13-6e: Protecting human rights, defenders, whistle-blowers, complainants and community spokespersons

On 24th September 2018, the RSPO BoG adopted a new RSPO policy in human rights defenders, whistle-blowers, complainants and community spokespersons. The new policy endeavours to do the following:

- i) To create a platform for the complainant to lodge a complaint with the RSPO Complaints Panel on activities undertaken by RSPO members which may undermine their safety and security
- ii) To establish clear operational guidelines on the coordination and administration and response to allegation of threats
- iii) To ensure the commitment of RSPO members in developing internal policies and mechanisms to prevent harm, protect and respond to complaints on any alleged threats or violence committed against or by their affiliates. The RSPO will endeavour to facilitate this by identifying other organisations in relevant jurisdictions to aid in mitigating risks or provide additional support. It includes accessible and adequately resourced procedures to allow Human Rights Defenders (HRDs) to register their concerns with the RSPO Complaints Panel in anonymity and confidentiality. Furthermore, clear guidelines are provided to RSPO members on how to uphold the rights of HRDs in their operations.

Resolution GA13-6f: To review the amendment of the updated new planting process (NPP) as applied to Smallholders

A draft NPP for Smallholders has been developed and presented to the Board of Governors in June 2018. The Board proposed a final solution be explored in line with the new P&C, and the current development of simplified Smallholder approach under the SHIG. As a part of this, for Smallholders falling under the mill's P&C certificate, the Board endorsed simplified tools to be used, and for all other Smallholder the Board extended the exemption from NPP submission until the next P&C and the new Smallholder standard is in place.

Resolution GA14-6f: Balanced representation in the RSPO General Assembly voting process based on membership category

The RSPO has engaged the services of a research institute with experience in evaluating the effectiveness and fairness of multi stakeholder initiative such as the RSPO on its voting procedure.

Resolution GA14-6g: Official recognition of IGC endorsed Indonesian RSPO grower member representatives within all RSPO forums, as formally representing the Indonesian Growers Caucus (IGC)

The RSPO Secretariat continues to engage with the IGC and receives updates of its composition. The IGC led by Agus Purnomo of Golden Agri Resources, periodically updates the RSPO Secretariat and the Board of its activities.

4 Confirmation of minutes for the last General Assembly (GA14) held on 30 November 2017

The Chair requested the General Assembly to confirm the draft minutes page by page and raise their hands if there were any comments. Elizabeth Clarke proposed for the minutes to be accepted, Belinda Howell seconded, and with no objection from the floor the minutes of GA14 were confirmed.

5. Treasurer's Report and RSPO's Financial Statement for the year ended 30 July 2017

Tim Stephenson (Treasurer) thanked Patrick Chia, the RSPO Finance and Administration Director, for his hard work during the year in overseeing the RSPO finances and in doing much of the work in preparing this presentation. The RSPO has continued to grow. It has not been easy to maintain compliance and financial control.

Finance Standing Committee – Organisational Structure

This Finance Standing Committee is largely unchanged from previous years. Our terms of reference are also unchanged, with an oversight of financial information, financial controls, financial planning and compliance. Day to day management is delegated to the team under Patrick.

We are an organisation registered as a not-for-profit in Switzerland and the RSPO Secretariat Sdn. Bhd. is registered in Malaysia, that is all unchanged, and various entities underneath that. During the year we have added a branch in Netherlands and a Limited Liability Company in the USA.

Audited financial statements for the financial year ended 30 June 2018

Tim Stephenson confirms that there are no compliance issues to report outside of the ordinary course of business regarding the financial affairs of RSPO. The audit report by PricewaterhouseCoopers was a clean one with no significant issues arising.

Income Statements:

This year, income has regained some of its upwards trend, in comparison to last year but cost has increased and we have a deficit overall. Given the level of reserves, the RSPO can manage such a deficit comfortably however this situation is not sustainable, so we will need to take some actions to address some of these issues.

Results for the year and trends:

- A deficit of RM1.1 million after tax and foreign exchange.
- Income increased by 8% on the year but operating costs increased by 11%, and project costs by 15%, a large part of that relates to the P&C review, resulting in a small deficit for the year before forex and tax.
- The income and expenditure trends over 5 years shows that income was increasing before levelling off in 2017 and 2018, and as costs continue to increase, therefore surplus each year has reduced.

Income Growth:

- Subscription income has continued to increase, now with around 1,700 ordinary members, and close to 4,000 members all together with no increase in fees.
- Segregated and mass balance volumes have increased and have somewhat replaced, since 2016, income from credit which continued to reduce.

Operating Costs:

- Operating Costs are mainly staff costs which have increased marginally during the year and professional fees which arise from regional offices and establishing those permanently.
- Within Other Costs there is an increase in provision for doubtful debts amounting to RM1.3 million and actions are being taken in respect of long overdue debts to chase those up with suspension and terminations being implemented. Since the accounts were produced, there has been some success in recovering those overdue debts.

Project Costs:

- Increase in the Technical department, with the P&C review cost amounting to RM3.5 million in total which include costs for public consultations, task force meetings and payments for consultancy as well as SHIG and other items.
- In Outreach and Engagement, there were extra costs relating to development work on the Sustainability College and other items relating to web development.

Balance Sheet:

- A reduction of Net Assets from RM45 million to RM37.7 million, which is greater than the loss for the year. Within the balance sheet, cash and bank balances has reduced by a similar amount while other items are largely the same.
- Subscriptions Due in gross term are at the same level as last year but due to the increase in provisions for doubtful debts, the net balance has reduced.
- The reduction in Net Assets can be explained by the deficit for the year of RM1.1 million; RM2.5 million spent under Smallholders Fund, with no further transfer to the fund this year, which was deliberate; the Special Projects Fund, reducing by

- RM2 million during the year; and movement in the Currency Translation Reserve with an unrealised loss of RM2.2 million.
- Overall, we have a small but somewhat concerning deficit on our income statement. We have an expected reduction in surplus funds overall due to payments from the Smallholders and special projects funds but still a strong balance sheet. We have to be aware of erosion as costs continue to increase.

Budget 2018/19

The Budget for 2018/2019 was approved by the Board of Governors in June 2019.

Our income is budgeted to increase by 8% with a small reduction in Operational Costs and Project Costs are expected to increase, partly rising from implementation of the new P&C should the resolution be passed later on. Overall a much break-even budget for the year.

The breakdown of budgeted income shows that subscription income is expected to increase by about 10%, as does income segregated and mass balance trade and as income from credits have been reducing, it is budgeted to be about the same for this year.

Operating Cost are showing a gradual increase except for Other costs where one-off costs incurred in 2018 which are not expected to be repeated.

The analysis of Project Costs shows Assurance and Standard Development budget include costs related to implementation of the new P&C and there is a small reduction in the Outreach and Engagement budget.

Some further costs may also be incurred subject to decisions after the budget was approved including in relation to Human Rights Defenders and will further change depending on the outcome of resolutions today.

We will need to prioritise projects and other costs or likely consider ways to increase income. Currently the RSPO financial model continues to be sufficient to meet the needs of the organisation, in particular as membership continues to grow. However, we are not quite so comfortable as we were in the past and we will need to take appropriate actions to avoid eating into our reserves.

We have instituted a Governance Committee as we looked very carefully and recognised as a Board that we were not operating in the best way we could. We now have a Governance manual, which includes terms of reference, manual timetable,

behaviour expectation and a risk register. We have a remuneration committee which gives oversight to senior management remuneration and appraisal. We have proposed changes to Standing Committees to be in line with the new Theory of Change to be accountable to the Board and to provide oversight in appropriate areas of the Secretariat, working groups and task forces. The Standing Committees include Standards, Assurance, Smallholders and Market Development.

The Chair asked if there were any questions to the Treasurer's report.

Perpetua George: I would like to raise a question in regard to the RM3.7 million that has been noted under Smallholders Fund, that has been shifted to Smallholders Strategy in 2019. I would like to remind the membership that the Smallholder Fund is actually called the RSPO Smallholder Support Fund (RSSF) and was originally set up in order to support projects under application basis by Smallholders to achieve certification. I am the chair of the RSSF panel and I would like to raise the question as to the reallocation of the RM3.7 million. I raise this question because despite the move in strategy, the RSSF panel was still under the impression that we were still looking at proposals and the last set of proposals that we had was in September 2018 so we still had a list of about 13-16 proposals that were received that we were supposed to look at with the understanding that we still had money in this fund. At the last meeting, somehow without the consultation of the panel, this money had been diverted to Smallholders Strategy and I would like to question that because in essence what has happened is that with us receiving a number of proposals in the period of September, we are now unable to review them. I would like some response in this matter because I believe there is a question here on accountability on what that original fund was for.

Tim Stephenson: Yes, I heard about this yesterday. I appreciate that the communication didn't come through appropriately to you and the RSSF. I think that it is something that needs to be considered by the Board tomorrow, it is not something that can be resolved here. There was firmly a decision made regarding this but still if proposals have come in, we will need to consider as a Board, and make an appropriate decision. Thanks for raising that but it is an important issue that needs further discussion.

Perpetua George: I was a little offended by the statement you made on the Smallholders Fund by saying the results have not been good. I don't really know what that means. Essentially, we restructured that proposal process to be open twice a year. If the question was about perception of the lack of spending, that is not because there were no proposals that were good enough, its simply because we have a phased approach with 2 openings early in the year and in September. And so, I appreciate the Board is going to discuss this but I do believe that if the membership here is put under

the impression that the RSSF Panel has not been spending the money because of no results, I think that's incorrect and I do want that corrected because we have gone into an October period to look at the September proposals only to be told that there's no money in here as it's been reallocated.

Tim Stephenson: It's indicative that we haven't really had proper reporting through to the Board. That link from this particular panel hasn't been as good as it should be, so the governance review is timely to make sure we do get proper connections through. The intention is not to offend you or members of the panel.

Faizal Parish: A few things. Firstly, a little concern as the last meeting you were projecting a surplus of RM3.5 million, and now we are seeing a loss of RM860,000. I am not certain what the investment strategy is in terms of returns of investment as I can only see 1% return on RM40 million on funds. Whether something needs to be done to improve the details. You mentioned in the last page of the report of the potential measures to address this income issue, where you mention that membership fees have never been adjusted and there is this strange thing that the NGOs are paying as much membership fees as some of the world biggest corporations which are not very equitable. You say it can't be done as it needs a GA resolution, but I think there's plenty of time to submit one adequately after knowing there is a big deficit compared to the projection, you also mentioned that the fee can be increased from the current USD1, but I don't see any further information. Maybe we can see an update on the measures to improve that revenue and how are we looking for this year's projection given we are 5 months into the financial year. Are we heading for another deficit? Finally, the issue of currency loss, RM2.5 million is mentioned. To what extent is RSPO looking at hedging? I realise there has been strengthening of the Ringgit but given that there is a lot of expenditure in Ringgit, was there adequate hedging of the funds and what currency is it maintained in. In regards to communication agencies, I am happy to see there was a few per cent reduction in the actual expenditure last year and more reduction in the communication agency fee in the budget this year and I am also happy to support the allocation under the Special Projects funds for outreach to intermediary organisations as I think this is an area where RSPO funds can make a significant difference where else in a broader agency fee, large scale advertising, I think last year we talked about better tie up with the member organisations for rarely putting their money and effort into getting the RSPO out there, rather than RSPO paying commercial agencies for advertising.

Tim Stephenson: In relation to fees and where we are this year, our income for the Q1 is on target. We haven't acted yet, but I think we need to review following this GA to understand exactly what our likely costs are going to be and how we are going to prioritise. We need a proposal to assess on whether we really need to increase. We are not going to put in a resolution just based on deficits. We need a review to make

sure we are doing the right thing in a longer term. That can come in different areas, not necessary in increase of membership fee, but also fees in other areas if so desired. It can also be a prioritisation of costs and a review of costs, and we are looking into that at the next Board meeting tomorrow. We are not going to make an ad hoc decision and we need to take the longer term view. In respect of currency and hedging, we actually incur costs in Ringgit, US Dollars and Euros. Some of our funds are kept in Euros, some in Dollars and some in Ringgit. But we can only report in one of the currencies. So, in whatever we are reporting, you will see fluctuations. We did have gains in previous years. In terms of hedging strategy, we like to keep it simple and don't want to go into complicated options. We recognise we have income and costs in various currencies.

Perpetua: Just to add on record, I want to point out that the RSSF panel is also made of key members from the Secretariat. One of which is Patrick. The reason it includes key members of the Secretariat is to ensure there is feedback. Patrick and other key members sit on all the RSSF meetings, and this is meant to be communicated back and forth between the Board and us. I do take exception in the insinuation that it should have been the panel that is feeding this information to the Board. We have neither received any feedback from the Board in terms of concerns of under spending and essentially looks like the discussion we have had on the proposals and spending in regard to what was left in that fund was also not communicated well. We have a two-way communication problem, not just one way.

Agenda Item 5	Approved	
The adoption of the Treasurer's Report and the audited financial statements for the financial year ended 30 June 2018	For	220
	Against	6
	Spoilt	0
	Abstain	25

6. Resolutions

There are 10 resolutions up for voting in the GA. The voting results and discussions are as follows:

Resolution GA15-6a: To confirm the appointment of PricewaterhouseCoopers as the auditors of the RSPO for the financial year ending 30 June 2019

Resolution GA15-6a	Approved	
To confirm the appointment of PricewaterhouseCoopers as the auditors of the RSPO for the financial year ending 30 June 2019	For	218
	Against	10
	Spoilt	0
	Abstain	23

Resolution GA15-6g: Adoption of Principles and Criteria for the Production of Sustainable Palm Oil (2018)

Presented by: Agus Purnomo

Elizabeth Clarke: As chair of the steering group to the P&C review, the Board does indeed recognise the challenges that will be faced in terms of technical implementation and of transition, and that we will be working with the Secretariat closely to ensure that there will be adequate resource and support available and the concerns are duly heard and noted.

Faizal Parish: I understand that there are some concerns from some growers about one of the new indicators in Criteria 7.7 on peatlands which might be affecting people's intention on how to vote on this item. Indicators 7.7.5 on drainability assessment refers to the need of drainability assessments to be initially undertaken 5 years prior to the proposed replanting on peat, and that is giving a concern that in the next 5 years that will preclude any replanting of peat. The purpose of this indicator is to give companies adequate time to prepare for replanting or phasing out of necessity of plantation on peat. The key factor that speeds up subsistence is water management. Early assessment can lead to improve water management, reduce subsistence, and therefore to extend the lifetime of plantations and the ability to replant on peat. However, there is a real concern that if companies are being audited and if they have not had the 5 years in advance to do the study, they are concerned they will be penalised in the audit. We have recognised this and included in the procedural note, in the proposed P&C, the peatland working group is still working to refine the details procedure for the drainability assessment procedure that will be adopted in our next meeting in January and we will include a transition arrangement for the phasing in of this in the coming 5 years, because we don't want to create an inappropriate barrier to prevent this from happening. I don't want to prejudice but maybe the companies starting from next year need to look 5 years ahead into all the replanting and based on the results some adjustments can be made. We've also said

that we will be reviewing after 12 months and if necessary adjusting the procedure as we move along. I hope that settles any concerns that companies may have.

Bambang Dwilaksono: I really appreciate what the task force is doing in relation to the revising of the P&C and I have some concerns that might be addressed by the board. If we have a look at the HCVRN we see that 128 reports have come to the Secretariat and 66 are at a satisfactory status. But if we have a look at the timeline, the time the reviewer needs to complete the review, with longest being 17 months and the average time is 8 months. And if you have a look at the HCS process, currently the reviewer has completed 19 reports and there is an ongoing of 4 reports and 59 of the reports are still in a registered status. My view is that it will be good for the board to review the timelines of the process of review. Therefore, the growers can estimate the normal periodic of the process of the integrated HCV and HCS next time.

Rudy Lumuru: First, I would like to say congratulations to the task force for completing the review. It has been three times since we've revised the P&C. I hope the Secretariat will improve their service to growers because the key implementation of P&C are the growers. When you increase the standards, the pressure will increase with the growers. We need to think about the situation. Meanwhile in Indonesia, the price of palm oil to the farmer is really low, so I think the Secretariat needs to look into increasing the service of bringing the growers to improve their capacity to apply for P&C. The pressure with the growers gives an impact to the Smallholders.

Belinda Howell: Consumer goods manufacturers are very important players in the market. For our constituency, we've reviewed our ACOP's and uptake and we are 100% and a large portion of that is physical. And I know that consumer goods manufacturers are doing likewise. That is not to say that we can be complacent. We need to move beyond the leading brands and the leading retailers and go out to government procurement programmes where you have food service for education, hospital and even prisons, that will create a much bigger market. So, we are absolutely dedicated to doing that and we know that there is a long way to go on oleochemicals and derivatives as well. We are pushing on all those areas and we will focus on market uptake. Having said all of that, a 65% market uptake or depending how you measure it, 90% market uptake, is pretty phenomenal compared to many others sustainability standards. So, we need to continue to review those figures to make sure they are robust.

Darrel Webber: The Secretariat has already budgeted for lots more engagement to inform growers on the new standard on implementation. A series of roadshows and roll out events are planned.

Geetha Govindan: I want to explain that some of the various processes and procedures of the existing P&C has not been fully consolidated and I would like to explain that the delays in approvals like through the HCVRN processes has taken considerable time for any notifications to come to the growers. And meantime our growers, we as an investor on a location in a region, has spent millions of dollars waiting for an outcome and sometimes I have seen the outcome taking months, if not years.

Darrel Webber: This is something that the Secretariat knows. We've been discussing and in dialogue with HCVRN. There has been quite a bit of improvement in the last few months and I think the Secretariat will be engaging even more with the HCVRN especially with the roll out of the new P&Cs. I can ensure you this is on the top of our agenda, under me and my COO's purview on a monthly basis.

Belinda Howell: It is coming to the Board tomorrow and we will make sure that that effort is properly resourced.

Eric Wakker: I would like to ask about the one-year grace period. Exactly how is it going to work? Is it one year before auditors have to begin auditing against the standard, or is it one year before member actually have to start implementing the new standard?

Darrel Webber: As soon as its endorsed, the standard is applicable. But you can transition out over the year for the Certification Bodies to start auditing against it. The standard applies but there are other documents that need to be created along with the P&C and national interpretations, which will take a year. So, effectively it's only a year later that the CB's can go out and certify.

Kenneth Lee: I am appreciative that the RSPO has made efforts to improve the environment, however I've noticed there are some very high standards included into the new standard. It is high for developing countries like Malaysia and Indonesia. If this is in, small players or Smallholders may not be able to comply with it. What is the view of the Board?

Darrel Webber: The independent smallholders certification will have a separate standard and it will be developed over the next year which will apply to Smallholders. The new standards will apply to small companies. We have developed the standard through balance representation. We have grower members in the task force and this is the result after 18 months of conversations with lots of input. Nevertheless, one of the things we will be doing as the Secretariat, is to organise roadshows and provide some online lessons on how to implement and there will be more guidance material

over the next 12 months. One thing you will be seeing with this new P&C is more engagement and roll out material from the Secretariat.

Resolution GA15-6g	Approved	
Adoption of Principles and Criteria for the Production of Sustainable Palm Oil (2018)	For	212
	Against	19
	Spoilt	2
	Abstain	18

Resolution GA15-6b: Requiring members involved in primary procurement to publish third-party supplying mills lists

Presented by: Priscilla Moulin

Questions from the floor as follows:

Anne Rosenbarger: I am excited to see this resolution on the agenda. I want to make a note that I think there needs to be a little bit of thinking about how to go about implementing the verification process. This is a bit different from auditing against the implementation of P&C through a certification body. And just to note that there is an ongoing effort in collaboration with the RSPO through WRI, Rainforest Alliance, following up on previous year's resolution to develop a more comprehensive, unified, universal mill list, which is already available through the Palm Trace system.

Priscilla Moulin: When it comes to refinery, it is already certified, and the verification process can be done through the certification audits. But for those who are not certified, we can discuss more technical details later.

RESOLUTION GA15-6b	Approved	
Requiring members involved in primary procurement to publish third-party supplying mills lists	For	195
	Against	31
	Spoilt	0
	Abstain	25

Resolution GA15-6c: Delinking Auditors from the operations they audit

Presented by: Marcus Colchester

Questions from the floor as follows:

Belinda Howell: Surely is this not already being dealt with by the Assurance Task Force?

Marcus Colchester: It has but this is an effort for us to be more decisive.

Gan Lian Tiong: The resolution as I see it, is a guided resolution pointing to positive. Is there opportunity for the subgroup to evaluate the pros and cons that may come out in the reverse decision? Otherwise this is very guided that a small group must have a positive decision. If the small group do the analysis of the practicality and the transfer of risk and also the kind of permutation and combination of CB's and whether RSPO can handle this. Can the subgroup actually reject this after the analysis?

Marcus Colchester: Of course, I have my own view, but that is what we are trying to avoid imposing through this resolution, to tell you what is going to happen because we want this to be something owned by the stakeholders, but I think there are models that can be followed. What's important is ensuring auditors of quality get the contracts for the audits that are needed. In the interest in trying to ensure stakeholder engagement, we are not trying to be too precise about how it will be achieved.

Frazier Lanier: Is it only financial, in terms of the connection between the certification body and the grower? Or would this group also explore independence through, say duty of care, legal mechanisms that certification bodies would have a legal duty to third party entity?

Marcus Colchester: Remember that the certification systems documents already set aside criteria for the acceptability of audits and certification bodies. It's not like we don't have any kind of control. But the linking that is particularly getting in the way of independence is the direct link between the company and the audit team. It chooses for itself, and then has under contract to itself. So, we know audit teams often had criticisms sometimes because they would like to get the contracts next year, lessening the independence of the audit team as they come in because they are looking for next year's job. We know from scientific research that where there is delinking and increase independence, there is less collusion. Systems do improve through delinking. We know this from our own other world outside of palm oil.

Surina Ismail: I totally support that we need to ensure that our audits or certification body are independent. What I am concerned about is that I'm not sure how you are going to do it, so it is difficult for me to just vote on an idea. We go through a lot of audits and sometimes we use the same CB for RSPO and MSPO. When you start choosing and delinking it makes it very difficult to schedule audits and make sure the audits can be done concurrently, it can cause time and resources. We need to be proactive. I need to know specifically what you want to do and maybe then it will give me the comfort when you are talk about delinking.

Marcus Colchester: I want you to engage and come up with solutions among the membership. The request I'm making is that you trust yourselves as a collective body, work within a formal working group to come up with a solution with the mechanism that we already have, and we trust the Board that they won't take up a daft idea. Let's trust ourselves to do something good as we are all in this together for transformation.

Surina Ismail: If an auditor is found to violate the standards, they should be specifically removed and be made an example, and maybe that would be much faster.

Anne Rosenbarger: I actually very much appreciate the relative openness of the resolution to rely on our multi stakeholder processes to further describe the prescription that we want to address. But I think we have a history of well-intentioned resolutions that are very detailed in terms of mechanism by which they would like to be implemented, and often times conflict with existing ongoing processes that are already underway or don't take them into account that could maybe have done with broader stakeholder input to better ways that this could have been done. This well respects those other processes that are already thinking about this and motivating it in the direction it needs to go, and I think that it gives focus to those who would like to have more say in what this looks like to be able then to participate. That would be my counter proposal.

Agus Purnomo: There are already common practices that the contract to CB is given for 5 years period throughout the duration of the certification. So, any idea to what to do with the current valid contracts to those CBs?

Marcus Colchester: The new certification document already limits it to 3 years, and there are provisions to prevent a lead auditor having too close a relationship to the company. There are measures there to be taken to account in the proposal.

Chew Jit Seng: It is recognised as an organisation, RSPO needs to uphold its ideals and credibility, but as we know, it is same all over the world where auditing is the tool that is used to monitor and assess certain standards. There are checks and balances in place and in RSPO we have also put in place in our certification to reduce the contract

period from 5 years to 3 years and include clauses which mention that there should be impartiality and not any conflict of interest of the auditors. There are various criteria's in the certification system. On top of that, as professionals, auditors, all firms are accredited in accordance to international standards -- ISEAL, ASI etc. So, they are supposed to sign off, as similar to financial auditors, to the best of their knowledge that they have carried it out to the best of their ability. The systems are in place and what needs to be done is to improve the check and balances. The system is not broken.

Paul Wolvekamp: I wish to make a general observation. In 2015 GA, we adopted resolution 6h which is about the very issue we discussed right now -- RSPO's ability to implement its standard in such way that credibility is fully ensured. Three years down the road, yesterday evening we had the Assurance Task Force being tasked to implement this resolution. Again, this is a task force encompassing all the different constituencies of RSPO. I think there is a strong common agreement and consensus that the deeper we dig the more issues and the more inadequacies we detect - the ASI compliance audit and the HCVRN assessments of quality of assessors' performance - it is reason for serious concern. If we look at what is at stake, the issues around labour, issues around NPP and HCV clearings, it's a whole list of very serious issues, such that the credibility of RSPO can only be upheld if we do everything possible and to be the sea of change. We are indeed a platform of innovation. We have to look at the check and balances, be creative but as Marcus has rightly indicated, this is to be a multi stakeholder process. It can only succeed if it has the buy in of all the constituencies.

Resolution GA15-6c	Rejected	
Delinking Auditors from the operations they audit	For	101
	Against	126
	Spoilt	0
	Abstain	24

Resolution GA15-6d: Discouraging RSPO members subject to complaints from avoiding their obligations by divestment or withdrawing their membership

Presented by: Marcus Colchester

Questions from the floor as follows:

Agus Purnomo: A letter was sent by the IGC members about the issue of the resolution and the last paragraph stated that it will be difficult to implement the resolution in the Indonesian legal context.

Marcus Colchester: The resolution specifically says while being mindful of competition laws and other legal constraints. So, the proposal would consider national and other legal considerations.

Resolution GA15-6d	Approved	
Discouraging RSPO members subject to complaints from avoiding their obligations by divestment or withdrawing their membership	For	117
	Against	98
	Spoilt	1
	Abstain	35

Resolution GA15-6e: Resolution to extend Smallholder Interim Group (SHIG)

Presented by: Johan Verburg

Questions from the floor as follows:

Gan Lian Tiong: Certainly, we support the smallholder's development, but has the working group analysed what are the root causes of such delays? Is it because there is not enough expertise within the working group? No point extending when you don't have expertise.

Johan Verburg: We found out in the Smallholder Working Group that for the standards to be attractive for independent Smallholders to buy into, it requires not just a review of the criteria and indicators, but rather a review of a number of system elements that support it, which includes, where possible, the simplification of the verification mechanism. For example, allowing peer group controls rather than third party verification. In other words, it's more than the scope of the P&C review that the group is looking into, therefore the group needs little bit more time to come up with a full set of elements that ensure this simplification.

Resolution GA15-6e	Approved	
Resolution to extend Smallholder Interim Group (SHIG)	For	214
	Against	5
	Spoilt	2
	Abstain	30

Resolution GA15-6f: Proposal to exempt Smallholders from immediate suspension as required under point 4.9.4 of the RSPO Certification System for Principles & Criteria 2017 until the endorsement of the new independent smallholder standards

Presented by: Rukaiyah Rafiq

Matthias Diemer: The concern that I have is are we opening up a loophole for more than a year until this standard is finalised? Is there a redress in between? The concern that I have is that Principle 6 concerns labour. These are very serious issues. Principle 7 new development, and the concern that I have, with a lot of sympathy for the independent Smallholders, is that we are not opening up this big loophole and that we will see a surge in deforestation next year.

Rukaiyah Rafiq: It is not our intention to weaken the certification system. We are only concerned about Principle 4.9.4 that states allocation of time to the independent Smallholders to better themselves. We are against the immediate suspension that does not provide room for improvement.

Belinda Howell: It is an extremely well written and explained proposal and resolution. It is a very important one. One point for clarification, is it intended to apply to just independent Smallholders who will be eligible under the new smallholder standard, or is it intended to apply to all Smallholders?

Rukaiyah Rafiq: We requested this before the new smallholder standard is implemented. This applies to only the independent Smallholders.

Mohammad Waras: We encourage the Smallholders to join RSPO with much difficulty. And when they have joined, there are many disadvantages with the system, especially the suspension which is of high cost. I think RSPO should support for the certification and the auditing.

Arvind Devadasan: When the subsection 4.9.4, was the independent Smallholders taken into consideration in this cause? Secondly, in this resolution, it says to exempt the Smallholders from suspension but there is no proposal on what the following action or proposed mechanism should be.

Rukaiyah Rafiq: Your second question does not apply to the independent Smallholders, only 4.9.4 relates to them being immediately suspended. For first question, I am unaware if they were represented.

Resolution GA15-6f	Approved	
Proposal to exempt Smallholders from immediate suspension as required under point 4.9.4 of the RSPO Certification System for Principles & Criteria 2017 until the endorsement of the new independent smallholder standards	For	157
	Against	46
	Spoilt	0
	Abstain	48

Resolution GA15-6h: Resolution to amend the Statutes of the RSPO to formalise the election of alternates for the RSPO Board of Governors

Presented by: Tim Stephenson

Resolution GA15-6h	Approved	
Resolution to amend the Statutes of the RSPO to formalise the election of alternates for the RSPO Board of Governors	For	217
	Against	4
	Spoilt	0
	Abstain	30

Resolution GA15-6i: Resolution to amend the Statutes of the RSPO to support its tax exemption status in Switzerland

Presented by: Tim Stephenson

Resolution GA15-6i	Approved	
Resolution to amend the Statutes of the RSPO to support its tax exemption status in Switzerland	For	209
	Against	6
	Spoilt	0
	Abstain	36

Resolution GA15-6j: Resolution to amend the Statutes of the RSPO to provide procedure for voting in the event of tie vote

Presented by: Tim Stephenson

Resolution GA15-6j	Approved	
Resolution to amend the Statutes of the RSPO to provide procedure for voting in the event of tie vote	For	220
	Against	4
	Spoilt	0
	Abstain	47

7. Election of the Board of Governors

MEMBERSHIP SECTOR	ELECTED
Oil Palm Growers	
Smallholder: FELDA is retiring and available for re-election. There will be no election and FELDA will serve another term as no other nominations have been received.	FELDA
Rest of the World: Agrocaribe is retiring and available for re-election. There will be no election and Agrocaribe will serve another term as no other nominations have been received.	Agrocaribe
Processors and/or Traders	
AAK AB is retiring and available for election. There will be no election and AAK AB will serve another term as no other nominations have been received.	AAK AB

MEMBERSHIP SECTOR	ELECTED
Consumer Goods Manufacturers	
Mondelez International is retiring and is not available for re-election. Nominations were received from Kao Corporation and The Procter & Gamble Company. Election among the Consumer Goods Manufacturers sector will therefore be held and only members in the sector are eligible to vote.	The Procter & Gamble Company P&G 21 Kao Corporation 20
Retailers	
Retailers Palm Oil Group is retiring and available for re-election. There will be no election and Retailers Palm Oil Group will serve another term as no other nominations have been received.	Retailers Palm Oil Group
Marks & Spencer has retired, and the seat is available for election. There will be no election as no other nominations have been received. This seat will remain vacant.	Vacant
Banks & Investors	
Rabobank is retiring and available for re-election. There will be no election and Rabobank will serve another term as no other nominations have been received.	Rabobank
Environmental NGOs	
WWF International is retiring and available for re-election. There will be no election and WWF International will serve another term as no other nominations have been received.	WWF International
Social NGOs	
Both ENDS is retiring and available for re-election. There will be no election and Both ENDS will serve another term as no other nominations have been received.	Both ENDS

8. Any other business

Marcus Colchester: Mr Chairman, the theme of this meeting has been achieving market transformation, and we have been reminded by the keynote speaker at the RT of the importance of acting at all levels of the supply chain. I've been asked to make a short comment on this. On behalf of a number of members, including NGOs and growers, to remind us all as RSPO members of our shared responsibility to achieve this transformation. We call on the board to ensure that all downstream members contribute to this end by stepping up their purchasing in line with time bound plans

for RSPO certified palm oil. We ask all downstream members and investors to demonstrate their compliance with the applicable requirements of the P&C on matters such as environmental impacts, transparency, legality, respect for human rights, land acquisition, labour and grievance procedures. We also ask that the Shared Responsibility Task Force which was agreed to by the P&C task force, be convened with urgency and be inclusive of all membership categories so that we get maximum ownership and commitment. If we want to raise the profile and credibility of the RSPO and transform the market, we all need to do more, and I include us NGOs. So, I'd like to invite all those members and observers who share the sentiments of this statement to stand up now in a show of support for this statement.

Meeting was adjourned at 5.45pm (GMT+8) by the Chair.

END OF GA15

Annex 1 – Attendance List

Ordinary Members Attendance and Proxy List

1.	Banks and Investors	7
2.	Consumer Goods Manufacturers	16
3.	Environmental NGOs	23
4.	Oil Palm Growers	49
5.	Processors and Traders	28
6.	Retailers	7
7.	Social NGOs	8

Ordinary Members e-Voter List

1.	Banks and Investors	1
2.	Consumer Goods Manufacturers	47
3.	Environmental NGOs	4
4.	Oil Palm Growers	7
5.	Processors and Traders	42
6.	Retailers	12
7.	Social NGOs	0

GA15 - Ordinary Members Attendance and Proxy List

Banks and Investors

1. ABN AMRO Bank N.V.
2. Citi
3. Coöperatieve Rabobank U.A.
4. Credit Suisse AG
5. HSBC Holdings Plc
6. International Finance Corporation (IFC)
7. UBS AG

Consumer Goods Manufacturers

8. Ferrero Trading Lux S.A.
9. Johnson & Johnson
10. Lion Corporation
11. L'Oreal
12. Mondelez International, Inc
13. Neste Oyj (Neste Corporation)
14. Nestlé S.A.
15. Nissin Foods Holdings Co., Ltd
16. The Procter & Gamble Company
17. PepsiCo
18. Premier Foods Group Limited
19. PT. Sinar Meadow International Indonesia
20. SANYO CHEMICAL INDUSTRIES, LTD.
21. SAS Cérélia
22. Taiyo Yushi Corp
23. Unilever

Environmental NGOs

24. Cheyenne Mountain Zoo
25. Conservation International
26. Fauna & Flora International (FFI)
27. Global Environment Centre
28. HUTAN Kinabatangan Orang-utan Conservation Programme
29. LEAP SPIRAL
30. National Wildlife Federation (USA)
31. NEPCon
32. Orang Utan Republik Foundation
33. Orangutan Land Trust
34. Oregon Zoo
35. Rainforest Alliance
36. San Diego Zoo Global
37. Stichting AIDEnvironment
38. The Malaysian Nature Society
39. The Zoological Society of London

40. Wildlife Reserves Singapore Pte Ltd
41. World Association of Zoos and Aquariums 2018 (WAZA)
42. World Resources Institute (WRI)
43. WWF Indonesia
44. WWF International
45. WWF Malaysia
46. WWF Switzerland

Oil Palm Growers

47. Agrocaribe
48. Agropalma Group
49. Asosiasi Petani Sawit Swadaya Amanah
50. BUMITAMA AGRI LTD
51. FEDEPALMA - National Federation of Oil Palm Growers of Colombia
52. FELDA
53. FGV HOLDINGS BERHAD
54. First Resources Limited
55. Forum Petani Swadaya Merlung Renah Mendaluh (FPS-MRM)
56. Gapoktan Tanjung Sehati
57. Genting Plantations Berhad
58. Golden Agri-Resources Ltd
59. Golden Veroleum (Liberia) Inc. (GVL)
60. Johor Corporation
61. Kelompok Tani Tenera
62. Keresia Plantations Sdn Bhd
63. KRETAM HOLDINGS BERHAD
64. Kuala Lumpur Kepong Berhad
65. KUD Mekar Sari
66. KUD Pemura
67. KUD Permai Jaya
68. KUD Sangkan Urip
69. M.P. Evans Group PLC
70. Malaysian Palm Oil Association
71. N.Y.Hiew (Holdings) Sdn Bhd
72. Olam International Limited
73. Perkumpulan Cahaya Putra Harapan
74. Perkumpulan Petani Berkah Mandah Lestari
75. PT Austindo Nusantara Jaya Agri
76. PT Bakrie Sumatera Plantations TBK
77. PT DHARMA SATYA NUSANTARA
78. PT Inti Indosawit Subur
79. PT Salim Ivomas Pratama Tbk
80. PT Sampoerna Agro Tbk
81. PT Sawit Sumbermas Sarana

82. PT Triputra Agro Persada
83. PT. Brahma Binabakti
84. SIAT SA
85. Sime Darby Plantation Berhad
86. SIPEF Group
87. SOTRADER (Societe Gabonaise De Transformation Agricole)
88. Tapi-Ipun Sustainable Oil Palm community Enterprise Group
89. TECK GUAN HOLDINGS SDN. BHD.
90. Tian Siang Holdings Sdn Bhd
91. TSH Resources Berhad
92. UD LESTARI
93. United Plantations Bhd
94. Univanich Palm Oil Public Company Limited
95. Wild Asia Sdn. Bhd. (Wild Asia Group Scheme)

Processors and Traders

96. AAA Oils & Fats Pte. Ltd.
97. AAK AB
98. Barry Callebaut Food Manufacturers Europe
99. Bunge Limited
100. Delta Wilmar CIS Ltd.
101. ERCA WILMAR COSMETIC INGREDIENTS Sp. z o.o.
102. Fuji Oil Group
103. Galaxy Surfactants Ltd
104. Industrias-Oleana SA
105. Intercontinental Specialty Fats Sdn Bhd
106. IOI Corporation Berhad
107. Lam Soon Cannery Private Limited
108. Mitsubishi Corporation
109. Musim Mas Holdings Pte. Ltd.
110. MVO
111. Novozymes A/S
112. Olenex Holdings B.V.
113. Palsgaard A/S
114. Patum Vegetable Oil Company Limited
115. PT Ecogreen Oleochemicals
116. PT. Sumi Asih
117. Pyramid Lanka (Private) Limited
118. RAVAGO CHEMICALS SA
119. Royal Dutch Shell plc
120. UIC VIETNAM CO., LTD.

121. VOLAC WILMAR FEED INGREDIENTS LIMITED
122. Wilmar International Limited
123. Yokozeke Oil & Fat Industries Co.,LTD.

Retailers

124. Compass Group PLC
125. Coop Switzerland
126. EDEKA ZENTRALE AG & Co. KG
127. METRO Group
128. REWE Group on behalf of REWE-Zentral-Aktiengesellschaft Köln
129. Royal Ahold Delhaize N.V
130. The Co-operative Group

Social NGOs

131. Both ENDS
132. Forest Peoples Programme
133. LINKS (Lingkar Komunitas Sawit)
134. Oxfam International
135. Sabah Environmental Protection Association
136. Sawit Watch
137. Verite Southeast Asia
138. Yayasan SETARA Jambi

GA15 - Ordinary Members e-Voter List

Banks and Investors

1. Standard Chartered Bank

Consumer Goods Manufacturers

2. Aalst Chocolate Pte Ltd
3. Agrarfrost GmbH & Co. KG
4. Ajinomoto Co., Inc.
5. Associated British Foods plc
6. AUGUST STORCK KG
7. Beiersdorf AG
8. Chaucer Foods UK Limited
9. CO-OP Clean Co. Ltd.
10. cosnova Beauty GmbH
11. Felleskjøpet Agri SA
12. Fresh Food Industries Pty Ltd
13. Froneri International PLC
14. GALLETAS GULLÓN, S.A.
15. Goodman Fielder Ltd
16. Griesson-de Beukelaer GmbH & Co. KG
17. HOUSE FOODS GROUP INC.

18. Icelandic Group Holdings Limited
19. JSC NMKG
20. Kao Corporation
21. Lantmännen ek för
22. Laverana GmbH & Co. KG
23. Mars, Incorporated
24. MEGMILK SNOW BRAND Co.,Ltd
25. MORINAGA MILK INDUSTRY CO.,LTD.
26. Morning Foods Ltd
27. Nice-Pak International Limited
28. Nichirei Corporation
29. NIITAKA Co.,Ltd.
30. NIKKO CHEMICALS (SINGAPORE) PRIVATE LIMITED
31. NIPPON SURFACTANT INDUSTRIES CO.,LTD.
32. Orkla ASA
33. OTTO Cosmetic GmbH
34. OÜ Cristella VT
35. Oy Karl Fazer AB
36. Pork Farms Ltd
37. Productos Virgen del Brezo, S.A.
38. Quorn Foods Limited
39. S&B Foods Inc.
40. Saraya Co Ltd
41. Shiseido Company Limited
42. Takasago International Corporation
43. Tangerine Confectionery Ltd
44. Thurn Germany GmbH
45. Tom Hannah (Agencies) Ltd.
46. Trend Laboratories Pty Ltd
47. Willow Soaps
48. YSCO NV

Environmental NGOs

49. Friend's of the Zoo Inc, Kansas City Zoo
50. Indianapolis Zoological Society
51. OKLAHOMA ZOOLOGICAL SOCIETY, INC.,
52. Sumatran Orangutan Society (SOS)

Oil Palm Growers

53. Daabon Group
54. Feronia Inc
55. Global Palm Resources Holdings Ltd.
56. Goodhope Asia Holdings Ltd.
57. OLEODAVILA S.A.
58. PALMACEITE SA
59. Savonnerie Tropicale S.A

Processors and Traders

60. Alexius Trustees Limited
61. Ambrian Energy GmbH
62. AVRIL SCA
63. BAKELS
64. BASF SE
65. Braden Group, S.A.
66. CI TOP SA
67. Cargill Incorporated
68. Croda International PLC
69. DKS Co. Ltd.
70. DuPont Nutrition Biosciences ApS
71. Emery Oleochemicals (M) Sdn. Bhd.
72. Emery Specialty Chemicals Sdn. Bhd
73. Itochu Corporation
74. J-OIL MILLS,INC.
75. Kerry Group Plc
76. KOKYU ALCOHOL KOGYO CO., LTD.
77. Komatsuya Corporation
78. Lípidos Santiga, S.A.
79. Loiret & Haentjens SA
80. Louis Dreyfus Company B.V
81. MIYOSHI OIL & FAT CO.,LTD
82. New Japan Chemical Co., Ltd.
83. NICCA CHEMICAL CO., LTD.
84. NIHON HATSUDENKOGYO CO.,LTD
85. NIKKO CHEMICALS CO., LTD
86. NIPPON SHOKUBAI CO.,LTD
87. NOF Corporation
88. OQEMA AG
89. Pan Asian Trading Co.,Ltd.
90. Peter Greven GmbH & Co. KG
91. RIKEN VITAMIN CO., LTD
92. Sakamoto Yakuhi Kogyo Co., Ltd.
93. Sasol Germany GmbH
94. Shoei Yakuhi Co., Ltd.
95. Showa Sangyo Co.,Ltd.
96. Soya Hellas SA
97. The Nisshin Oil Group, Ltd.
98. Tsukishima Foods Industry. Co.,Ltd.
99. UEDA OILS & FATS MFG. CO., LTD.
100. Vance Bioenergy Sdn Bhd
101. Watawala Plantations PLC

Retailers

102. ALDI International Services GmbH & Co. oHG
103. Carrefour

- 104. Japanese Consumers' Co-operative Union
- 105. Jerónimo Martins SGPS, S.A.
- 106. Krispy Kreme Doughnut Corporation
- 107. Lidl Stiftung & Co.KG
- 108. Marks and Spencer plc
- 109. Metcash Trading Ltd
- 110. SOK Corporation
- 111. Target Corporation
- 112. Tesco PLC
- 113. Waitrose Ltd

TREASURER'S REPORT 2019

The RSPO Treasurer's annual report is intended to summarise and comment on the financial position of the RSPO and related matters. It should be read together with the audited accounts for the year ended 30 June 2019. As well as a commentary on audited historic information, a summary of the RSPO budget for the year ended 30 June 2020 is included below to provide members with information about the planned future direction of the RSPO and as a basis for approval of the audited accounts and budget at the General Assembly.

The audited accounts and budget are presented in a consolidated format, combining the reporting of the RSPO, registered in Switzerland, its subsidiary RSPO Secretariat Sdn. Bhd., registered in Malaysia, and the RSPO representative or branch offices in Indonesia, UK, China, Colombia, Holland and the USA. This format is appropriate to provide a complete view of the financial affairs of the organisation as it continues to grow and is consistent with previous years. Separate audited accounts for RSPO Secretariat Sdn. Bhd. are available on request but will not be distributed with the consolidated accounts as it is expected that most members will be satisfied with group accounts only.

The financial statements are prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") accounting framework that fully comply with International Financial Reporting Standards ("IFRS"). It should be noted that the auditors, PricewaterhouseCoopers, state in their report that in their opinion the financial statements give a true and fair view of the financial position and financial performance of the RSPO for the year ended 30 June 2019.

Organisational structure

The RSPO is a members' organisation. The financial affairs of the RSPO are the responsibility of the Board of Governors, which has established a Finance Standing Committee comprising the Treasurer, who chairs the Committee, the Chief Executive Officer ("CEO"), the Finance Director, and up to three other Board members. Day to day tasks are delegated to the CEO and the Finance Director.

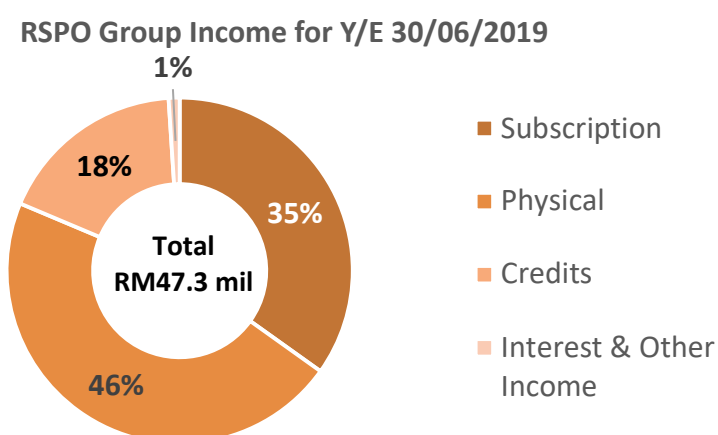
Other than the Treasurer, currently the Board members of the Finance Standing Committee are Geraldine Lim of Rabobank, Ian Hay of HSBC and Belinda Howell of the Retailers' Palm Oil Group. Belinda will stand down as a member of the Board of Governors (and hence from the Finance Committee) effective the date of the General Assembly. The Committee meets at least quarterly to discuss and address financial, compliance and administrative matters.

RSPO Secretariat Sdn. Bhd. is a service company incorporated in Malaysia and based in Kuala Lumpur which provides the RSPO with a legal entity in Malaysia. It is the employer of all secretariat staff based in Malaysia and the branch offices.

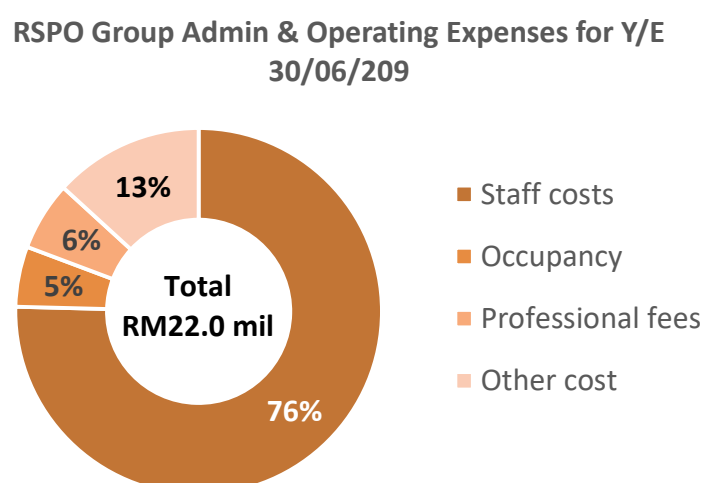
Financial results for the year ended 30 June 2019

The RSPO group recorded a surplus before tax of RM7.3 million for the year ended 30 June 2019 (2018: RM847,000 deficit). Income increased by RM3.6 million to RM47.3 million against total expenditure of RM40.0 million (2018: RM44.6m). Income was in line with budget, with project costs well below that budgeted.

Membership has increased to 4,349 (2018: 3,920) including 1,781 (2018: 1,693) ordinary members. Contributions from CSPO trade have increased to RM30.3 million for the year, particularly from credit trades amounting to RM8.3 million which saw a significant increase by 24% compared to the previous year.



Operating costs for the year amounted to RM22.4 million (2018: RM21.7 million). The major expenditure of staff costs and consultancy fees amounted to RM16.6 million (2017: RM13.4 million). The increase in staff costs is mainly due to the increase in total headcount to 82 (2018: 72) resulting in an increase in salary related expenses by RM1.3 million and variable remuneration payments not accrued in the prior year amounting to RM0.6 million.



A surplus was achieved on the RT meeting in Kota Kinabalu in 2018 of RM0.2 million compared with a loss on RT meetings in Bali and Europe in 2017 of RM1.0 million. Costs for debts written off and doubtful debt provision of RM0.1 million were incurred during the year compared with RM1.5 million in the previous year. This is a significant improvement in both areas.

Project costs include both third party costs incurred in the running of the various departments of the RSPO and discrete projects. Together they amounted to RM17.6 million (2018: RM22.9million). Project costs relate to a variety of areas, as shown in note 6 to the accounts, including standard development, certification, supply chain, outreach and engagement, impacts and evaluation, and strategic projects. The reduction in costs incurred is across several categories, with a particularly evident reduction in communication and outreach costs. There were planned reductions in some areas, such as communications agency fees. Expenditure was below the budgeted plan in outreach activities, communications campaigns and media, standard development, and regional office expenditure. Budgeted project costs for the year amounted to RM26.6 million. Some projects were delayed or deferred due to the resources required for development and implementation of guidance documents, standards and national interpretations arising from the new Principles and Criteria.

Based on professional advice from PricewaterhouseCoopers, taxation provisions are predicated on RSPO being taxable in Malaysia on income not deriving from ordinary members. As most income derives from ordinary members, the tax charge remains relatively low, with a significant proportion arising from RSPO Secretariat Sdn. Bhd.

Financial position at 30 June 2019

RSPO net assets amounted to RM38.2 million at 30 June 2019 (2018: RM37.7 million), comprising the Members' Fund of RM16.5 million (2018: RM9.5 million); the Smallholders' Fund of RM8.6 million (2018: RM11.7 million); the Special Projects Fund of RM9.3 million (2018: RM13.0 million) and the Currency Translation Reserve of RM3.9 million (2017: RM3.5 million). The RSPO balance sheet remains strong and there are sufficient cash and reserves to meet ongoing requirements.

Principal assets at 30 June 2019 included cash and fixed deposits of RM48.0 million (2018: RM40.1 million); receivables relating to supply chain contributions derived from trade in sustainable palm oil of RM1.9 million (2018: RM4.4 million); and unpaid membership subscriptions (before bad debt provisions) of RM2.4 million (2018: RM4.4 million). There have been good improvements in collections during the year resulting in an improved debtors' aging and lower subscriptions due.

Supply chain fees receivable relate to one month's contributions due prior to the year end and have been paid in full subsequent to the year end. Deferred income from subscriptions relating to the period after 30 June 2019 amounted to RM7.9 million (2018: RM6.9 million).

The Currency Translation Reserve arises from translations of assets, principally cash, and liabilities denominated in foreign currencies, mainly in US dollars and Euros, to Ringgit, the reporting currency. The net currency translation difference of RM389,000 at the year-end represents an unrealised gain.

Smallholders' Fund (Note 18)

The Smallholders' Fund provides support for smallholder certification and other smallholder related activities. Total disbursements for the year amounted to RM3.1 million (2018: 2.5 million) and the fund balance was RM8.6 million at the year end. There are sufficient funds to meet the total commitments of projects contracted amounting to RM8.4million including certification projects and the development of the Smallholder Academy.

Special Projects Fund (Note 19)

A total of RM3.7 million was disbursed from the fund in the year, mainly relating to the SEnSOR impacts project and outreach to intermediary organisations projects. The fund balance at the year-end amounted to RM9.3 million and commitments amount to RM3.3 million. Other approved projects to be incurred in future years relating to the project of outreach to intermediary organisations amounting to RM6.0 million.

Budget for FY2020

The following is a summary of the budgeted income statement for the RSPO for the year ended 30 June 2020, as approved by the Board of Governors.

	Budget 30 Jun 2020 RM '000	Audited 30 Jun 2019 RM '000
INCOME		
Subscription income	17,300	16,502
Contributions from sustainable palm oil trade	33,500	30,339
Interest & other income	486	485
	<u>51,286</u>	<u>47,326</u>
OPERATING EXPENDITURE		
Staff Costs	(16,890)	(16,580)
Occupancy	(1,198)	(1,170)
Professional fees	(914)	(1,334)
Other Costs	(3,335)	(2,905)
	<u>(22,337)</u>	<u>(21,990)</u>
Departmental operating costs/Project costs	(15,897)	(11,816)
Discrete Projects	(11,317)	(5,814)
	<u>(49,551)</u>	<u>(39,620)</u>
SURPLUS BEFORE TAXATION AND FOREIGN EXCHANGE GAIN/LOSS	1,735	7,706
Taxation	(305)	(359)
	<u>1,430</u>	<u>7,347</u>
	=====	=====

A surplus of RM1.4 million before taxation and foreign exchange differences has been budgeted for FY2020.

The budget assumes both subscription income and supply chain fees continue to increase. Supply chain fees are projected to increase - based on current trends the trading level of RSPO credits is expected to increase at a higher rate than mass balance and segregated trades. We continue to take a prudent estimate of expected income for the purpose of the budget.

The budget is also based on the continuing expansion of Secretariat resources and activities in all areas and regions.

The principal assumptions underlying the budget are as follows:

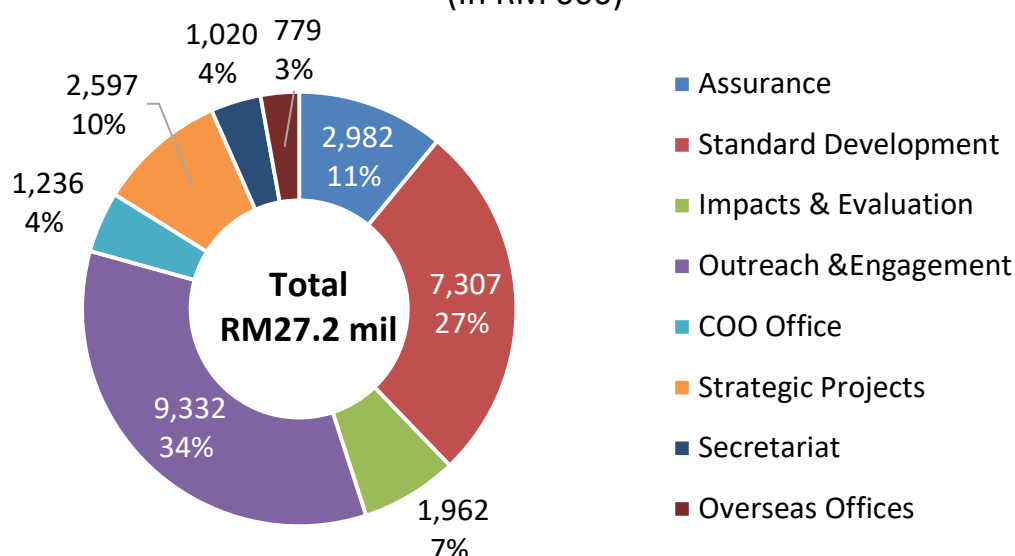
- membership subscription fee is projected to increase by 5%;
- contributions from sustainable palm oil trade is based on forecast production of CSPO; physical and credit trading are forecast to increase by 7% and 15% respectively;
- departmental operating costs are budgeted to increase to RM15.9 million and discrete project costs to RM11.3 million.

Areas for budgeted departmental operating and discrete projects costs include the following:

Departments/Units	Budget FY2020			30 Jun 2019 RM '000
	Operating RM '000	Discrete Projects RM '000	Total RM '000	
Assurance				
Certification and training	303	200	503	444
Supply chain	245	134	379	191
Other including regional offices	1,515	585	2,099	1,293
	2,063	919	2,981	1,929
Standard Development				
Biodiversity & HCV	1,355	800	2,155	1,721
GHG	360	595	955	482
Smallholder	645	1,102	1,747	51
Social	72	878	950	439
Standard development	565	935	1,500	2,478
	2,997	4,310	7,307	5,360
Impacts and Evaluation				
Impacts assessment	637	1,325	1,962	802
	637	1,325	1,962	802
Outreach & Engagement				
Communication agency fees	2,929	-	2,929	3,223
Outreach activities	3,014	578	3,592	2,502
Campaigns	1,640	248	1,888	289
Media/Trademark/Other	843	80	923	325
	8,426	906	9,332	6,339
COO Office				
Complaints	551	-	551	377

Departments/Units	Budget FY2020			30 Jun 2019
	Operating RM '000	Discrete Projects RM '000	Total RM '000	
Dispute settlement facility	210	45	255	156
Investigation & monitoring	330	100	430	96
	1,091	145	1,236	629
Strategic Projects	30	2,567	2,597	1,651
Secretariat	309	711	1,020	617
Overseas Offices	344	435	779	305
TOTALS	15,897	11,317	27,215	17,630

Departmental Budget (Project Costs)
(In RM'000)



RSPO Secretariat Sdn. Bhd.

A surplus after tax of RM192,000 was reported by RSPO Secretariat Sdn. Bhd. for the year ended 30 June 2019 (2018: RM106,000). The income of RSPO Secretariat Sdn. Bhd. comprises employee related expenses, and the administrative and operating costs of running the head office and regional offices being recharged to the RSPO. Net assets of RSPO Secretariat Sdn. Bhd. amounted to RM1.3 million as at 30 June 2019 (2018: RM1.1 million).

Future prospects

The return to a surplus for the RSPO is heartening at least from a financial perspective, mindful that the RSPO is not a for profit organisation. The need to increase membership fees or fees relating to RSPO trade has receded. Such a change may be required in the future but must be predicated on a medium-term financial plan which clearly identifies the need for such additional funds. That is not yet

the case, though there is certainly a requirement for longer term financial planning as well as the annual budget process, as the RSPO continues to grow.

Other matters

The policy of the Board of Governors is to maintain uncommitted reserves at broadly equivalent to one year's operating costs, intended to be a contingency fund in order to allow for an orderly wind down of the affairs of the RSPO should that become appropriate. Current reserves meet that requirement.

Members will be interested to know that BDO, a medium sized international firm of accountants, has carried out a review of internal controls at the RSPO, with particular reference to controls over expenditure. There were no fundamental issues. Several recommendations for improvement were made which have been implemented. Further regular reviews are being carried out by BDO, with reports to the Finance Committee.

Currently the RSPO financial position is strong and the financial model continues to be sufficient to meet the needs of the organisation, and to allow the RSPO to continue to operate as an independent entity, with independent income generation, and without being beholden to any particular third party source of funds.

Tim Stephenson
RSPO Treasurer

PART B
RESOLUTIONS

Resolution GA16-6b

Proposed Resolution to be adopted at the 16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

Title: Ensuring Transparency and Multi-stakeholder Engagement in the Quality Assurance of
Assessments and Audits

Submitted by: Forest Peoples Programme

Background:

Recognising that:

- High quality audits and assessments are fundamental to the credibility of the RSPO certification system;
- Resolution 6h was adopted at the 12th RSPO General Assembly in 2015 on “Ensuring quality, oversight and credibility of RSPO assessments”¹;
- The Assurance Task Force (ATF) was subsequently established with a multi-stakeholder composition including co-opted experts with the main goal of implementing this Resolution 6h;
- As a consequence of Resolution 6h and the ATF, ASI has instituted some changes to manage and control audits and that some other improvements in quality assurance have been adopted such as additional guidance, certification body training and performance monitoring;
- The last progress report from the RSPO on the ATF in December 2018 identified that 55% of actions were still outstanding² and the ATF has not been convened since November 2018;
- The ATF was dissolved in July 2019 upon the establishment of the Assurance Standing Committee (ASC), when it had yet to complete all of the tasks to which it had committed;
- The new Assurance Standing Committee (ASC)³ comprised of only RSPO members only held its first meeting in September 2019;
- The Terms of Reference (ToR) of the ASC and/or its work programme can be further strengthened based on a full review of the implementation of Resolution 6h.⁴

THIS RESOLUTION PROPOSES:

To mandate the Board of Governors (BoG), in coordination with the ASC, to commission an implementation review of Resolution 6h. In carrying out this task, the BoG will ensure, inter alia:

1. The implementation review of Resolution 6h is conducted by a contracted, neutral, third-party that is appointed by the ASC;
2. The scope of evaluation will include the entire role, set-up, activities, achievements and impacts of the ATF;
3. The evaluation will address issues that remain unaddressed, points of contention or conflict, and assess what have been the barriers to effective implementation of Resolution 6h;

¹ <https://www.rspo.org/file/ga12/GA12-Resolution6h.pdf>

² <https://www.rspo.org/resources/archive/751>

³ <https://rspo.org/news-and-events/announcements/calling-for-participation-and-nomination-of-assurance-standing-committee-members>

⁴ <https://rspo.org/articles/download/55e9050faf103d8>

4. The results of this evaluation be made public and its results and recommendations will be fully taken into account by the newly formed ASC.

Potential Benefit/Risk:

The quality of the assurance systems of the RSPO are paramount to the credibility of the RSPO system and its members. This would be of benefit, as by conducting an independent review of Resolution 6h, the RSPO will gain credibility that it is ensuring this resolution has and will be fully addressed. This will be of further benefit by informing the work of the newly created ASC.

Contact Information:

Marcus Colchester (marcus@forestpeoples.org) and Patrick Anderson (patrick@forestpeoples.org)

References: NIL

Resolution GA16-6c

Proposed Resolution to be adopted at the 16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

Title: Expanding the authority of RRO Indonesia to support the delivery of services to Indonesia's independent smallholders to accelerate transformation of norms and inclusiveness.

Submitted by: Forum Petani Swadaya Merlung Renah Mendaluh (FPS-MRM), Gapoktan Tanjung Sehati, Asosiasi Swadaya Amanah, UD Lestari, Asosiasi Petani Swadaya Mandiri

Supported by: Yayasan Setara Jambi, Yayasan FORTASBI Indonesia

Background:

Indonesia hosts the most independent smallholders in the world, reaching 3.8 million smallholders. The RSPO has the responsibility to extend the reach of its hand to Indonesia's independent smallholders.

To date, a number of Indonesian independent smallholder groups have been involved in the RSPO and have been RSPO-certified. Up to 2019, about 28 independent smallholder groups have been registered with the RSPO, totaling 4,443 smallholders who are managing a total of 12,240 ha of land. Twenty-four (24) out of these have been certified; the remaining, despite not being certified yet, have expressed their commitment to implementing RSPO's P&C in the near future.

The number will be soaring in the coming years as RSPO's new P&C will be born with the stepwise approach. The RSPO should pay serious attention to this in order to improve its services to its current members as well as future members (i.e. those who will get involved in its certification).

Currently, RSPO's Kuala Lumpur Secretariat is the only one authorised to conduct the LUCA (Land Use Change Analysis), ACOP Report and Palm Trace. Some of this, applies to member to seeking certification. LUCA is one of the requirements for the RaCP, and ACOP is the requirement of member. Which, in this case, are independent smallholders. This has led to:

1. Lack of comprehension on ACOP requirement and submission;
2. Late issuance of the LUCA report; Assessment of Land Use Change (LUCA) and independent smallholders' liability are the responsibility of the RSPO; delay in their implementation will entail delay in the audit and issuance of certificate.
3. Problems with the Palm Trace; nearly all certified groups have had problems with the system.

The issues above are caused by:

1. The centralisation of communication in Kuala Lumpur;
2. Communication bureaucracy – all the communication with the Jakarta-based RRO must be decided by the Kuala Lumpur Secretariat;
3. Language barrier; all the communication is in English, which is not accessible to almost all the group managers;
4. Means of communication (email); the majority of group managers have no emails and only have limited access to the internet;
5. Absence of measurable and time-bound work plans.

Proposed Resolution:

In light of the above, it is important for the RSPO to improve the human resources and service quality by extending the authority of RSPO RRO in Jakarta. We hereby request that:

“The RSPO Indonesia’s authority to be expanded in relation to provision of services for independent smallholders (both current and future members) in Indonesia as a form of manifestation of the values of inclusiveness enshrined in the Smallholders Strategy document”

Potential Benefit/Risk:

The proposal will potentially benefit:

1. The principle of inclusiveness
2. The goals set out in the Smallholders Strategy document
3. The Acceleration of the transformation of sustainability norms
4. RSPO’s performance

Contact Information:

rukaiyahrafik@fortasbi.org

hnarno@fortasbi.org

References:

Smallholders Strategy document

Resolution GA16-6d

Proposed Resolution to be adopted at the 16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

Title: Balanced Representation in the RSPO General Assembly Voting Process

Submitted by: Standard Chartered Bank, Credit Suisse AG, Bumitama Agri Ltd, Golden Agri- Resources Ltd, Musim Mas Holdings Pte. Ltd, Malaysian Palm Oil Association, Olam International Limited

Background:

In 2017, resolution GA14-6f entitled Balanced Representation in the RSPO General Assembly Voting Process based on Membership Category was adopted. The RSPO has engaged Kedge Business School to develop options based on benchmarking study across other standard organizations, literature review, data analysis of RSPO membership and past GA attendance, and qualitative interviews with RSPO members.

Below new voting format is presented for adoption.

New Voting Format

1. Each resolution should include proponents who come from at least 3 of the 7 stakeholder sectors
2. Voting Weight to follow composition of the RSPO Board of Governors (BoG)
 - Oil Palm Growers including smallholder group manager and small growers -25%
 - Processors & Traders -12.5%
 - Consumer Goods Manufacturers -12.5%
 - Retailers -12.5%
 - Banks and Investors -12.5%
 - Social NGOs -12.5%
 - Environmental NGOs -12.5%
3. Decision Making
 - A simple majority of the vote will be required to pass a resolution.
 - Calculation to be based on all votes (including abstain and spoilt vote).

Besides above new voting format as the way to achieve balanced representation (weighted average by stakeholder groups) to replace current voting format, we are additionally proposing that the resolution process be improved by requiring the proponent to identify **those addressed by the rules** and **those affected by the rules** and to consider the **potential need for an 'independent' decision-making group or committee of experts**.

Example of the new voting format is illustrated as below:

Stakeholder sectors	Result – current system	Voting Weightage	Result – New voting format
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	Yes	No	Abstain	Spoilt		Yes	No	Abstain	Spoilt
Growers	5	51	0	1	25	2.2	22.4	0	0.4
Processors and Traders	65	5	2	1	12.5	11.1	0.9	0.3	0.2
Consumer Good Manufacturers	55	8	3	0	12.5	10.4	1.5	0.6	0
Retailers	18	1	0	0	12.5	11.8	0.7	0	0
Bank and Investors	6	2	0	0	12.5	9.4	3.1	0	0
Social NGOs	0	8	0	0	12.5	0.0	12.5	0	0
Environmental NGOs	5	22	0	0	12.5	2.3	10.2	0	0
	154	97	5	2		47.2	51.3	0.9	0.6
	Resolution is passed					Resolution is not passed			

Other options from the study paper are deemed unfeasible due to two factors:

- Requires restructuring of 7 membership sectors to 3 sectors (producers, supply chain and non-commercial interest group).
- Requires new membership sector for academic, research institutions and allow them for voting at GA.

Full study paper, presentation and previous resolution GA14-6f are attached as annex of this resolution.

Proposed Resolution:

1. RSPO GA to adopt above new voting format.
2. RSPO to revise the Statutes of The RSPO dated 17th November 2018 by next GA (GA17) to include above new voting format.

Potential Benefits:

Enable a balanced approach to decision-making within the RSPO by ensuring all interest groups are represented, from the smallest to the largest.

Encourage quality discussion amongst different stakeholder sectors during development of new resolution.

Potential Risks:

Increasing logistic needs to coordinate all stakeholder sectors to formulate resolution in line with the RSPO annual GA timeframe.

Potential stall-out of decision-making process.

Contact Information:

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Lee Kuan Yee kuanyee.lee@klk.com.my

Audrey Lee Audrey.lee@olamnet.com

References:

1. Membership numbers by sector as of 31 August 2019.

No	Membership Sector in Ordinary Category	Total
1.	Consumer Goods Manufacturer	839
2.	Palm Oil Processors and/ or Traders	606
3.	Oil Palm Growers	175
4.	Retailers	74
5.	Environmental NGOs (ENGO)	44
6.	Banks and Investors	17
7.	Social NGOs (SNGO)	10

2. [Full study paper by Kedge Business School](#)
3. [Presentation and summary of the study](#)
4. [Resolution GA14-6f adopted in 2017](#)

Resolution GA16-6e

Proposed Resolution to be adopted at the 16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

Title: Submission of Peat Inventory by all RSPO “Grower” and “Processor and Trader” Members

Submitted by: Global Environment Centre, Stichting AIDEnvironment, ALDI International Services GmbH & Co. oHG, Bumitama Agri Ltd, Royal Ahold Delhaize N.V, Sumatran Orangutan Society (SOS), Wetlands International, World Resources Institute (WRI), WWF Malaysia

Background:

Peatland conservation and management is one of the critical environmental issues related to the palm oil sector. Peatlands are one of the most important ecosystems for biodiversity conservation and climate regulation. Peatlands globally cover 3% of the land surface but store 150% of the carbon of the biomass of all the world’s forests combined. They also play a critical role in water resource management and livelihoods of local communities. Clearance and drainage of peatlands is responsible for one of the main sources of GHG emissions for the oil palm sector. Conversely protection and restoration of peatlands is a cost effective approach to reduce GHG emissions, protect biodiversity, water resources and support local community livelihoods.

In response to this, RSPO P&C 2018 has clearly specified that there should be no new planting on peat after 15 November 2018 (Indicator 7.7.1); that all existing plantings on peat are to be managed according to the RSPO Manual on Best Management Practices (Indicator 7.7.6); and all areas of unplanted or set aside peatlands in the managed area are protected as peatland conservation areas (Indicator 7.7.7). The P&C 2018 also specifies that all areas of peat within the managed areas are to be inventoried and reported to RSPO Secretariat (effective from 15 November 2018) (Indicator 7.7.2).

The RSPO Secretariat has circulated to all members in May 2019 an inventory format (developed in association with the RSPO Peatland Working Group 2) that needs to be submitted by each company/unit of certification (together with peat maps and shapefiles of peat boundaries). However up until August 31 2019, there had been very limited response from RSPO members despite reminders being sent. While existing certified units are expected to comply with the 15 November 2019 deadline – there are concerns that there may still be gaps in the submissions related to uncertified units, undeveloped peatland land banks as well as for new members.

Receiving complete information for all RSPO members is critical to enable RSPO to have a clear understanding of the extent and status of peatlands within the land holdings of RSPO members. Since the time of the formation of the RSPO Peatland Working Group in 2010, RSPO has been trying to get an accurate understanding of the area of peatland managed by members, but this is yet to be achieved. The RSPO Secretariat has written to all RSPO members thought to have peatland areas to ask them to verify estimates of peatland in their holdings, but has not yet been able to obtain complete information. Information from the RSPO New Planting Procedure (NPP) has indicated that no member has applied to plant a new peatland area since 2015, but no figures on the existing planting and conservation areas are available. This has meant that RSPO has not been able to effectively communicate clearly to external stakeholders some of whom continue to accuse RSPO of facilitating peatland development. If reliance is placed solely on the certification

process, then gaps in information on peat extent in planted and conserved areas may only be identified after plantation certification is complete (at least four years after plantation development).

Proposed Resolution:

We therefore call on the 16th General Assembly of the Roundtable on Sustainable Palm Oil, to resolve that it is mandatory for:

1. All existing RSPO “Grower” and “Processor and Trader” members¹ as at 6 November 2019 (irrespective of whether or not they have RSPO certified units) with any area of peat under their management or within their managed areas or land holdings to complete and submit the RSPO Peat Inventory Form (together with supporting documents as required)² to show the peat areas as at November 2018 and with subsequent changes to the RSPO Secretariat at latest by 31 March 2020³. Acknowledging the challenges for some members to obtain the shapefiles for uncertified areas, submission of shapefiles for uncertified areas must be submitted to RSPO latest by 31 May 2020.
2. All RSPO “Grower” and “Processor and Trader” members¹ to update their RSPO Peat Inventory Forms when there are any changes (such as through acquisition or disposal) or as specified by the RSPO Secretariat.
3. All new “Grower” and “Processor and Trader” members¹ who join RSPO after November 2019 with any area of peat under their management or within their managed areas to complete and submit the RSPO Peat Inventory Form for all peatlands under their management (together with supporting documents as required) to the RSPO Secretariat within four months of becoming a member.

We further call on the 16th General Assembly of the Roundtable on Sustainable Palm Oil, to resolve that:

- a. The RSPO Secretariat (in conjunction with the RSPO Peatland Working Group, as appropriate) shall collate and analyse the information within the submitted peat inventories to provide an annual status report on the management of peatlands by RSPO members, but not make any public release of individual company information⁴.
- b. The RSPO Secretariat should clearly incorporate the requirement to report on peatland areas and their management into the specified requirements for new RSPO members and to highlight the need for the member should update the inventory when making any new acquisitions or disposals.
- c. RSPO Secretariat should adjust, as necessary, the specific requirements for submission of documentation taking into consideration any restrictions in information sharing at country level.

Potential Benefit/Risk:

If RSPO were to have complete information from all its members it could issue definitive statistics on the extent of peatlands under the management of RSPO members and the trends in terms of enhancing BMPs for planted areas and managing and enhancing conservation areas on peat. RSPO could then demonstrate that the area of planted/certified peatlands is decreasing as a proportion of the overall oil palm planted /certified area (as more non-peatland areas are certified/developed). It would also enable clear information on the increasing area of conserved peatland areas being actively protected and managed by RSPO members.

¹Excluding independent smallholders

² Using the formats that are provided and may be periodically updated by the RSPO Secretariat.

³ Certified units and those that intend to be certified in the future, need to submit the Peat Inventory Forms by the fixed RSPO deadline of 15 November 2019 to comply with Indicator 7.7.2.

⁴ In line with the requirements of the RSPO Peat Inventory process, the individual company information and maps will NOT be made publicly available (unless agreed with or requested by the company concerned) but are for the purpose of analysis and assessment of overall impact.

This could enhance the reputation of RSPO and RSPO members in delivering a clear positive impact on peatlands.

A potential concern may relate to sharing of information – but the proposals are fully in line with information sharing requirements for P&C 2018. The resolution is in particular aimed to ensure that all members even those without certified units share the information. In addition, the information will only be for the use of RSPO and individual company information or maps would not be made publicly available.

Contact Information:

Faizal Parish, Director of GEC and Co-chair RSPO Peatland Working Group fparish@gec.org.my

References:

1. RSPO P&C 2018;
2. RSPO Peat Inventory Form

Resolution GA16-6f

Proposed Resolution to be adopted at the 16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

Title: Adoption of the RSPO Independent Smallholder Standard 2019 for the Production of Sustainable Palm Oil By Independent Smallholders

Submitted by: The Board of Governors of the Roundtable on Sustainable Palm Oil
(Currently represented by: Unilever, Malaysian Palm Oil Association, Golden Agri-Resources Ltd.*, AgroCaribe, HSBC Holdings Plc, FELDA, AAK AB, Wilmar International Limited, The Procter & Gamble Company, Retailers' Palm Oil Group**, AEON Co.Ltd, Coöperatieve Rabobank U.A., Both ENDS, Oxfam International, World Resource Institute, WWF International)

** Represents the Indonesian Growers Caucus*

*** ALDI International Services GmbH & Co, oHG, Royal Ahold Delhaize N.V., ASDA Stores Ltd (part of Walmart Inc.), Boots UK Limited, The Co-operative Group (UK), Coop Switzerland, Coles Supermarkets Pty. Ltd., Lidl Stiftung & Co.KG, Marks and Spencer plc, Federation of Migros Cooperatives, Sainsbury's Supermarket Ltd., Tesco PLC and Waitrose Ltd. (part of John Lewis Plc).*

Background:

Objective 2 of the RSPO Smallholder Strategy aims at increasing the number of smallholders certified through the simplification of the certification process for Smallholders. The need to develop a separate standard for Independent Smallholders was identified.

A multi stakeholder Taskforce, known as the Smallholder Interim Group (SHIG) lead this process, aligned with the 2018 P&C Review. The SHIG was composed of four smallholder representatives (from Malaysia, Indonesia, Africa and Latin America), one ENGO, one SNGO, three members representing the supply chain companies and banks/investors and processors/traders.

A summary of the SHIG meetings consultation process undertaken by SHIG, can be found below.

- Six physical meetings of SHIG with balanced representation from all stakeholder groups, with several sub-groups working in between the physical meetings as well.
- Decision making was consensus based
- Three rounds of public consultations lasting 60 days each during which
 - Sixteen physical face to face public consultations were organised globally across all regions
 - Comments were received in seven different languages through the online surveys
- Three webinars were held and two of these were only for the Environmental and Social NGOs
- Six Focus Group Discussions were conducted between the second and third public consultations, specifically on the applicability of the standard
- A total of 160 responses were received through all the public consultations and processed

The Smallholder Standing Committee (SHSC), Standards Standing Committee (SSC) and the Board of Governors (BoG) have confirmed that due process was followed in the development of the RSPO Independent Smallholder Standard.

The RSPO Independent Smallholder Standard (2019):

The objectives as laid out in the Scope of Work of the SHIG were met, notably by:

- Defining the applicability of the standard for independent smallholders
- Developing a stepwise, continuous improvement model for the certification of independent smallholders to reduce the barriers for certification for smallholders;
- Ensuring the language in the normative and informative parts of the standard are auditable and practically implementable by the independent smallholders;
- Aligning the RSPO Independent Smallholder Standard with the RSPO Principles & Criteria 2018 by including core sustainability requirements of the P&C 2018, namely NDPE requirements: no deforestation, no planting on peat and no exploitation whilst ensuring the system is inclusive and accessible to smallholders;
- Developing a simplified assurance mechanism for the phased approach;
- Developing an appropriate market incentive mechanism throughout the continuous improvement phases to both, incentivise the implementation of the standard by the independent smallholders and ensure progress in the continuous improvement model.

Proposed Resolution:

1. That RSPO Members adopt the RSPO Independent Smallholder Standard 2019
2. That the Secretariat continuously monitor and oversee the implementation of the RSPO Independent Smallholder Standard and that a comprehensive review be done annually for the first two years after the adoption of the standard
3. That RSPO Members to whom the RSPO Independent Smallholder Standard applies work towards implementation and certification against this standard
4. That the supply chain actors commit to supporting smallholders by supporting the implementation of the RSPO Independent Smallholder Standard and by increasing their uptake from smallholders
5. That RSPO Members who are not directly involved in the supply chain actively promote and support the implementation of RSPO Independent Smallholder Standard and certification of Independent Smallholders.

Contact Information:

Darrel Webber, CEO of the RSPO, darrel@rspo.org

PART C
BOARD OF GOVERNORS ELECTION

GA16 BOARD OF GOVERNORS ELECTION

Board of Governor Seats
Oil Palm Growers – Malaysia
<ul style="list-style-type: none"> MPOA, represented by the principal Carl Bek-Nielsen and the alternate being Lee Kuan Yee, the two-year term of which is expiring is available for re-election. No other nominations have been received.
Oil Palm Growers – Indonesia
<ul style="list-style-type: none"> Golden Agri-Resources Ltd, represented by the principal Agus Purnomo and the alternate being Fadhil Hassan, the two-year term of which is expiring is available for re-election. No other nominations have been received.
Oil Palm Growers – Rest of the World
<ul style="list-style-type: none"> The alternates of the incumbent Board of Governors member Agrocaripe, being John Clendon (Univanich Palm Oil Public Company Limited), Audrey Lee (Olam International Limited) and the interim alternate being Sander von den Ende (SIPEF), are up for approval by the General Assembly.
Oil Palm Growers – Smallholders
<ul style="list-style-type: none"> FELDA, represented by the interim principal Mahadzir Mustafa and the alternate being Izham Mustaffa: Mahadzir Mustafa was designated as interim principal as a consequence of the retirement of Othman Omar. Therefore, the designation of interim principal Mahadzir Mustafa and the alternate being Izham Mustafa are up for approval by the General Assembly.
Processors and/or Traders
<ul style="list-style-type: none"> Wilmar International Limited, represented by the principal Daphne Astrid Hameeteman and the alternate Olivier Tichit (Musim Mas Holdings Pte. Ltd.), the two-year term of which is expiring is available for re-election. No other nominations have been received. The alternate of the incumbent Board of Governors member AAK AB being Caroline Westerik is up for approval by the General Assembly.
Consumer Goods Manufacturers
<ul style="list-style-type: none"> Unilever, represented by the interim principal Petronella Wilhelmina Meekers, and the interim alternate being Martin Huxtable, the two-year term of which is expiring is available for re-election. No other nominations have been received. The interim alternate of the incumbent Board of Governors member Procter & Gamble being Girish Despande is up for approval by the General Assembly.
Retailers
<ul style="list-style-type: none"> The interim member Aeon Co., Ltd, represented by the interim principal Kahori Miyake and the interim alternate being Yumi Kawashima are up for approval by the General Assembly. Belinda Katharine Howell the principal representing Retailers' Palm Oil Group is retiring at this General Assembly. Her replacement being Julian Walker-Palin as the principal and the alternate Hugo Byrnes (Royal Ahold Delhaize NV), are up for approval by the General Assembly.

Banks and Investors

- **HSBC Holding Plc, represented by the principal Ian Thomas Hay and the alternate being John Laidlow**, the two-year term of which is expiring is not available for re-election. One nomination was received from **Standard Chartered Bank, represented by the principal nominee Samantha Bramley and the alternate nominee being Roger Charles**.
- **The interim alternate of the incumbent Board of Governors member Rabobank International being Martin van Vaals** is up for approval by the General Assembly.

Environmental NGOs

- **World Resources Institute, represented by the principal Anne Rosenbarger and the alternate Michael Guindon (Zoological Society of London)**, the two-year term of which is expiring is available for re-election. No other nominations have been received.
- **The substitute member of the incumbent Board of Governors member WWF International being Harjinder Kler (HUTAN - Kinabatangan Orang-utan Conservation Programme)**, is up for approval by the General Assembly.

Social NGOs

Oxfam International, represented by Madeline Brasser, is retiring and not available for re-election. Nominations received were from:

- **Forest Peoples Programme, represented by the principal nominee Marcus Colchester and the alternate nominee being Madeleine Brasser (Oxfam International)**
- **Solidaridad, represented by the principal nominee Marieke Leegwater and the alternate nominee being Rukaiyah Rafik (Yayasan Setara Jambi)**

Only members in the Social NGOs sector are eligible to vote.

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

MEMBERSHIP SECTOR: BANKS & INVESTORS

PRINCIPAL BOARD MEMBER

Name of organisation: Standard Chartered Bank
Membership number: 5-0004-06-000-00
Name of nominee: Samantha Bramley
Position in the organisation: Director Environmental & Social Risk Management
Email address: Samantha.bramley@sc.com
Tel (Office): +44 (0) 207 8852044
Tel (Mobile): +44 (0) 7557 589012



SUMMARY

Nominee Profile

Samantha is a Director in the Environmental and Social Risk (ESRM) Management team at Standard Chartered Bank. She works with clients operating in a range of sectors known to have potentially significant environmental and social risks and impacts to ensure that projects are undertaken according to the highest international standards and best practice approaches and comply with the banks own environmental and social assessment criteria. Samantha's areas of expertise include social and human rights impacts and she has been heavily involved in driving SCB's modern slavery and human rights agenda. She has over 20 years' experience in ESG which spans a range of industry sectors, with a focus on agribusiness and palm oil. Samantha has been a key member of the RSPO Complaint Panel for the last two years and is an active member of the Financial Institutions Task Force. She was also a taskforce member for the most recent revision of the RSPO Principles and Criteria.

Organisation Profile

Standard Chartered Bank is a leading international banking group, with a presence in over 60 of the world's most dynamic markets and serving clients in a further 85. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

As one of the world's leading financial institutions, we foster social and economic development in our markets. We're committed to extending access to financial services and promoting sustainable finance.

We strive to be a more responsible bank, underpinned by strong processes throughout our organisation. We're determined to fight financial crime, minimise our environmental impact, invest in our people and embed our values across our business in the markets where we operate and offer products that open-up global trade and investment.

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

ALTERNATE (to be designated by the principal nominee)

Name of Alternate: Roger Charles
Position in the organisation: Executive Director ESRM
Name of organisation: Standard Chartered Bank
Membership number: 5-0004-06-000-00
Email address: Roger.charles@sc.com
Tel (Office): +65 6596 6691
Tel (Mobile):



SUMMARY

Alternate Profile

Roger Charles is an Executive Director in the Environmental and Social Risk Management team at Standard Chartered in Singapore.

In his role, he leads in delivering technical environmental and safety expertise to business transactions and clients globally, ensuring project financing adheres to international standards on sustainability and best practice. He has developed in-depth expertise in several sectors and geographies such as thermal power, renewables, oil & gas, shipping and ship recycling, manufacturing, and agribusiness including forestry and palm oil; With over 15 years' experience as a health, safety and environmental (HSE) professional, Roger has broad international experience, having spent many years in Europe, Africa and Asia in various roles within the oil and gas industry. His areas of expertise include technical environmental and safety engineering, environmental and social Impact Assessment, occupational safety and group sustainability. For complete bio, please visit <http://linkedin.com/in/rcharlesuk>

Organisation Profile (if different from Principal)

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

MEMBERSHIP SECTOR: SOCIAL NGOs

PRINCIPAL BOARD MEMBER

Name of organisation: Forest Peoples Programme
Membership number: 7-0017-13-000-00
Name of nominee: Marcus Colchester
Position in the organisation: Senior Policy Advisor
Email address: marcus@forestpeoples.org
Tel (Office): + 44 1608 652893
Tel (Mobile): + 44 7592 943481



SUMMARY

Marcus Colchester is an Oxford University-trained anthropologist with master's degree in Zoology and a doctorate in Social Anthropology, who has carried out field work over 45 years with forest peoples around the tropics and in Siberia. In 1990, he founded and directed the international human rights organisation, Forest Peoples Programme, for which he now acts as Senior Policy Advisor. He has also been awarded an Honorary Doctorate of Letters by Oxford Brookes University, the Lucy Mair Medal for Applied Anthropology from the Royal Anthropological Institute, and a Pew Conservation Fellowship in recognition of his contributions to conservation. He has published extensively in peer reviewed scientific journals as well as numerous books and 'grey literature', including about palm oil. He has acted as a consultant for diverse organisations including FAO, World Bank, Inter-American Development Bank, ICRAF, CIFOR, WWF, Greenpeace and the Office of the UN High Commissioner for Human Rights. He was appointed as an Expert for the International Labour Organisation's Commission on the Revision of ILO Convention 107 and was involved in the drafting of ILO Convention 169, which replaced it. He also led the participatory consultations with indigenous peoples for the World Commission on Dams and the Extractive Industries Review, both of which then adopted policies requiring indigenous peoples' Free, Prior and Informed Consent. He has provided expert testimony to hearings of various legislatures including US Congress, UK Parliament and European Parliament. He has engaged continuously with RSPO since 2004 and has participated in most of the standard-setting committees relating to land rights and human rights (Criteria WG, Certification WG, P&C Revision Task Forces, NPP WG, HRWG, BHCWVG, DSF Advisory Group etc. and for several years led the Task Force on Smallholders). He is principal author of RSPO's 2008 and 2015 Guides on FPIC. He is a member of the IUCN Task Force on Oil Palm in representation of the Commission on Economic, Environmental and Social Policy. He is a member of the Forest Stewardship Council and is on the Executive Committee of The Forest Dialogue.

Organisation Profile

Forest Peoples Programme is an international human rights organisation with legal personality in the Netherlands and UK, and NGO consultative status at the United Nations (ECOSOC). It supports the rights of forest peoples to self-determination and to the use and control of their traditional lands and forests. FPP litigates in international and national courts, contributes representations and reports to a wide range of intergovernmental and UN treaty bodies, and has a field programme working directly with impacted forest peoples in 22 countries around the tropics, providing them with legal, technical and advocacy support. FPP is a member of IUCN, the International Land Coalition, the Tropical Forest Alliance, Rights and Resources Initiative, Accountability Framework Initiative, High Conservation Values Resource Network and High Carbon Stock Approach, as well as RSPO and POIG.

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

ALTERNATE (to be designated by the principal nominee)

Name of Alternate: Madeleine Brasser
Position in the organisation: Advisor Inclusive Value Chains
Name of organisation: Oxfam International
Membership number: 7-0001-04-000-00
Email address: Madeleine.brasser@oxfamnovib.nl
Tel (Office): + 31703421621
Tel (Mobile): + 31623998378



SUMMARY

Madeleine Brasser is an advisor on inclusive value chains notably on palm oil, rice and shrimp. She has been developing and managing projects in the area of land rights and palm oil in Indonesia, in close collaboration with local partners such as TuK, Walhi and Sawit Watch. She has contributed to the development of an innovative business model FAIR company community partnership that has been piloted in Sumatera, together with Indonesian partners SPKS, JKPP, Asppuk and with private sector partners. Madeleine has contributed to the establishment of a national palm oil platform in the Democratic Republic of Congo and has been involved in ongoing human rights advocacy work in the palm oil sector in Central America and Africa. In her work she has been promoting gender equality and women's economic empowerment. Within the RSPO structures Madeleine has been active in the P&C taskforce and she is co-chair of the Human Rights Working Group. Before joining Oxfam, she worked for ILO and UNDP in various African and South East Asian countries, for the Dutch Ministry of Foreign Affairs, the Free University of Amsterdam and the Wageningen University and Research. The assignments varied from managing projects on environmental planning, participatory rural planning to conducting evaluations of Dutch funded programmes on irrigation and nutrition. Madeleine is a social anthropologist and was trained at the University of Leyden and the Wageningen University and Research.

Organisation profile

Oxfam is an **international confederation of 19 organisations** working together with partners and local communities in more than 90 countries. One person in three in the world lives in poverty. Oxfam is determined to change that world by mobilizing the power of people against poverty. Around the globe, Oxfam works to find practical, innovative ways for people to lift themselves out of poverty and thrive. The organisation saves lives and helps rebuild livelihoods when crisis strikes. And Oxfam campaigns so that the voices of the poor influence the local and global decisions that affect them. In all we do, Oxfam works with partner organizations and alongside vulnerable women and men to end the injustices that cause poverty. Two key areas of Oxfam's work comprise Sustainable food systems and Fair sharing of natural resources. In these key areas Oxfam aims for an inclusive and sustainable world where women, children and men living in poverty, are empowered and have the resources to be able to secure their right to food and a sustainable livelihood. Oxfam is a member of, amongst others, the International Land Coalition, Global Land Tool Network, Climate Land Ambition and Rights Alliance (CLARA), the Global Living Wage Coalition, Agriprofocus, and of the RSPO.

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

MEMBERSHIP SECTOR: SOCIAL NGOs

PRINCIPAL BOARD MEMBER

Name of organisation: Solidaridad
Membership number: 7-0007-08-000-00
Name of nominee: Marieke Leegwater
Position in the organisation: International Coordinator Palm Oil Program
Email address: Marieke.leegwater@solidaridadnetwork.org
Tel (Office): 0031 30 2720313
Tel (Mobile): 0031 624905956



SUMMARY

Nominee Profile

Marieke Leegwater coordinates the global Solidaridad Palm Oil Program, that works on sustainable and inclusive palm oil value chains. Within the programme, Solidaridad supports farmers across all major palm oil producing regions to raise yields & incomes and cooperates with governments, companies and other stakeholders to create enabling environments for sustainable and inclusive palm oil production and consumption.

Marieke has been a member of the RSPO P & C Task Force in 2007, 2013 and 2018. She is currently member of the Complaints Panel and elected to be member of the Standing Committee on Smallholders and Market Development and Communications.

Before Marieke joined Solidaridad, she worked for the Dutch Product Board for Margarine, Fats and Oils (MVO), the industry association of the Dutch Oils and Fats Industry. In that role she facilitated the set up of the Dutch Task Force Sustainable Palm Oil and contributed to the various RSPO and RTRS Working Groups. Marieke holds a master degree in Public Law.

When elected Marieke plans to contribute to make RSPO more smallholder inclusive and contribute to the robustness of RSPO.

Organisation Profile

Solidaridad is an international civil society organization focussed on building sustainable agricultural value chains. Solidaridad was founded in 1976. The Solidaridad methodological framework consists of integral intervention throughout the chain of custody: producer support, local civil society consultations, business community endorsements, government lobby, market development, consumer awareness raising.

The Solidaridad network places a focus on decentralized responsibility and implementation by regional teams. This means local knowledge, experience and vision are guiding principles for defining strategies and interventions. The network's connectedness is fostered by a global vision, strategy, programming, communication and internal quality-control systems. The network secretariat in Utrecht, The Netherlands.

Nomination for Board of Governors Election

16th General Assembly of the Roundtable on Sustainable Palm Oil (RSPO)

6th November 2019

ALTERNATE (to be designated by the principal nominee)

Name of Alternate: Rukaiyah Rafik (Uki)
Position in the organisation: Senior Advisor
Name of organisation: Yayasan Setara Jambi
Membership number: 7-0011-10-000-00
Email address: uki@setarajambi.org
rukaiyahrafik@fortasbi.org
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Tel (Mobile): +62 812 73877069



SUMMARY

Alternate Profile

Uki has worked for smallholders since 2001 until now. She very closely works with independent smallholder. Now, she also advises all Group Manager of ISH certified RSPO, ISPO and ISCC in FORTASBI. She works together with 33 of Manager of Group from across Indonesia, to scaling up sustainability and transform sustainability as a norm in Indonesia. Uki has good experience for support and advice ISH to implement sustainability through RSPO standard. Until now, she was supported 6 ISH group in Jambi and South Sumatera.

She also was involved in RSPO since 2007 until now. She is member of several working group in RSPO; SHWG, SHIG, SRTF, JAWG. And now she also part of Smallholders Standing Committee member.

Organisation Profile (if different from Principal)

Yayasan Setara Jambi base in Jambi province is member of RSPO since 2010. Developed at 2007, Yayasan Setara Jambi very actively promote sustainable palm oil among ISH in Jambi province. Now, Yayasan Setara Jambi have target to bring 20% ISH in Jambi to implement sustainability next 10 years. Yayasan Setara Jambi is not only focus on certification but also actively promoting sustainable livelihood among ISH and small farmer.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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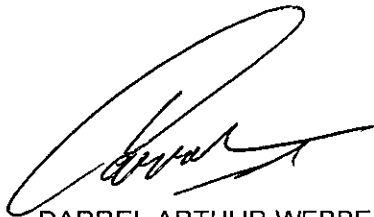
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THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENT FROM CHIEF EXECUTIVE OFFICER

I, Darrel Arthur Webber, representing The Roundtable on Sustainable Palm Oil ("RSPO"), do hereby state that the financial statements set out on pages 6 to 48 are drawn up so as to give a true and fair view of the financial position of the RSPO Group and RSPO as at 30 June 2019 and of the financial performance and cash flows of the RSPO Group and RSPO for the financial year ended 30 June 2019 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Signed on behalf of The Roundtable on Sustainable Palm Oil on 7 October 2019.



DARREL ARTHUR WEBBER
CHIEF EXECUTIVE OFFICER

Kuala Lumpur, Malaysia



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of The Roundtable on Sustainable Palm Oil ("RSPO") and its subsidiaries ("RSPO Group") give a true and fair view of the financial position of RSPO Group and of RSPO as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of RSPO Group and of RSPO, which comprise the statements of assets, liabilities and fund balances as at 30 June 2019 of RSPO Group and of RSPO, and the statements of income and expenditure, statements of comprehensive income, statements of changes in equity and statements of cash flows of RSPO Group and of RSPO for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 48.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of RSPO Group and of RSPO in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Board of Governors for the financial statements

The Board of Governors of RSPO are responsible for the preparation of the financial statements of RSPO Group and of RSPO that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board of Governors are also responsible for such internal control as the Board of Governors determine is necessary to enable the preparation of financial statements of RSPO Group and of RSPO that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of RSPO Group and of RSPO, the Board of Governors are responsible for assessing RSPO Group's and RSPO's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Governors either intend to liquidate RSPO Group or RSPO or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of RSPO Group and of RSPO as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of RSPO Group and of RSPO, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RSPO Group's and of RSPO's internal control.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.
- (d) Conclude on the appropriateness of the Board of Governors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on RSPO Group's or RSPO's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of RSPO Group and of RSPO or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause RSPO Group or RSPO to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of RSPO Group and of RSPO, including the disclosures, and whether the financial statements of RSPO Group and of RSPO represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within RSPO Group to express an opinion on the financial statements of RSPO Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE ROUNDTABLE ON SUSTAINABLE PALM OIL (CONTINUED)

OTHER MATTERS

This report is made solely to the members of RSPO, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers PLT'.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur, Malaysia
7 October 2019

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF INCOME AND EXPENDITURE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		RSPO Group		RSPO	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
INCOME					
Subscription income	1	16,502	16,147	16,502	16,147
Contributions from sustainable palm oil trade	2	30,339	27,188	30,339	27,188
Roundtable meetings surplus	4	171	-	171	-
Interest income from fixed deposits		485	389	485	389
Other income		-	8	-	7
		47,497	43,732	47,497	43,731
LESS: EXPENDITURE					
Staff costs	3	13,262	9,901	-	-
Management fees		-	-	17,450	13,900
Recruitment expenses		228	374	-	-
Professional fees		1,213	848	637	287
Office rental		1,170	1,186	-	-
Consultancy fees		3,285	3,554	3,284	3,554
Trademark and patent		28	68	28	68
Board of Governors meeting expenses		218	114	218	114
General assembly		107	97	107	97
Roundtable meetings deficit	4	-	991	-	991
Dispute Settlement Facility					
Trustee fee		24	24	24	24
Bad debts written off		270	191	270	191
(Reversal of)/ allowance for impairment on receivables		(145)	1,262	(145)	1,262
Net foreign exchange losses	5	374	400	286	355
Auditors' remuneration		120	66	40	36
Depreciation		419	467	-	-
Other expenditure		1,962	2,172	776	1,150
		22,535	21,715	22,975	22,029
Project costs	6	17,630	22,864	17,630	22,864
		40,165	44,579	40,605	44,893
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE BEFORE TAXATION					
TAXATION	7	7,332	(847)	6,892	(1,162)
		(358)	(276)	(110)	(67)
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR					
		6,974	(1,123)	6,782	(1,229)

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	<u>Note</u>	<u>RSPO Group</u>		<u>RSPO</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		RM'000	RM'000	RM'000	RM'000
SURPLUS/(DEFICIT) OF INCOME OVER EXPENDITURE FOR THE FINANCIAL YEAR		6,974	(1,123)	6,782	(1,229)
Item that may be subsequently reclassified to profit or loss:					
Currency translation differences		<u>389</u>	<u>(2,193)</u>	<u>389</u>	<u>(2,193)</u>
Other comprehensive income/(loss) for the financial year, net of tax		<u>389</u>	<u>(2,193)</u>	<u>389</u>	<u>(2,193)</u>
Total comprehensive income/(loss) for the financial year		<u>7,363</u>	<u>(3,316)</u>	<u>7,171</u>	<u>(3,422)</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES AS AT 30 JUNE 2019

		RSPO Group		RSPO	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	8	590	844	-	-
Deferred tax assets	9	404	150	164	118
Investment in subsidiaries	10	-	-	500	500
		<u>994</u>	<u>994</u>	<u>664</u>	<u>618</u>
CURRENT ASSETS					
Membership subscription fee receivable	11	1,742	2,822	1,742	2,822
Other receivables, deposits and prepayments	12	3,772	6,923	4,374	6,280
Tax recoverable		27	317	266	251
Sponsorship fund	17	-	128	-	128
Fixed deposits with a licensed bank	14	16,253	16,024	16,253	16,024
Cash and bank balances	13	31,744	24,083	30,662	23,965
		<u>53,538</u>	<u>50,297</u>	<u>53,297</u>	<u>49,470</u>
LESS : CURRENT LIABILITIES					
Contract liabilities	16	8,410	7,609	8,410	7,609
Other payables and accruals	15	7,891	5,962	8,098	5,345
		<u>16,301</u>	<u>13,571</u>	<u>16,508</u>	<u>12,954</u>
NET CURRENT ASSETS		<u>37,237</u>	<u>36,726</u>	<u>36,789</u>	<u>36,516</u>
NET ASSETS		<u>38,231</u>	<u>37,720</u>	<u>37,453</u>	<u>37,134</u>
TOTAL EQUITY		38,231	37,720	37,453	37,134

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	<u>Note</u>	<u>Members' fund</u> RM'000	<u>Smallholders' fund</u> (Note 18) RM'000	<u>Special projects fund</u> (Note 19) RM'000	<u>Accumulated fund</u> RM'000	<u>Currency translation reserves</u> RM'000	<u>Total equity</u> RM'000
<u>RSPO Group</u>							
<u>2019</u>							
At 1 July 2018		9,500	11,651	13,049	34,200	3,520	37,720
Surplus of income over expenditure for the financial year		6,974	-	-	6,974	-	6,974
<u>Other comprehensive income</u>							
- Currency translation differences		-	-	-	-	389	389
Total comprehensive income		6,974	-	-	6,974	389	7,363
Project disbursements for the financial year		-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019		<u>16,474</u>	<u>8,580</u>	<u>9,268</u>	<u>34,322</u>	<u>3,909</u>	<u>38,231</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	<u>Note</u>	<u>Members'</u> <u>fund</u> RM'000	<u>Smallholders'</u> <u>fund</u> (Note 18) RM'000	<u>Special</u> <u>projects fund</u> (Note 19) RM'000	<u>Accumulated</u> <u>fund</u> RM'000	<u>Currency</u> <u>translation</u> <u>reserves</u> RM'000	<u>Total</u> <u>equity</u> RM'000
<u>RSPO Group</u>							
<u>2018</u>							
At 1 July 2017		10,623	14,122	15,018	39,763	5,713	45,476
Deficit of income over expenditure for the financial year		(1,123)	-	-	(1,123)	-	(1,123)
<u>Other comprehensive income</u>							
- Currency translation differences		-	-	-	-	(2,193)	(2,193)
Total comprehensive loss		(1,123)	-	-	(1,123)	(2,193)	(3,316)
Project disbursements for the financial year		-	(2,471)	(1,969)	(4,440)	-	(4,440)
At 30 June 2018		<u>9,500</u>	<u>11,651</u>	<u>13,049</u>	<u>34,200</u>	<u>3,520</u>	<u>37,720</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	<u>Note</u>	Members' fund RM'000	Smallholders' fund (Note 18) RM'000	Special projects fund (Note 19) RM'000	Accumulated fund RM'000	Currency translation reserves RM'000	Total equity RM'000
<u>RSPO</u>							
<u>2019</u>							
At 1 July 2018		8,914	11,651	13,049	33,614	3,520	37,134
Surplus of income over expenditure for the financial year		6,782	-	-	6,782	-	6,782
<u>Other comprehensive loss</u>							
- Currency translation differences		-	-	-	-	389	389
Total comprehensive loss		6,782	-	-	6,782	389	7,171
Project disbursements for the financial year		-	(3,071)	(3,781)	(6,852)	-	(6,852)
At 30 June 2019		<u>15,696</u>	<u>8,580</u>	<u>9,268</u>	<u>33,544</u>	<u>3,909</u>	<u>37,453</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	<u>Note</u>	<u>Members'</u> <u>fund</u> RM'000	<u>Smallholders'</u> <u>fund</u> (Note 18) RM'000	<u>Special</u> <u>projects fund</u> (Note 19) RM'000	<u>Accumulated</u> <u>fund</u> RM'000	<u>Currency</u> <u>translation</u> <u>reserves</u> RM'000	<u>Total</u> <u>equity</u> RM'000
<u>RSPO</u>							
<u>2018</u>							
At 1 July 2017		10,143	14,122	15,018	39,283	5,713	44,996
Deficit of income over expenditure for the financial year		(1,229)	-	-	(1,229)	-	(1,229)
<u>Other comprehensive loss</u>							
- Currency translation differences		-	-	-	-	(2,193)	(2,193)
Total comprehensive loss		(1,229)	-	-	(1,229)	(2,193)	(3,422)
Project disbursements for the financial year		-	(2,471)	(1,969)	(4,440)	-	(4,440)
At 30 June 2018		<u>8,914</u>	<u>11,651</u>	<u>13,049</u>	<u>33,614</u>	<u>3,520</u>	<u>37,134</u>

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus/(deficit) of income over expenditure for the financial year before taxation	7,332	(847)	6,892	(1,162)
Adjustments for non-cash items:				
Depreciation	419	467	-	-
Unrealised foreign exchange (gains)/ losses	(17)	38	-	-
Plant and equipment written off (Reversal of)/allowance for impairment on receivables	6	-	-	-
Bad debts written off	(145)	1,262	(145)	1,262
Interest income	270	191	270	191
	(485)	(389)	(485)	(389)
Operating surplus/(deficit) before working capital changes and fund disbursements	7,380	722	6,532	(98)
Smallholder fund disbursements	(3,071)	(2,471)	(3,071)	(2,471)
Special projects fund disbursements	(3,781)	(1,969)	(3,781)	(1,969)
Changes in working capital:				
Membership subscription fee receivable	970	(534)	970	(534)
Other receivables, deposits and prepayments	3,132	(1,907)	1,881	(1,771)
Deferred subscription income	1,037	223	1,036	223
Prepaid membership fees	(147)	(171)	(147)	(171)
Other payables and accruals	1,998	(265)	2,966	(178)
Sponsorship fund	117	(117)	117	(117)
Cash used in operations	7,635	(6,489)	6,503	(7,086)
Interest received	359	303	359	303
Tax paid	(322)	(514)	(171)	(262)
Net cash flow from operating activities	7,672	(6,700)	6,691	(7,045)

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(171)	(609)	-	-
Net cash flow from investing activities	(171)	(609)	-	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	7,501	(7,309)	6,691	(7,045)
Effect of foreign exchange rate changes	263	(2,041)	109	(2,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	31,592	40,942	31,474	40,638
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	39,356	31,592	38,274	31,474
Analysis of cash and cash equivalents:				
Cash and bank balances	31,744	24,083	30,662	23,965
Deposits placed with a licensed bank	16,253	16,024	16,253	16,024
Less: Deposits with maturity more than 90 days	(8,641)	(8,515)	(8,641)	(8,515)
	39,356	31,592	38,274	31,474

The notes on pages 15 to 48 form an integral part of these financial statements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A GENERAL INFORMATION

The principal activity of RSPO Group is to organise programmes which involve the promotion of growth and the use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders. RSPO is a “not-for-profit” organisation.

The address of principal place of business of RSPO is Unit A-37-1, Menara UOA Bangsar, No. 5, Jalan Bangsar Utama 1, 59000 Kuala Lumpur.

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of The Roundtable of Sustainable Palm Oil Group (“RSPO Group”) and RSPO have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except as disclosed in the summary of principal accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Board of Governors to exercise their judgment in the process of applying the RSPO Group and RSPO’s accounting policies. Although these estimates and judgment are based on the Board of Governors’ best knowledge of current events and actions, actual results may differ. There is no area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

During the financial year, the RSPO Group has considered the new accounting pronouncements in the preparation of the financial statements, as follows:

(b) Standards, amendments to published standards and interpretations that are effective

The RSPO Group has applied the following standards and amendments for the first time for the financial year beginning on 1 July 2018:

- MFRS 9 “Financial Instruments”
- MFRS 15 “Revenue from Contracts with Customers”
- IC Interpretation 22 “ Foreign Currency Transactions and Advance Consideration”

The RSPO Group has adopted MFRS 9 and MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 July 2018 by using the modified retrospective transition method.

In accordance with the transitional provisions provided in MFRS 9 and MFRS 15, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139 and MFRS 118 respectively.

The detailed impact of change in accounting policies are set out in Note B(p) and Note B(h). Other than that, the adoption of other amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Standards early adopted by the Group

There are no standards early adopted by RSPO Group.

(d) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for the financial year beginning after 1 July 2018. None of these is expected to have a significant effect on the consolidated financial statement of the Group, except the following set out:

- MFRS 16 “Leases” (effective from 1 January 2019) supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statement of financial position) or operating leases (off statement of financial position). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in statements of income and expenditure.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

RSPO Group is in the process of assessing the impact of adoption of MFRS 16 “Leases”.

- IC Interpretation 23 “Uncertainty over Income Tax Treatments” (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Standards and amendments that have been issued but not yet effective (continued)

- Amendment to MFRS 9 “Prepayment Features with Negative Compensation” (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify the amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a ‘held to collect’ business model.

The amendments will be applied retrospectively.

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
- Amendments to MFRS 112 “Income Taxes” (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

The RSPO Group is in the process of assessing the full impact of the above new standards, revisions and amendments to published standards on its financial statements in the year of initial application.

(e) Basis of consolidation

Subsidiaries

Subsidiaries are those corporations in which RSPO Group has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to RSPO Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries’ net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over RSPO Group’s share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill.

Intergroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of RSPO Group.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Basis of consolidation (continued)

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and RSPO Group's share of its net assets together with any unamortised balance or goodwill on acquisition and exchange differences which were not previously recognised in the consolidated statement of income and expenditure.

In RSPO's separate financial statements, investments in subsidiaries are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note B(g) on impairment of non-financial assets.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the statements of income and expenditure.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Computers and software	33 1/3%
Furniture and fittings	20%
Office equipment	20%
Renovation	50%

At each balance sheet date, the RSPO Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(p) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement of income and expenditure from operations.

(g) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets (continued)

The impairment loss is charged to statement of income and expenditure unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in statement of income and expenditure unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

(h) Income recognition

Accounting policies applied from 1 July 2018

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the RSPO Group expects to be entitled in exchange for transferring promised services to a customer, net of goods and service tax. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Specific criteria for each of the RSPO Group activities are described below:

(a) Subscription income

The RSPO Group recognises subscription income over the duration of the respective membership period.

Subscription fees are due once membership application is approved. The Group's obligation to render services to members for which the RSPO Group has received consideration in advance from members is presented as contract liabilities.

(b) Contributions from sustainable palm oil trade

The contribution from sustainable palm oil trade is recognised when the right to receive payment is established. Payment of the transaction price is due immediately when the buyer trades the palm oil.

(ii) Revenue from other sources - Interest income

Interest income is recognised on an accrual basis, using effective interest rate method.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Income recognition (continued)

Accounting policies applied until 30 June 2018

Subscription income from members is recognised on an accrual basis.

Other operating income is recognised when the right to receive payment is established.

(i) Receivables

Receivables are carried at invoiced amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that RSPO Group will not be able to collect all amounts due according to the original terms of receivables. Impairment loss is the difference between the carrying amount of the receivables and the present value of estimated cash flows discounted at the receivables' original effective interest rate and is recognised in statement of comprehensive income.

(j) Cash and cash equivalents

For purposes of statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances, deposits held at call with banks and other short-term, highly liquid investments that are readily convertible within original maturities of 3 months or less to known amount of cash and which are subject to an insignificant risk of changes in value.

(k) Provisions

Provisions are recognised when the RSPO Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(l) Payables

Payables represent liabilities for goods or services provided to the RSPO Group prior to the end of financial year which are unpaid. Payables are recognised initially at fair value net of transaction costs incurred.

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional and presentation currency of the RSPO is US Dollar and Ringgit Malaysia respectively.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Foreign currencies (continued)

(ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statements of income and expenditure, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign exchange gains and losses

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in statements of income and expenditure within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statements of income and expenditure, and other changes in carrying amount are recognised in other comprehensive income.

(iv) Group entities

The results and financial position of all the RSPO Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statements of income and expenditure are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(o) Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of income and expenditure on the straight-line basis over the lease period.

(p) Financial assets

Accounting policies applied from 1 July 2018

(i) Classification

From 1 July 2018, the RSPO Group classifies its financial assets to be measured at amortised cost.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the RSPO Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the RSPO Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the RSPO Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depend on the RSPO Group's business model for managing the asset and the cash flow characteristics of the asset. The RSPO Group reclassifies debt instruments when and only when its business model for managing those assets changes.

The RSPO Group measures its debt instruments at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

(iv) Subsequent measurement – Impairment

Impairment for debt instruments

The RSPO Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Impairment for debt instruments (continued)

The RSPO Group has four types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amounts owing by subsidiaries

Cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the RSPO Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Simplified approach for trade receivables (for third party and amounts owing by subsidiaries)

The RSPO Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

General 3-stage approach for other receivables and non-trade inter-company balances

At each reporting date, the RSPO Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The RSPO Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the RSPO Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(iv) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Definition of default and credit-impaired financial assets

The RSPO Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- Quantitative criteria:

The RSPO Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 180 days of when they fall due.

- Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The RSPO Group considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (continued)

Accounting policies applied from 1 July 2018 (continued)

(v) Write-off

Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the RSPO Group.

Impairment losses on trade and other receivables are presented as net impairment losses within (loss)/profit from operations. Subsequent recoveries of amounts previously written off are credited against the same line item.

Accounting policies applied until 30 June 2018

The RSPO Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Classification, measurement and de-recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The RSPO's loans and receivables comprise 'Membership subscription fees receivables', 'Other receivables, deposits and prepayments', 'Sponsorship fund', 'Cash and bank balances' and 'Fixed deposits with a licensed bank' in the statements of assets, liabilities and fund balances (Notes 11,12,17,13 and 14).

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the loans and receivables and subsequently carried at amortised cost using the effective interest method.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the RSPO Group has transferred substantially all risks and rewards of ownership.

Gains and losses arising from the de-recognition of the loans and receivables, amortisation and impairment losses are recognised in statements of income and expenditure.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

Impairment of financial assets (continued)

The RSPO Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(q) Financial liabilities

Classification, measurement and de-recognition

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Other financial liabilities of the RSPO Group comprises 'Other payables and accruals' in the statements of assets, liabilities and fund balances (Notes 15).

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statements of income and expenditure when the other financial liabilities are derecognised, and through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fair value estimation for disclosure purposes

In assessing the fair value of non-traded financial instruments, the RSPO Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate for each type of the financial liabilities of the RSPO Group.

The face values for financial assets (less any estimated credit adjustments) and financial liabilities with a maturity of less than one year are assumed to approximate the fair values.

(s) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(t) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of RSPO Group.

(ii) Post-employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which RSPO Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

RSPO Group's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, RSPO Group has no further payment obligations.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The RSPO Group's financial risk management objective is to optimise value creation whilst minimising the potential adverse impact arising from fluctuations in foreign exchange rates and the unpredictability of the financial markets.

RSPO Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Governors. Financial risk management is carried out through internal control system and adherence to RSPO Group financial risk management policies. RSPO Group is exposed mainly to market risk, credit risk, liquidity and cash flow risk, financial risk, and seasonality. Information on the management of the related exposures are detailed below:

(a) Market risk

RSPO Group is exposed to market risk from fluctuation in foreign currency exchange rates, which could affect its financial position, results of operations and cash flows. RSPO Group manages its exposure to market risk through its regular operating activities.

(b) Credit risk

RSPO Group's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from cash and cash equivalents and receivables. RSPO Group does not have any major concentration of credit risk related to any individual or counterparty other than bank in which the cash deposits are held.

RSPO Group's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Board of Governors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

Measurement of ECL

(i) Trade receivables using simplified approach

The expected loss rates are based on the payment profiles of income over a period of 24 month before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Non-trade receivables using general 3-stage approach

The RSPO Group uses three categories for non-trade receivables which reflect their credit risk and how the loss allowance is determined for each of those categories. A summary of the assumptions underpinning the RSPO Group's ECL model is as follows:

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Measurement of ECL(continued)

(ii) Non-trade receivables using general 3-stage approach

Category	RSPO Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the RSPO Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The maximum exposure to credit risk for trade receivables is represented by the carrying amount recognised in the statements of assets, liabilities and fund balances. The amounts not provided are deemed recoverable, with low probability of default. This is supported after considering the historical data by each debtor category and the possibility of no credit loss may occur.

(ii) Non-trade receivables using general 3-stage approach

The maximum exposure to credit risk for non-trade and sundry receivable balances is represented by the carrying amount recognised in the statements of assets, liabilities and fund balances due to the balances are considered to be performing, have low risk of default and strong capacity to meet contractual cash flow.

(c) Liquidity and cash flow risk

Liquidity risk arises from RSPO Group's management of working capital. It is the risk that RSPO Group will encounter difficulties in meeting its financial obligations when due.

RSPO Group's exposure to liquidity and cash flow risks arises mainly from general funding and business activities.

It practices prudent liquidity risk management by maintaining sufficient cash and bank balances.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
<u>RSPO Group</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>7,891</u>	<u>5,962</u>
 <u>RSPO</u>		
<u>Less than 1 year:</u>		
Other payables and accruals	<u>8,098</u>	<u>5,345</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

FINANCIAL RISK MANAGEMENT OBJECTIVES AND OBJECTIVE (CONTINUED)

C FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Capital risk management policies and procedures

The primary objective of the RSPO's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business.

The capital structure of RSPO consists of equity of RSPO (comprising share capital and retained earnings as disclosed in the statement of changes in equity). RSPO manages its capital structure and makes adjustments to it, in light of changes in economic conditions. RSPO is not subject to any externally imposed capital requirements.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

1 SUBSCRIPTION INCOME

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Revenue from contracts with customers:</u>		
Ordinary members	15,335	15,082
Affiliate members	126	133
Supply chain associate	1,041	932
	<u>16,502</u>	<u>16,147</u>

Subscription income from members worldwide is recognised on a straight-line basis over the subscription period.

The number of members registered as at 30 June 2019 is 4,349 (2018: 3,920), including associate members 2,470 (2018: 2,129).

2 CONTRIBUTIONS FROM SUSTAINABLE PALM OIL TRADE

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Revenue from contracts with customers:</u>		
Certificate trading	8,343	6,726
Segregated and mass balance trading	21,996	20,462
	<u>30,339</u>	<u>27,188</u>

The RSPO receives a contribution of USD1 per tonne from credit trades, charged to buyer of certificates. In addition, the RSPO receives a contribution of USD1 per tonne from first transactions under the segregated and mass balance supply claims. The USD 1 per tonne levy is charged to the first buyer in the supply chain. The registration for these transactions under PalmTrace is operated by Rainforest Alliance.

The contributions from sustainable palm oil trade is recognised at a point in time.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

3 STAFF COSTS

	RSPO Group	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Wages, salaries and bonuses	11,346	8,364
Defined contribution plan	885	856
Other employee benefits and compensations	1,031	681
	<u>13,262</u>	<u>9,901</u>

Included in staff costs is the remuneration of 2 Executive Directors (2018: 2) of RSPO Secretariat Sdn Bhd of RM1,341,783 (2018: RM1,168,921).

4 ROUNDTABLE MEETING (SURPLUS)/DEFICIT

During the financial year, only 1 Roundtable event was held by the RSPO (2018: 2). The amount expended was less than income received.

	RSPO Group and RSPO	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Annual Roundtable Meetings</u>		
Collections and sponsorships	(2,211)	(2,152)
Expenses	2,040	2,847
	<u>(171)</u>	<u>695</u>
<u>European Roundtable Meetings</u>		
Collections and sponsorships	-	(812)
Expenses	-	1,108
	<u>-</u>	<u>296</u>
Total (surplus)/deficit	<u>(171)</u>	<u>991</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

5 NET FOREIGN EXCHANGE LOSSES

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange losses	<u>374</u>	<u>400</u>	<u>286</u>	<u>355</u>

6 PROJECT COSTS

	RSPO Group and RSPO	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Certification	444	3,035
Supply Chain	191	817
Other assurance and regional offices	1,293	2,270
Biodiversity High Conservation Value	1,721	849
Greenhouse Gas	482	650
Smallholder	240	591
Social	439	539
Standard development	2,478	-
Impact	802	1,127
Communications agency fees	3,223	4,872
Outreach activities	2,502	4,215
Communication campaigns	289	419
Website	-	754
Media and others	326	835
Complaints	377	194
Dispute Settlement Facility	156	2
Investigation and monitoring	94	-
Strategic Projects	1,651	960
Secretariat Projects	617	248
Overseas Offices	305	487
	<u>17,630</u>	<u>22,864</u>

Project costs relate to expenditure incurred to organise programmes for the promotion of growth and the use of sustainable palm oil.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

7 TAXATION

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
<u>Current tax:</u>				
- current financial year	571	124	157	18
- under/(over) provision in prior financial year	41	61	(1)	46
	<u>612</u>	<u>185</u>	<u>156</u>	<u>64</u>
<u>Deferred tax (Note 9):</u>				
- origination and reversal of temporary differences	(254)	91	(46)	3
Total tax expense	<u>358</u>	<u>276</u>	<u>110</u>	<u>67</u>

The explanation of the relationship between tax expense and surplus of income over expenditure before taxation:

Numerical reconciliation of effective tax expense

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Surplus/(deficit) of income over expenditure before taxation	<u>7,332</u>	<u>(847)</u>	<u>6,892</u>	<u>(1,162)</u>
Tax calculated at Malaysian tax rate for associations of 26% (2018: 24.0%)	1,906	(203)	1,792	(279)
Tax effects of:				
- income not subject to tax	(11,855)	(10,012)	(11,855)	(10,012)
- expenses not deductible for tax purposes	10,231	10,435	10,196	10,311
- foreign tax expense	33	14	-	-
- effects of scale tax rate	2	(32)	(22)	(12)
- deductible temporary differences not recognised	-	13	-	13
- under/(over) provision of tax in prior financial year	41	61	(1)	46
Tax expense	<u>358</u>	<u>276</u>	<u>110</u>	<u>67</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

8 PROPERTY, PLANT AND EQUIPMENT

	Computers and software RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
<u>RSPO Group</u>					
<u>2019</u>					
<u>Cost</u>					
At 1 July 2018	845	448	246	678	2,217
Additions	148	16	7	-	171
Write off	-	(21)	-	(75)	(96)
At 30 June 2019	<u>993</u>	<u>443</u>	<u>253</u>	<u>603</u>	<u>2,292</u>
Less: <u>Accumulated depreciation</u>					
At 1 July 2018	507	250	135	481	1,373
Charge for the year	189	51	35	144	419
Write off	-	(15)	-	(75)	(90)
At 30 June 2019	<u>696</u>	<u>286</u>	<u>170</u>	<u>550</u>	<u>1,702</u>
<u>Net book value</u>					
At 30 June 2019	<u>297</u>	<u>157</u>	<u>83</u>	<u>53</u>	<u>590</u>
<u>2018</u>					
<u>Cost</u>					
At 1 July 2017	596	349	213	451	1,609
Additions	249	100	33	227	609
Disposals	-	(1)	-	-	(1)
At 30 June 2018	<u>845</u>	<u>448</u>	<u>246</u>	<u>678</u>	<u>2,217</u>
Less: <u>Accumulated depreciation</u>					
At 1 July 2017	360	187	98	262	907
Charge for the year	147	64	37	219	467
Disposal	-	(1)	-	-	(1)
At 30 June 2018	<u>507</u>	<u>250</u>	<u>135</u>	<u>481</u>	<u>1,373</u>
<u>Net book value</u>					
At 30 June 2018	<u>338</u>	<u>198</u>	<u>111</u>	<u>197</u>	<u>844</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

9 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of assets, liabilities and fund balances:

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Subject to income tax				
- Deferred tax assets	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
At start of financial year	150	241	118	121
Credited/(charged) to				
statements of income and				
expenditure (Note 7)				
- Property, plant and equipment	<u>12</u>	<u>18</u>	<u>-</u>	<u>-</u>
- Other payables and accruals	<u>242</u>	<u>(109)</u>	<u>46</u>	<u>(3)</u>
	254	(91)	46	(3)
At end of financial year	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
Subject to income tax:				
Deferred tax assets (before offsetting):				
- Other payables and accruals	404	162	164	118
Offsetting	-	(12)	-	-
Deferred tax assets (after offsetting)	<u>404</u>	<u>150</u>	<u>164</u>	<u>118</u>
Deferred tax liabilities (before offsetting):				
- Property, plant and equipment	-	(12)	-	-
Offsetting	-	12	-	-
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

10 INVESTMENT IN SUBSIDIARIES

	RSPO	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Unquoted shares, at cost	500	500

Details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group's effective ownership interest</u>		<u>Principal activities</u>
		<u>2019</u>	<u>2018</u>	
		%	%	
RSPO Secretariat Sdn Bhd	Malaysia	100	100	To provide administration, secretariat, staff secondment and other related services to RSPO.
<u>Subsidiary of RSPO Secretariat Sdn Bhd</u>				
RSPO Secretariat North America LLC *	United States of America	100	-	To provide administration, secretariat, staff secondment and other related services to RSPO

* A limited liability company formed under the Limited Liability Company Law of the state of New York. There is no audit requirement for the subsidiary company in the country of incorporation.

The Company acquired the issued and paid-up capital of RSPO Secretariat North America LLC on 20 December 2018 for a cash consideration of RM422.

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE

	RSPO Group and RSPO	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
Membership subscription fee receivable	2,393	4,419
Less: Impairment on receivables	(651)	(1,597)
	<u>1,742</u>	<u>2,822</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

Financial year ended 30 June 2019

Reconciliation of loss allowance

Trade receivables using simplified approach

The loss allowance for trade receivables as at 30 June 2019 reconciles to the opening loss allowance for that provision as follows:

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018*</u>
	RM'000	RM'000
At 1 July	1,597	634
(Credited)/charged to statements of income and expenditure	(145)	1,262
Provision written off	(801)	(299)
	<u>651</u>	<u>1,597</u>
At 30 June	<u>651</u>	<u>1,597</u>

* Loss allowance in respect of the comparative period as at 30 June 2018 is based on MFRS 139's incurred loss model.

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL is recognised. The gross carrying amount of trade receivables below also represent the RSPO Group's maximum credit risk.

RSPO Group and RSPO

	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>	<u>Net carrying amount</u>
	%	RM'000	RM'000	RM'000
<u>2019</u>				
Current – 30 days	14	927	132	795
31 – 60 days past due	17	292	49	243
61 – 180 days past due	23	550	125	425
181 – 365 days past due	24	363	84	279
More than 365 days past due	100	261	261	-
		<u>2,393</u>	<u>651</u>	<u>1,741</u>

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

11 MEMBERSHIP SUBSCRIPTION FEE RECEIVABLE (CONTINUED)

Financial year ended 30 June 2018

The ageing analysis of trade receivables as at 30 June 2018 was as follows:

Past due but not impaired

The ageing analysis of these balances is as follows:

	Between 31 and 60 days <u>past due</u> RM'000	Between 61 and 90 days <u>past due</u> RM'000	Between 91 days and 180 days <u>past due</u> RM'000	More than 180 days <u>past due</u> RM'000	<u>Total</u> RM'000
At 30 June 2018	547	380	708	426	2,061

Neither past due nor impaired

As at 30 June 2018, membership subscription fee receivables of RM761,000 for the RSPO Group and RSPO, which are neither past due nor impaired are not significantly impacted by credit and default risks.

12 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>RSPO Group</u>		<u>RSPO</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Receivable from supply chain fees of sustainable palm oil trade	1,927	4,419	1,927	4,419
Other receivables	344	750	1,323	734
Goods and services tax ("GST") receivable	643	769	643	769
Deposits	375	359	125	141
Prepayments	483	626	356	217
	<u>3,772</u>	<u>6,923</u>	<u>4,374</u>	<u>6,280</u>

Other receivables using general 3-stage approach

Other receivables are assessed using general 3-stage approach. The balances are deemed recoverable and performing, as there is no indication of increase in credit risk of these balances.

As at 30 June 2019 and 30 June 2018, none of the other receivables and deposits of the RSPO Group and RSPO respectively were past due or impaired.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

13 CASH AND BANK BALANCES

Cash and bank balances are denominated as follows:

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,607	1,121	1,294	1,086
United States Dollar	23,064	19,945	23,039	19,945
Euro	6,329	2,934	6,329	2,934
Colombian Peso	490	36	-	-
Indonesian Rupiah	184	47	-	-
Others	70	-	-	-
	<u>31,744</u>	<u>24,083</u>	<u>30,662</u>	<u>23,965</u>

Bank balances are deposits held at call with banks and bear no interest.

14 FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank are placed to earn interest income and is denominated in Ringgit Malaysia.

The average effective interest rates of the fixed deposits are between 2.75% and 3.15% (2018: 2.75% and 3.15%) per annum and the average maturity period is between 30 days to 365 days (2018: 30 days to 365 days).

15 OTHER PAYABLES AND ACCRUALS

	RSPO Group		RSPO	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	RM'000	RM'000	RM'000	RM'000
Project costs payables	4,043	2,569	4,043	2,569
Project costs accruals	1,436	2,241	1,436	2,241
Amount due to a subsidiary	294	-	2,550	286
Other payables	15	590	15	205
Other accruals	2,103	562	54	44
	<u>7,891</u>	<u>5,962</u>	<u>8,098</u>	<u>5,345</u>

During the financial year, money held on behalf of parties under the Dispute Settlement Facility of RSPO for capacity building purposes within other payables was repaid (2018: RM50,000).

The amount due to a subsidiary is unsecured, interest free and repayable on demand.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

16 CONTRACT LIABILITIES

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>	RM'000	RM'000
Deferred subscription income (a)	7,909	6,890
Prepaid membership fees (b)	501	719
	<u>8,410</u>	<u>7,609</u>

Significant changes in contract balances during the financial year are as follows:

	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
At 1 July	7,609	7,534
Income recognised that was included in the contract liability balance at the beginning of the financial year	(7,108)	(6,379)
Increase from cash received or due, excluding amounts recognised as income during the financial year	<u>7,909</u>	<u>6,454</u>
At 30 June	<u>8,410</u>	<u>7,609</u>

- (a) Deferred subscription income represents the unrecognised income as at the end of the reporting period.
- (b) Prepaid membership represents the unrecognised income as at the end of the reporting period whereby the RSPO Group and RSPO receive the advance payments from new membership applicants.

All contracts are for periods of one year or less and are billed based on time incurred. As permitted under MFRS 15, the RSPO Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

17 SPONSORSHIP FUND

The sponsorship fund comprises contributions receivable from sponsors to meet specific project costs.

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
UNICEF Small Scale Funding	-	128

18 SMALLHOLDERS' FUND

The purpose of the Smallholders' fund is to support smallholders to be RSPO certified. The fund is managed by the Smallholder Fund Manager from the RSPO Secretariat Sdn Bhd and overseen by the Smallholder Fund Panel.

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
As at beginning of financial year	11,651	14,122
Less: Project disbursements paid during the financial year	(3,071)	(2,471)
As at end of financial year	8,580	11,651

No allocation of funds was made to the Smallholders' Fund during the financial year. The amounts received by the fund in previous years comprise of 10% of revenue generated from sustainable palm oil trade.

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year	2,130	856
Later than 1 year but not later than 3 years	6,283	4,058
	8,413	4,914

This relates to projects that were approved by the Smallholder Fund Panel.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

19 SPECIAL PROJECTS FUND

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
As at beginning of financial year	13,049	15,018
Less: Project disbursements paid during the financial year		
- Outreach to Intermediary Organisations	(2,381)	(769)
- SEnSOR impacts project - Year 2	-	(600)
- SEnSOR impacts project - Year 3	(1,400)	-
Project disbursements payable		
- SEnSOR impacts project - Year 2	-	(600)
As at end of financial year	<u>9,268</u>	<u>13,049</u>

No allocation of funds was made to the Special Projects Fund during the financial year. Allocation to the fund can be varied at the discretion of the Board of Governors and its utilisation is subject to the approval of the Board of Governors.

	<u>RSPO Group and RSPO</u>	
	<u>2019</u>	<u>2018</u>
	RM'000	RM'000
<u>Commitments due to be disbursed:</u>		
Within 1 year		
- SEnSOR impacts project - Year 2	-	600
- SEnSOR impacts project - Year 3	600	2,000
- Outreach to Intermediary Organisations	2,666	54
	<u>3,266</u>	<u>2,654</u>
<u>Approved but not contracted:</u>		
Outreach to Intermediary Organisations	<u>5,982</u>	<u>11,099</u>

This relates to special projects that have been approved by the Board of Governors. The project on Outreach to Intermediary Organisations has been designated as a three years project with an approved total funding equivalent to USD3,000,000.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

20 INDONESIA LIAISON OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has a liaison office in Indonesia, the RSPO Indonesia Liaison Office ("RILO"), and is registered as a Regional Representative Office ("RRO").

RRO expenses incurred in the Company during the financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	1,428	1,121
Other operating expenses	765	(154)
	<u>2,193</u>	<u>967</u>

Included in other operating expense are unrealised foreign exchange loss of RM295,109. In previous financial year was unrealised foreign exchange gain of RM734,425.

21 UNITED KINGDOM ESTABLISHMENT UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has a registered office in United Kingdom in the form of a UK Establishment ("UK Office").

UK Office expenses incurred in the Company during the financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	598	1,115
Other operating expenses	23	(134)
	<u>621</u>	<u>981</u>

Included in other operating expenses are unrealised foreign exchange gain of RM65,881 (2018: RM308,030).

22 CHINA REPRESENTATIVE OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has registered a Representative Office in China ("China Representative Office").

China Representative Office expenses incurred in the Company during the financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Other operating expenses	337	263

Included in other operating expense are unrealised foreign exchange gain of RM5,925 (2018: RM11,309).

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

23 COLOMBIAN BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

RSPO Secretariat Sdn Bhd ("the Company") has an office in Colombia, the RSPO Secretariat Sdn Bhd Sucursal Colombia, and is registered as a Colombia Branch Office.

The Colombia Branch Office expenses incurred in the Company during the financial year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	464	-
Other operating expenses	174	171
	<u>638</u>	<u>171</u>

Included in other operating expense are unrealised foreign exchange gain of RM16,530 (2018: RM17,194).

24 NETHERLANDS BRANCH OFFICE UNDER RSPO SECRETARIAT SDN BHD

During the year the Company registered an office in the Netherlands in the form of a branch office ("Netherlands Branch Office")

The Netherlands Branch Office expenses incurred in the Company during the year are as follows:

	<u>2019</u> RM'000	<u>2018</u> RM'000
Staff costs	662	-
Other operating expenses	45	-
	<u>707</u>	<u>-</u>

Included in other operating expense are unrealised foreign exchange loss of RM1,767.

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

	<u>2019</u> RM'000	<u>RSPO</u> <u>2018</u> RM'000
Expenses for provision of services by the subsidiary:		
- Management fees	17,450	13,900

The related party transactions are in the normal course of business at the terms mutually agreed between all parties.

THE ROUNDTABLE ON SUSTAINABLE PALM OIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 (CONTINUED)

26 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortised cost <u>2019</u> RM'000	Loans and receivables at amortised cost <u>2018</u> RM'000
<u>RSPO Group</u>		
<u>Current assets</u>		
Membership subscription fees receivables	1,742	2,822
Other receivables and deposits (excludes prepayments and GST receivable)	2,646	5,528
Sponsorship fund	-	128
Fixed deposits with a licensed bank	16,253	16,024
Cash and bank balances	31,744	24,083
	<u>52,385</u>	<u>48,585</u>
<u>RSPO</u>		
<u>Current assets</u>		
Membership subscription fees receivables	1,742	2,822
Other receivables and deposits (excludes prepayments and GST receivable)	3,375	5,294
Sponsorship fund	-	128
Fixed deposits with a licensed bank	16,253	16,024
Cash and bank balances	30,662	23,965
	<u>52,032</u>	<u>48,233</u>
	Financial liabilities at amortised cost <u>2019</u> RM'000	Other financial liabilities <u>2018</u> RM'000
<u>RSPO Group</u>		
<u>Current liabilities</u>		
Other payables and accruals	<u>7,891</u>	<u>5,962</u>
<u>RSPO</u>		
<u>Current liabilities</u>		
Other payables and accruals	<u>8,098</u>	<u>5,345</u>

27 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Board of Governors of RSPO on 7 October 2019.