

Minutes for Board of Governors Meeting 01-24

Date: Thursday 07 March 2024

Start Time: 2.00 pm – 6.00 pm (MYT)

Location: Kuala Lumpur, Malaysia

Virtual on ZOOM

BOG Members and Alternates in Attendance

SUBSTANTIVE MEMBERS

In-Person Attendance

Anne Rosenbarger (AR), **WRI**
Jose Roberto Montenegro (JM), **AGROCARIBE**
Ku Kok Peng (KKP), **MPOA**
Lee Kuan-Chun (LKC), **P&G**

Virtual Attendance

Tim Stephenson (TS), **AAK**
Marcus Colchester (MC), **FPP**
Martin Huxtable (MH), **UNILEVER**
Anita Neville (AN), **GOLDEN AGRI RESOURCES**
Paul Wolvekamp (PW), **BOTHENDS**
Kamal Seth (KS), **WWF INTERNATIONAL**
Lee Jwee Tat (JT) **STANDARD CHARTERED BANK**
Julian Walker-Palin (JWP), **RPOG**
Olivier Tichit (OT), **MUSIMMAS**

ADVISORS:

Prof. Bungaran Saragih (BS)
Mr Mavath R Chandran (MR)

ALTERNATE MEMBERS

In-Person Attendance

Dr Fadhil Hassan (FH), **PT. INTI INDOSAWIT SUBUR**
Laila Wilfred (LW) **CARGILL**

Virtual Attendance

Mario Abreu (MA), **FERRERO**
Eleanor Spencer (ES), **ZSL**
Steni Bernadinus (SB) **KALEKA**
Nursanna Marpaung (NM), **HUKATAN**
Rukaiyah Rafik (RR), **GAPOKTAN TANJUNG SEHATI**
Harry Brock (HB), **UNIVANICH**
Quentin Meunier (QM), **OLAM**
Harjinder Kler (HK), **HUTAN**
Dr Surina Ismail (SI), **MPOA**
Sander Van den Ende (SVE), **SIPEF**

ABSENT WITH APOLOGIES

Imogen Jamie (IJ), **STANDARD CHARTERED BANK**
H. Narno Sayoto Irontiko (NS), **ASOSIASI SWADAYA AMANA**
Sougata Niyogi (SN), **GODREJ AGROVET**

Secretariat

Joseph D'Cruz (JD), CEO
Francisco Naranjo, Director-Technical
Dr Inke Van Der Sluijs, Director-Market Transformation
Irene Low, EA to CEO
Ashley Tang, Special Officer

Presenters

Cheryl Ong
Kenny Lee
HS Yen

Language Interpreters

Irma Nurhayati
Devi

Consultant on Governance Review

Catherine Brown

1.0 Introduction and RSPO Antitrust Caution, Quorum and Conflict of Interest

Anne initiated the meeting as co-chair and the meeting convened. She welcomed the Board who were physically attending the meeting as well as those who were present via zoom. The board was also reminded to adhere to antitrust guidelines and to self-declare any conflict of interest.

On the agenda for the day, Anne noted that it was highlighted by Chandran via whatsapp that there was no update on the Complaints Panel and shadow companies issue on the agenda. JD clarified that the Complaints Panel, as agreed in the past, would only present at every alternate board meeting and that the shadow companies issue was currently being looked into as seen in the action tracker.

DECISION: The agenda was approved.

2.0 Approval of Minutes of Meeting 04-23

Laila highlighted that Olivier's designation needs to be changed from alternate to substantive member.

DECISION: 04-23 Minutes of Meeting was approved.

ACTION ITEM: To amend Olivier's designation from alternate to substantive.

3.0 Actions Arising from Previous Meeting

JD highlighted item 9.0 on the action tracker regarding mass balance. He reminded the Board that it was crucial for them to decide on the process and the governance for mass balance as the CTTS team was currently reviewing privacy and usage of data policies to address the issue of legality of conventional volumes of mass balance.

Anne suggested having the BoG subgroup on Digital Transformation that has been providing guidance and advice to the CTTS team to follow up on that. Although the subgroup would be an appropriate platform for discussion, Anne noted that she would also prefer to have input from other task forces' as well. To which, she suggested that the Secretariat can help with organising it.

JD agreed for the subgroup to address the issue since they can't afford to wait for the next Board meeting due to critical time constraints. He proposed for Inke to update the Board on this issue.

Kuan Chun concurred to have the subgroup to drive the discussion on mass balance. He suggested for the Secretariat to gather the ideas from other task forces and compile it together to put forth fresh ideas in which these ideas can then be looked into by the subgroup. Kuan Chun believed that RSPO should take the opportunity at the Sustainable

Palm Oil Dialogue (SPOD) in Brussels to inform the community about the timeline, address the mass balance issue as well as to be able to present a mock up of the system to build confidence.

Julian, speaking on behalf of the retailers, noted that they are beginning to doubt whether RSPO will be able to provide a solution beyond segregated. He pointed out that in a London meeting with the CTTS team, it gave the impression that CTTS will not be set up in time to provide a solution for mass balance to be EUDR compliant. If this assertion is false, he recommended addressing the matter by having clear communications around RSPO's plans to resolve and strengthen mass balance.

Anne clarified that the CTTS team were merely emphasising on the timelines and harmonising expectations, adding that they were cautious not to overpromise and under deliver on the launch of the first phase.

Chandran called for a harmonised common approach to the European Union, noting that the MSPO, RSPO and CPOPC currently have their own approaches to deal with the EU.

As an action plan on these issues, JD proposed for Inke to prepare a summary on the current mass balance situation which would be shared with the subgroup and for there to be a CTTS session during SPOD in Brussels.

On harmonising approaches of the different sustainability standards at the EU, JD pointed out that there has been a conversation with CPOPC where they have recommended bringing the three standards bodies together at the technical level to discuss on aligning all three standards as well as to clarify the differences in methodology to be able to give a more comprehensive response on how these standards address EUDR. JD noted that he will follow up on this as there were currently some coordination issues with the different bodies to get together.

JD added that the SPOD event on May 22, 2024 will be shared with all Board members.

On the issue of shadow companies, JD noted that it is already being addressed as stated on the action tracker.

ACTION ITEM:

- i) Inke to prepare summary on the current mass balance situation that will be shared with the subgroup
- ii) CTTS Team to prepare a session at SPOD Brussels
- iii) SPOD event to be shared with all Board members
- iv) JD to follow up the coordination of all different national standards, on coordinating responses on addressing EUDR

4.0 Governance Review

Anita reminded the Board on the reasons they had collectively decided to embark on conducting the governance review process explaining that they recognised that there have been constraints in their effectiveness in helping the Secretariat to run efficiently and effectively.

Anita further reminded the Board that these recommendations do not come solely from Catherine but from the Governance Review Committee which consists of Board members Tim, Imogen, Olivier, Steni, Jose, and Anne. They came together to form these recommendations. She noted that this is a recommendation to improve the governance structure of RSPO to ensure that it is fit for purpose for the next 20 years. She expressed the need for approval of the general direction of the Governance Review, with the understanding that finer details of the implementation plan will then be developed with external experts

Catherine presented the findings of the governance review, the key recommendations relating to the Board and the Advisory Council, and the proposed implementation plan.

Questions Raised/Concerns

Martin sought clarification on whether costs and financing was considered in the creation of the independent board structure, the degree of independence required for the independent board members and on the role of the Advisory Council in appointing Board members.

Martin also believed that the RSPO is facing an existential crisis with a Board that is dysfunctional and with the organisation's performance falling short of expectations. Thus, he emphasised the importance of the organisation embracing change. He wanted more clarity on the performance management framework i.e. how to ensure that RSPO's performance is in line with its goals and whether the Board's performance is effectively driving the progress. Martin also raised concerns on the feasibility of attracting nine highly qualified individuals who are willing to serve voluntarily and without compensation. He expressed skepticism about whether the RSPO's reputation alone will be enough to entice top candidates to join the organisation's board and pondered what incentives would attract candidates and whether there will be a substantial pool of applicants to choose from.

Dr Fadhil asked who is going to appoint those to be in the Council.

Marcus acknowledged the necessity for change but expressed concerns regarding the lack of details in the new proposal, noting that he was not ready to vote in favour of the proposal. He raised questions on whether the new proposal is in line with Swiss law under which the organisation is incorporated as a non-profit, and whether it is aligned with ISEAL obligations. Additionally, he inquired about the method of appointment of the chair and the five independent members and how the independent Board would be accountable to the membership. He highlighted concerns about how the members would perceive the new system and whether they will feel adequately represented considering that the proposed

system reduces the representation to only three individuals. He also emphasised on not losing the multi stakeholder character of the organisation.

Kamal wanted clarification on whether the new restructured Board will consist of 18 Board members, noting that this seemed like it was still a very large group. Kamal urged for a lean structure for the Board. He was also in favour of moving ahead with this plan.

Ku pointed out that the current Board cannot end up merely as advisers as the mandate comes from the multi stakeholder members. He was also concerned that the Advisory Council and the Board of Directors would be directly responsible to the GA, noting that this line of authority is incorrect. He explained that the proposed Board is supposed to help the Secretariat better operate the organisation. As such, the existing Board's role should really be directing while the independent Board and Secretariat are operations. Having both the Advisory Council and the Board being accountable to the GA, he believed would cause confusion and could potentially create conflict. Ku added that anyone who is appointed by the GA cannot be an advisor.

Dr Fadhil believed that the proposed structure seemed to be much more complex compared to the current set up, raising concerns also about the naming of the Council.

Kuan Chun raised concerns about institutional memory and volunteer-based participation. He questioned whether the proposal effectively addressed the issue of preserving organisational knowledge and understanding, as well as highlighted the challenge of finding volunteers. He suggested that perhaps the organisation has to consider exploring ways to incentivise participation. He emphasised the need for further consideration to address these concerns.

From a retailers perspective, Julian noted that they need RSPO to be externally recognised as strong and credible where they would be willing to spend their money and provide support to the organisation. He pointed out the retailers would like to see that the consistency of representation and the multi stakeholder approach is taken into account in the proposals. He advised the Secretariat to also take into consideration the phasing of the implementation of the proposed Board considering that there could be disruptions in Europe on the sourcing of commodities in the next six to 12 months. He pointed out that the detailed job description surrounding the required experience and the background of the Board members were still unclear and called for more information to be shared on key deliverables for the Board members. Julian also highlighted concerns regarding the Board composition where he wondered if they would understand the challenges of the retailers if they do not have a retail background, and whether they would come from one sector or region, adding that it was of importance that the Board make-up would reflect a global and multi-sectoral view. He also sought further clarification on how the proposed changes would improve representation. He pointed out that the retailers were in favour for the Advisory Council to have some form of oversight over the Board.

Bungaran pointed out that RSPO's governance was not so simple and should not be used to serve the culture of big corporations.

Chandran questioned if there was really a need for this proposed structure moving forward as he did not think that an Independent Board was the answer to fix the weaknesses as highlighted by Catherine in her report. He reminded the Board that they were a representative organisation.

Clarifications

In response to Martin, JD clarified that the only impact on costs would be the remuneration that is agreed for the independent chair which will have to be benchmarked by the recruiters, adding that the remuneration would be not exorbitant as RSPO was still an NGO Board. He noted that in other Boards that Catherine had spoken to, they had shared that their Independent Board Members work on a voluntary basis. JD suggested having an experienced Board secretary within the organisation structure in which a position that is currently already available would be freed up. As such, this will not significantly increase internal costs.

On the degree of independence of the Board, Anita explained that an independent Board would involve selecting individuals based on identified skill sets that will help the Board support the organisational running of the Secretariat rather than drawn from existing member categories or from the palm sector. On the Advisory Council appointments, Anita explained that the Council could nominate or endorse three members who would then have to be approved by the GA.

On the performance management framework of the Board, Catherine clarified that there isn't one because the organisation lacks a functioning performance management framework altogether. She noted that the performance management by the Board of the organisation relies on having clear business plans that are brought to the Board and is appropriately challenged by the Board who have the skills and knowledge to challenge those plans, adding that a clear reporting structure enables the Board to judge performance and delivery against those plans. To enable this, Catherine noted that it will require the assistance of the Secretariat to support it. She added that having a GA that is advised by the Advisory Council would be in a better position to hold the Board accountable than most structures. On the quality of Board members, Catherine suggested that this is best discussed with the recruitment consultant on whether the organisation would benefit from making ex gratia payments to the non chair board members. She pointed out that it would be good to pay the Chair because of the amount of time that is involved while for the ordinary board members the issue would be about the quality of individuals rather than the amount of time. Catherine also highlighted the success of independent board appointments in ISEAL and FSC, noting that they were able to attract high-quality volunteer board members despite not offering payment. She believed that the interesting and important nature of the work that RSPO does should be sufficient to attract quality candidates, especially if the chair position is paid. However, she proposed that offering some form of compensation, such as an ex gratia payment, could further expand the pool of potential candidates and advised discussing this with the recruitment consultant.

In response to Dr Fadhil, Anne clarified that the appointment of the Council in the first iteration would be done by the current Board as a recommendation. It will then proceed to obtain approval from the GA. However, she noted that the exact process flow for the initial appointment in the implementation plan will have to be looked into again.

JD believed that the typical process for this will involve the engagement of a professional recruitment firm to identify the necessary skill sets the Board requires, develop the terms of reference, and work with the organisation to find and recruit these Board members. There will then be a group of nominations that will still require GA approval.

In response to Marcus concerning legality, JD clarified that Catherine has already identified four RSPO statutes that will need to be amended to be in line with Swiss law. On alignment with ISEAL, JD noted that based on earlier discussions with the Swiss lawyer this proposed direction is within the scope of the law, adding that the CEO of ASC who is also the chair of the ISEAL board have discussed moving in a similar direction as are a number of other standards systems that are also recognising the need to move in a similar direction.

On concerns about losing the multi stakeholder component, Anita clarified that discussions within the Governance Review Committee focused on maintaining the effective parts of multi-stakeholderism, particularly where member voices need to be heard. She cited criticisms of the current structure highlighted the inefficiency of decision-making processes, where initial technical and policy decisions within a standing committee are re-evaluated by the board, leading to delays. The aim is to retain effective multi-stakeholder involvement, especially in policy-making to ensure there is representation in which those voices are heard in the standing committees, working groups and task forces while ensuring the organisation's running is managed efficiently by the board, focusing on strategic oversight and fiscal responsibility as well as holding the CEO to account.

Anita emphasised that the real power of membership contribution lies within Standing Committees, not in the board's operational decisions, adding that an independent board function should be challenging the CEO and the Secretariat. She suggested for the matter surrounding representation and the Advisory Council to be part of the implementation planning process. She believed that it is essential to first agree on the structural direction before coming back to the Board with an implementation plan before going to the GA.

Catherine emphasised the importance of accountability for the board, acknowledging the challenge in achieving it. She noted that it is the GA's right to vote on a motion of no confidence, though this is considered a drastic measure and is unlikely to happen unless the Board goes completely off track. She pointed out that in the earlier presentation, she recommended that after the initial appointments, there should be a committee overseeing the independent professional process for the Board appointments, to be ratified at the GA and with appointments for three year terms. She also suggested for the Board to present a three-year plan to the GA, allowing for input and challenge, thus maintaining meaningful oversight of the Board.

Anne argued that if the right parameters are in place there would be better representation from the membership where members can make substantial contributions, adding that the Board then would be able to concentrate their input into matters that they can meaningfully contribute and not overstretch themselves given their potential limitations. The current setup does not guarantee the presence of essential skills, as illustrated by the reliance on Tim for financial leadership. The proposal would also enable the board to focus more on strategic discussions rather than being overburdened with operational tasks. She believed that with careful planning and agreement on the approach, the changes could lead to better representation and more effective contribution from members.

In response to Kamal, JD clarified that the Board would consist of nine persons including the Chair. Additionally, the Advisory Council could nominate three members to each Standing Committee. Out of the Advisory Council, which is the current Board, twelve members would then be nominated to the Standing Committees along with three serving on the new Board.

In response to Ku, Catherine believed that there isn't a problem with having the Advisory Council and the Independent Board having a level of responsibilities to the GA as that is the nature of the GA being fundamentally a member representative body in which it ensures that the Board structure can be professionalised while protecting the membership representative structure. This GA structure plays the role that shareholders play in a commercial setting, albeit with more complexity and nuance. She added that recruiting an effective Organizational Board, especially establishing a productive relationship between the Chair and the Chief Executive, requires clarity that their role in strategy development and direction setting is guided by advice from the Advisory Council. The ideal board members would also be experienced in navigating multi-stakeholder environments which is fundamental for multinational organisation Boards.

JD pointed out that the fundamental body that provides RSPO's multi stakeholder basis is the GA. However, the problem with the GA, with its 5,800 organisational members that meet once a year, is that it is unable to provide a clarity of direction that the Board requires. As such, that is why the Advisory Council is critical as it represents the interest of all the different stakeholder groups to provide the guidance, strategic direction and oversight of how the organisation functions.

On the question of who nominates the Board, JD believed that we would perhaps need to retain a professional firm to work with the organisation to understand the capacities and skill sets that the Board needs. The firm would recommend a set of profiles to find the independent Board members.

Based on these issues that would require time and testing of the implementation plan, JD urged the board to agree that this was in principle the right direction. Upon agreement, the organisation would then be able to invest the time and money to develop the implementation plan which the Board will have to sign off before it goes off to the GA.

Anita clarified that the restructuring is also intended to improve the empowerment of the Standing Committees to make decisions that are then taken to the Board for implementation. She added that strengthening the multi-stakeholder representation involves empowering members of the Advisory Council, selected from the GA, to play a more active role in decision-making within the Standing Committee Structure to avoid duplication of effort and to avoid decisions being made and unmade between the Standing Committees and the Board.

In response to Kuan Chun concerning the inability to get volunteers to step up, Catherine emphasised the importance of identifying members' interests and effectively engaging them in the governance process. This structure shifts the heavy responsibilities of Board membership to members who actually volunteer to undertake the role. This approach empowers the Standing Committees and the Advisory Council to address fundamental policy issues. Additionally, reviewing the Working Groups and Task Forces on a regular basis and ensuring that they are appropriately supported by the Secretariat will improve the experience of the people who are trying to do the work. In return, this would enable the organisation to bring more people in because it is a much more attractive volunteer proposition. She also advocated delegating administrative tasks from volunteers to paid staff within the Secretariat to improve efficiency.

In response to Chandran, Anita acknowledged that they were a membership based organisation but does not think that the current organisation and governance structures are servicing the needs of the membership effectively.

Discussion for Decision

Anita reminded the Board to reflect on the reasons they had collectively decided to embark on having the review of the governance structure. She urged the Board to agree that this is the direction that they want to move forward, adding that the implications, gaps and questions raised by Board members could be looked into in greater detail. Anita noted that the endorsement would provide JD and the Secretariat the monetary resources and time to pursue this.

Tim concurred and agreed that it was important to not lose the opportunity to move forward, adding that they cannot continue functioning as it is.

Jose agreed too that it was important to move forward and not lose momentum right now.

Eleanor asked if there was a possibility to prioritise some of the processes before significant time and resources were invested into developing detailed plans. This, she believed, would perhaps provide a more immediate response to the fundamental questions. Eleanor also wanted to know where the accountability for impact sits within this structure, noting that the fundamental purpose of RSPO was to look at its environmental and social impacts. She raised concerns that it was currently not clear where the accountability for impacts sits within the new structure – under the Advisory Council or otherwise.

Dr Surina highlighted that the current Board members are not trained to be Board members which was why they tend to override the Standing Committee decisions.

Paul called for more time to digest the issues, to look at other options of restructuring the Board in relation to the GA and the Advisory Council, and to consider the implications.

Anne wanted the Board to agree that it was supportive of moving forward with an implementation plan that will prioritise the points that have been raised by the members in this meeting. She disagreed on giving additional time for certain Board members to think about it as there will not be a new set of information even when the Board reconvenes at another time. She added that reopening of alternative structures that are not additional levels of implementation questions was not going to be productive as they have already gone through it at the subcommittee level. Anne also encouraged Board members to participate in the Governance Review Committee to join the discussion on issues that have been raised here.

Marcus noted that he would not endorse the decision if other options were not explored. He suggested looking at other options such as slimming down the current board where the alternates do not attend the same meetings, and explore having facilitators who drive decisions. He pointed out that it was unfair to ask Board members to endorse it when questions about how the independent board would be accountable, elected, chosen, or appointed were still up in the air. Marcus in his final decision chose to abstain from endorsing the decision.

DECISION: The Board deliberated on the proposed governance structure and welcomed the progress that has been made. The priority action plan will be further elaborated to address concerns laid out by members of the Board.

ACTION ITEM: To develop the priority action plan that addresses the concerns raised by the Board.

5.0 CTTS Development

Kenny provided an update on the CTTS progress – project timelines, trade management, key challenges, minor delays in data migration and knowledge transfer from Rainforest Alliance, and its risk register and mitigation plans. Overall, Kenny noted that they are making steady progress. He also announced that CTTS is now known as Prisma and will be used in all future communications and activities.

Questions Raised/Concerns

Ku asked about the mechanism in using Prisma when it deals with 50% certified and 50% non-certified volumes. He also raised the question on whether the UAT will be opened to all the members.

Ku also highlighted that some of their customers have already been asking to ship EUDR compliant materials as early as July 1 but with the current RSPO timelines it seemed impossible.

Laila asked if the non-certified volumes from a legal risk perspective were being addressed.

Kuan Chun questioned when the members could begin with the pilot programmes, and inquired if the internal piloting will include the members.

Anne wanted to know what are the communication plans with the broader membership surrounding Prisma – whether there are events, or the sending of regular email blasts to the full membership to keep them updated on this.

Julian wanted to know what is the team's confidence level of meeting the EUDR dates for segregated and whether there are any potential impacts on the project after a consultancy team from Prisma had left the project.

Clarifications

In response to Ku regarding the mechanisms, Kenny clarified that part of the development of the Prisma system is to do voluntary declarations. However, whatever that is part of the RSPO certifications will already be covered. He added that the uploads will not necessarily be through the EUDR portal as it is a due diligence statement and if an entity is being sampled then there will be a full audit that will be provided. He noted that Prisma also has certain limitations, ie, the commercial details in which a member has to provide it themselves.

Kenny explained that UAT3 will be opened to stakeholders, whereas UAT1 and 2 was on the supply basis – the certification and license management.

JD added that all RSPO certified data will be in the Prisma system but for the other 50% if members would want to use the system to transmit the data then they can voluntarily do so.

In response to Ku regarding shipments, JD noted that the RSPO system will not be able to communicate EUDR data for shipments will be going out in the next couple of months and highlighted that there are also questions being raised on whether the EU will require this information as a lot of implementation details are also not ready.

In response to Laila regarding the legal risk from non-certified volumes, Kenny clarified that the non-certified volumes and its legal risk were part of its risk register, noting that they are not doing any legal referencing. However, he pointed out that they are looking at international legal companies to do the referencing.

In response to Kuan Chun regarding the piloting, Kenny clarified that UAT1 will begin at the end of March, UAT2 will start at the end of May, and UAT3 is expected to begin in the middle or the end of July.

Kenny added that the internal piloting will begin with the business process owners as they need to ensure that there is no gap in the system before releasing the system to the selected parties to test. In March, they have already approached a few members to provide feedback, adding that this consists of about 20 to 30 companies to conduct the March online review in which Kuan Chun's company is one of them.

In response to Anne regarding communication plans, Kenny explained that the change management plan has been done internally not just with the Prisma team but also with the communications team. Agridence has also appointed a third party media partner. It is currently still in the early stages of planning, but the team plans to initiate regular updates through email with a quarterly newsletter to begin. For events, they foresee participating in two to three major RSPO events.

Kuan Chun suggested perhaps conducting webinars to help communicate the progress.

Kenny said it was being discussed in the change management plan but there was no timeline yet because it needs to be supported with a guidance document perhaps in different languages.

In response to Julian regarding the team's ability to meet EUDR dates for segregated, Kenny clarified that they do not foresee any delay in the project after the removal of CIED as their task has been taken over by Agridence. Kenny remarked that they are still on schedule to meet the deadlines for segregated in the fourth quarter of 2024.

6.0 Secretariat Update by CEO

P&C Review:

HS provided an update on the P&C review, noting that after engaging with external experts, standard setting experts and others, it had led to a comprehensive workshop where proposals and recommendations for draft 3 were developed. Several risk areas that were previously not taken into consideration were identified. The proposals will be presented to the Steering Group. He noted that they have also identified the need to conduct a more thorough public consultation and a more comprehensive pilot and field testing. The goal here is to have the standards ready for GA adoption in November. And of the possibility to have a single launch of the standard instead of the staggered approach that was done in the past.

Questions Raised/Concerns

Anita highlighted the need to communicate to some of the membership groups who were represented in the December meeting to explain the next processes as there were concerns raised back then about the consultation and appropriate process given that the P&C was not approved in the 2023 GA.

Eleanor highlighted concerns about the consultation process, requesting for updates on whether there are substantial changes to the Standards since the last public consultation such as on the HCS.

Jose requested to know more about the transition period plans.

Kuan Chun wanted to know the timing of the next P&C revision in light of the ISEAL requirements.

Marcus inquired on the expected completion date of the next draft.

Clarifications

In response to Anita, HS noted that they are planning to conduct more regular updates, adding that even the communications and stakeholder engagement teams who were involved in the workshops have been fully briefed to be equipped to update the membership groups.

In response to Eleanor on whether there were significant changes to the Standards, HS clarified that there are some minor changes to draft 3 and there are also substantive changes that can be justified. However, this will still be brought to the Steering Group to look at the best way forward, adding that various options, proposals, and recommendations have been prepared. He added that significant changes will certainly be considered in a public consultation that would be extended to downstream members and consuming markets as well.

In response to Jose regarding the transition period plans, HS explained that based on previous practice, the standards were effective on the day it was adopted, adding that the trial run transition period was never formalised. One of his proposed recommendations was to make the transition period formalised and have that in the standard.

In response to Kuan Chun on ISEAL requirements, HS pointed out that the ISEAL code of good practice states that the standard should be reviewed every five years from the date the previous standard began and to be revised if necessary. He noted that the standard should be reviewed no later than 2029 if the review was completed in 2023, and the revision in 2024.

JD added that although the ISEAL code requires them to review the standard every five years, it does not necessarily require them to revise it every five years. Thus, there is an option to review and not make any changes.

In response to Marcus regarding the completion of the draft, HS believed that this will depend on the direction from the Steering Group, but noted that a thorough recommendation to the Board can be delivered during the Board's June retreat.

EUDR and other Regulatory developments:

JD shared updates on the EUDR, noting that there will be a dedicated person based in Brussels starting April. Cameron will also be overseeing all the government and public policy work across the northern countries. Engagement with the EU side has also gotten a lot more positive over the last few months where the EU has even actively sought feedback regularly from the team. The focus now is also on engaging with the NCA to understand their perspective and how they plan to implement it. However, the NCA also lacks clarity due to vague details from the EU side. Several members, including a few that are on the Board, are involved in the EU pilot programmes, providing valuable feedback. Agridence is also involved in the pilot so they have already started pilot testing. JD also briefed the Board on other regulatory developments in the EU in regards to CSDDD, and forced labour. It remains uncertain at this point if CSDDD will be passed or if it will be postponed till after the EU Commission elections. On forced labour, it has moved rather quickly and seems to be mirroring the US force labour act. The structure of this regulation also has become rather more focused. The EU upcoming election will see a shift to the right where there may be a bit of a push back on labour issues, rights etc and may result also in a bit of a protectionist policy from the EU.

JD also updated the Board on the US Forest Act, as well as the regulations in Malaysia and Indonesia. On the US Forest Act, JD pointed out that the focus now seemed more practical. In Malaysia, JD met with the Minister of Primary Commodities, noting that the Minister is very supportive of RSPO. In Indonesia, the work with the Indonesian government on RencanaSejuta, a commitment to certify a million smallholders, is expected to pick up once again since elections are over.

Laila highlighted to the Board on the German Act that has come into force on Jan 1. JD noted that the new manager that would be based in Brussels as well as Cameron will stay on top of these issues. He added that these major changes in the markets meant that having a strong Board that can give quick and tough decisions is of paramount importance.

Membership:

JD provided updates to the Board on new members and trends. Membership continues to grow upwards and the membership team is focusing particularly on specific targets. The team was able to secure Amazon, Walt Disney, Kenvue as new members amongst others.

Rewards Review:

JD gave an update on the Rewards Review, indicating that the review is now completed. The salaries were benchmarked against comparative industries, professional financial services, plantations etc. JD noted that this does not mean that they will be attracting talent by paying above market salaries, adding that a combination of non-financial rewards and the work environment will be attractive enough to get people on board. In other markets where

salaries are above market rate they will need to step up in terms of responsibilities and obligations.

JT asked whether JD would be gathering feedback from the staff on the new compensation and share it with the Board.

JD clarified that he is happy to share any feedback to the Board, adding that the review's methodology and process was very robust.

Chandran raised a question on whether the organisation was paying the staff statutory EPF contribution. He pointed out that some companies try to retain staff by having a staggered EPF contribution based on time served.

JD clarified that he decided against increasing EPF contributions as it would have increased the salary budget. But instead have added on non-financial rewards which are well above being competitive. He also noted that the staggered EPF contribution was also not looked into as issues of comparability with other markets might become complex.

ACTION ITEM: To provide staff feedback on the new compensation.

7.0 Future Strategy Update

Cheryl presented the new strategic outline that took into consideration the existing brand positioning and theory of change. She also went through the timelines for deliverables, adding that the full strategy paper that consists of a three year strategic plan will be presented during the June Board retreat.

Ku wanted to know who were the ones who developed the strategy paper.

JD explained that this was tasked to the C-2 leaders, the heads of the unit, and not the directors. He clarified that there aren't any external experts that were brought in to develop the paper, but the strategy and digital team that Nikki leads are providing structure and the content comes from the heads of units.

8.0 Finance Update

Tim went through the financial income and expenditure statements in which he noted that there was a surplus of RM2.8 million for the first half of the year. Operating costs, however, were above the budget partly due to some under budgeting related to employment costs and one off costs such as foreign currency losses. The income levels are above expectations. Year-on-year, net assets have fallen slightly and expenditures decreased as it has been spent on the smallholder fund and the special projects fund. On the investment fund, USD10 million has been invested with additional investments anticipated from cash and bank sources. Investment managers have been employed and the current portfolio is almost entirely in fixed interest through government and corporate bonds. There are no

investments in equities. Over the next few months, the organisation will balance the investments to be in line with expectations and returns.

Under the new Prisma system, Rainforest Alliance will be replaced when the trade management service is implemented. Professional advice is being sought from PwC regarding taxes. An operational plan for the next three to five years needs to be developed consisting of financial projections and tax implications. The new trade management service is expected to have a big income change for the organisation as the income that is currently held by Rainforest Alliance will be handed over to RSPO. There will also be extra costs in terms of administering the trade management service.

Olivier raised the question on the types of credits—smallholders or plantations—that led to the income increase in which JD responded that RSPO did see quite a significant increase in interest in smallholder credits.

9.0 Jurisdictional Approach

Following the adoption in the GA to create a new category of RSPO membership for jurisdictional entities, Francisco noted that the first draft has been completed and is now pending review by the RSPO lawyer in Switzerland. The board endorsement for this is expected to be in June and be ready for the GA in November.

On the jurisdictional HCV-HCS assessment tool, Francisco noted that the Secretariat contracted HCV Network to develop the tool. On the process flow, the first draft has been agreed by the JA-BHCV WG, and that the second draft with detailed SOPs is expected to complete by March. The final draft and endorsement by the WG and the SSC is expected to happen in June/July with a field trial happening in the second half of the year.

Francisco also gave an update on upcoming JA activities such as the field test for consultants' recommendation of RaCP for JA at selected pilots, pilot progress self assessment, FPIC for JA study and ACOP for JA.

Francisco noted that the RaCP pilot will be in Seruyan (Indonesia) and Sabah.

JT asked if the HCV-HCS approach here is similar to the one in the P&C review noting that it would be best to avoid that.

Francisco clarified that engagement with the HCV network is to adopt a similar methodology but is one that is applicable at the jurisdictional level. They plan to start with a screening tool to efficiently allocate resources, recognising the limitations of detailed assessments at this level. Once the screening tool has been utilised, then the focus can be on those areas that require more attention.

10.0 Market Development SC

Inke highlighted the open vacancies in the Market Development Standing Committee – 2 Banking and Investors (B&I), 1 Retailer, 1 CGM, and 1 smallholder (nominations have been received through the SH Unit). The ToR is also being reviewed to include Africa as a key focus area for regional market development, including oversight of the Supply Chain Traceability Working Group and the rephrasing of the oversight of the SRWG.

Inke also discussed the CSPKO action plan to ensure that losses are avoided to optimise the supply chain for certified material and the other is to increase the overall supply of certified sustainable palm oil and palm kernels. The data on members who are currently not selling their entire volumes of certified palm kernels were reviewed. An outreach to independent smallholder groups and mills that have unsold volumes over there will be carried out.

The SR unit together with the Market Transformation colleagues are engaging with these mills and smallholder groups to understand why they have not sold their certified materials. A fact sheet for new growers to explain the entire RSPO route to help them through the different stages in terms of membership, certification, Palmtrace/Prisma registrations and transactions is also in the works with the technical division. All of this work will be reported back to the SCT WG and be discussed if further actions are required.

11.0 Smallholders SC

Rukaiyah presented a proposal to add two additional alternate smallholder members to the Board which will represent the various regions of producing countries. The secretariat was also asked to facilitate the discussion between the smallholder groups from various countries.

Anne pointed out that this proposal was already approved at the last Board meeting and no issue was raised. Thus, the Board is supportive of this proposal.

JD noted that the Secretariat is happy to facilitate identifying and working with potential representatives.

ACTION ITEM: Secretariat to facilitate the discussion between smallholder groups to help identify potential Board representatives

12.0 Shared Responsibility WG

Julian urged support from the Board to help fill up vacancies in the Shared Responsibility Working Group (SRWG). There are currently openings for 1 CGM, 1 Grower rest of the world, 1 Banking and Investor (B&I), and 2 P&T. Julian pointed out that the 2 P&T have expressed their interest in stepping down but will remain in their current roles for now to ensure continuity of the SRWG.

Julian also gave an update on the SR Scorecard, adding that it is increasing in importance where even the B&I was interested in using the dashboard for their ESG assessments. The SRWG has also requested for the Secretariat to look into automating the process as it would be great if it could be updated more than once a year. The next official update would be in September 2024. Julian also called on the Board to fill up the SR Survey citing the lack of respondents, adding that they too should further encourage their members to do the same.

Endorsement of the Shared Responsibility (SR) Verification Manual

Julian pointed out the need for the Board to endorse the SR Verification Manual, explaining that the manual has two verification requirements. The first step, annually the Secretariat will check the data compliance and data completeness. One will sit in ACOP and then the other will sit at myRSPO where the inputted data will be checked. On step two, members can choose one of two steps to show compliance through public statements on their website or through the disclosure of compliance with an external system. SR Scorecard webpage will be updated as well to make it clear whether members have taken that step or otherwise. On the sanctions and incentives, Julian said they have aligned the sanctions and incentives with the general membership sanctions so that it matches those, whilst also giving an opportunity to work with members who maybe aren't engaged at the start to get them interested in it.

Kamal highlighted that there were criticisms from NGOs on the lenient sanctions. However, he noted that they have to recognise the fact that some emerging market members are not fully aware of the SR rules. Educating them will be led by the SR unit.

DECISION: The SR Verification Manual was endorsed by the Board.

Endorsement of the SR uptake targets for 2024 (Year 5)

DECISION: SR uptake targets for 2024 (Year 5) was endorsed by the Board.

13.0 Any Other Business

JD asked about the Board's preferred location for the June Board retreat and it was decided that it would be held in KL.

ACTION ITEM: To look for potential hotels in KL to hold the Board retreat

ACTION ITEMS

No	Action Items	Owner
1	To amend Olivier's designation from alternate to substantive.	Ashley/Irene
2	Inke to prepare a summary on the current mass balance situation that will be shared with the BoG subgroup on Digital Transformation.	Inke
3	CTTS Team to prepare a session at SPOD Brussels	Nikki/Kenny
4	SPOD event details to be shared with all Board members	Inke19
5	JD to update on discussions with national standards on coordinating responses on addressing EUDR	JD
6	To develop the priority action plan on Governance Review recommendation that addresses the concerns raised by the Board.	Anita/JD
7	To provide staff feedback on the new compensation.	Chan
8	Secretariat to facilitate the discussion between smallholder groups to help identify potential Board representatives	Guntur/Jang
9	To look for potential hotels in KL to hold the Board retreat	Ashley/Irene