

EB 02-06: Minutes of Executive Board Meeting

Date : Wednesday & Thursday, 19-20 July 2006

Venue : Auditorium 1, Mont' Kiara Business Centre, Kuala Lumpur

Time : 0900-1700 (2 days)

Participants:

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| 1. Bryan Dyer (GAPKI) | 15. Tim Stephenson (Aarhus Karlshamns) |
| 2. Derom Bangun (GAPKI) | 16. Ian McIntosh (Aarhus Karlshamns) |
| 3. Simon Lord (POPA for Fedepalma) | 17. Murtaza Ibrahim (FELDA) |
| 4. Tony Lass (Cadbury Schweppes) | 18. Andrew Ng (RSPO Secretariat) |
| 5. Rikke Netterstrom (The Body Shop) | 19. Aeimelia Kalsom Mohd Khalid (RSPO Secretariat) |
| 6. Dian Kosasih (WWF-Indonesia) | 20. Lim Si Siew (RSPO Secretariat) |
| 7. Rudy Lumuru (Sawit Watch) | |
| 8. Alan Southworth (PT Musim Mas) | |
| 9. Matthias Diemer (WWF Switzerland) | |
| 10. Jan Kees Vis (Unilever) | |
| 11. Simon Harris (HSBC Bank Malaysia Bhd) | |
| 12. Chew Jit Seng (MPOA) | |
| 13. Mamat Salleh (MPOA) | |
| 14. Vengeta Rao (MPOA) – Day 1 only | |

Absent (substantive EB members):

1. Lea Borkenhagen (Oxfam/Novib)
2. Bachtiar Karim (PT Musim Mas)
3. Umberto Villars (Migros)
4. Jens Mesa-Dishington (Fedepalma)

Agenda:

1. Introduction and RSPO Antitrust laws

- 1.1. Introduction of new EB Member Dato' Mamat Salleh (MPOA)
- 1.2. Appointment of new Treasurer

2. Confirmation of minutes of EB meeting held on 20 February 2006 (EB 01-06)

- 2.1. Outstanding items not addressed in the current agenda

3. Secretariat

- 3.1. Accounts & finances
 - 3.1.1. RT3 & CWG final accounts
 - 3.1.2. Latest financial status of RSPO
 - 3.1.3. Budget FY2007
 - 3.1.4. Status of re-audit of 2004/2005 accounts
- 3.2. RSPO Jakarta Satellite Office
- 3.3. Legal status of RSPO Secretariat in KL
- 3.4. Update on RSPO Secretariat staffing
- 3.5. Appointment of Advisor (MR Chandran)

4. Membership

- 4.1. PT Musim Mas case
- 4.2. Code of conduct and grievance procedure
- 4.3. Interim control of claims (Body Shop)
- 4.4. Annual reporting by RSPO members?
- 4.5. Public posting of membership renewals?
- 4.6. Syngenta's application for upgrading to Ordinary Membership
- 4.7. Limit to number of subsidiaries joining RSPO as ordinary members? (PT Musim Mas)

5. Projects & working groups

- 5.1. Two-year P&C trial implementation
- 5.2. National Interpretation
- 5.3. Verification Working Group
- 5.4. Supply chain project
- 5.5. Smallholder Task Force
- 5.6. Alternatives to Paraquat project proposal
- 5.7. RSPO Publication on Benchmark Better Management Practices for Sustainable Palm Oil
- 5.8. IFC/GEF Biodiversity and Agricultural Commodities Program (BACP)

6. RT4 planning and briefing (including GA3 discussions)

7. Matters arising

- 7.1. Changes in bank resolution (new Treasurer)
- 7.2. Next EB meeting

Minutes:

1. Introduction and RSPO Antitrust Laws

Jan Kees Vis (JKV), as President and Chairman of the meeting, welcomed RSPO Executive Board members to the meeting. RSPO Antitrust laws were also covered at the start of the meeting.

1.1. Introduction of new EB Member Dato' Mamat Salleh (MPOA)

EB members were introduced to Dato' Mamat Salleh of MPOA and Aeimelia Kalsom Mohd Khalid who was recently appointed as RSPO Secretariat Administrator.

1.2. Appointment of new Treasurer

DECISION:

All agree to endorse the appointment of Aarhus Karlshamn UK as RSPO Treasurer. Ian McIntosh is AAK's representative as Treasurer.

2. Confirmation of minutes of EB meeting held on 20 February 2006 (EB 01-06)

2.1 Outstanding items not addressed in the current agenda

Secretariat to engage African stakeholders via RSPO members with current operations and contacts in Africa

ACTION

Secretariat to contact RSPO member Socfin for additional contacts for engaging African stakeholders

Secretariat to request for more details and further evidence of Borneo-International's work on the ground, partners and fund providers

DECISION:

All agreed that Borneo International is not eligible for membership because there is no demonstration of involvement in palm oil.

WWF-Indonesia, GAPKI and Sawit Watch to get together to discuss and prepare a statement on the proposed oil palm development along the Malaysia-Kalimantan border

Dian Kosasih (DK) and Derom Bangun (DB) stated that the Indonesian Government has declared that the proposed oil palm development along the Malaysia-Kalimantan border is no longer going ahead. Confirmation of this has been received from the Indonesian Ministries of Forestry and Agriculture. Hence there is currently no reason for RSPO to make statement on the issue.

3. Secretariat

3.1 Accounts & finances

3.1.1. RT3 & CWG final accounts

Andrew Ng (ANG) explained the final accounts for RT3 and CWG. The surplus from the CWG project is a result of savings in running of meetings in Kuala Lumpur. DOEN has indicated that they do not wish to have the surplus returned (based on percentage funded), but has asked for RSPO to explore other project ideas where this money can be used contingent upon approval from DOEN. Simon Harris (SH), on behalf of HSBC, also agreed to use surplus funding for other RSPO projects.

3.1.2. Latest financial status of RSPO

Andrew Ng (ANG) explained that the system to get a full and proper accounting and finance system online and up-to-date is dependent upon the timely appointment of the administrator, who was chosen because of some accounting knowledge, background as well as interest in maintaining accounts above and beyond the capacity of present Secretariat staff. On the matter of monitoring membership fees outstanding, notification of membership due dates and incoming funds for membership fees. With present resources at the Secretariat, it is extremely challenging to maintain a close monitoring of the accounting system. A major task of the administrator is to monitor and act upon the matter on a monthly basis. In the interim, the Secretariat would work with the finance advisor to identify them on a monthly basis. The task is also challenging with the large number of members now.

Tim Stephenson (TS) proceeded to summarize the balance sheet and income & expenditure statements. TS added that invoicing is currently up to date but debt collection needs to be discussed. ANG: Secretariat a bit short-handed at the moment to chase debtors but will need to do it. Jan Kees Vis (JKV) suggested for Aeimelia Kalsom Mohd Khalid to take a look at debt collection.

JKV, TS and ANG calculated that based on the assumption that 25% of outstanding income is not paid (due to invoices not received or bad debts), there is an approximately RM550,000 for projects. Ian McIntosh (IM) warned that since there is no provision for overdraft, RSPO cannot spend this surplus money unless it is physically in RSPO's bank account. JKV stressed the importance of having a complete set of accounts by GA3 in November 2006.

3.1.3. Budget FY2007

Andrew Ng (ANG) presented the latest budget reflective of anticipated activities for the FY.

3.1.4. Status of re-audit of 2004/2005 accounts

Andrew Ng (ANG) explained that the previous auditor, YM Wong, refused to co-operate and expedite the re-stating of the FY 2005 audited accounts. YM Wong & Co. are in breach of national standards for accounting practice in Malaysia for failing to do a satisfactory job of ensuring that the status of RSPO's accounts were reflective of the organisation's use of funds. EB agreed that there is no need to pursue this further despite having paid RM4000 to YM Wong & Co as RSPO should not get into a potential legal tangle over this matter. Meanwhile in recognition and response to EB concerns regarding having a completed and correct FY2005 audit as soon as possible, RSPO has appointed PG Lim & Associates as replacement to conduct both FY 2005 and FY 2006 audits. Both audits were presented to EB.

Tim Stephenson (TS) pointed out there is currently no provision for bad debts. Audited accounts need to be revised and presented during GA3. TS also proposed having an auditor appointed each year by the General Assembly for transparency. Bryan Dyer (BD) stated that terms like 'allowance' and

'transport subsidy' should not be used in the account statements. Jan Kees Vis (JKV) added that 'allowance' amounting to RM20,000 needs explaining but otherwise, expressed thanks to all involved for putting RSPO's finances in order.

ACTION

Secretariat and Treasurer to prepare audited accounts for presentation at GA3 in November 2006.

3.2 RSPO Jakarta Satellite Office

Andrew Ng (ANG) provided an update on progress with regards to the Jakarta Satellite Office. The post of Jakarta Satellite Office Liaison Officer was posted on RSPO's website and since closing of submissions on 23 June 2006, 9 applications were received by the Secretariat. The Secretariat shortlisted 3 candidates with most promise based upon the following criteria:

- Likely aptitude and temperament based upon style of writing, organisation of resume and documents.
- Relevant experience on topics of importance as well as exposure to changing working environments through scanning spectrum of jobs, responsibilities held and achievements.
- Competency using a range of indicators, including writing accuracy, language skills, clarity of ideas expressed and effectiveness of presentation style.

Planned interviews have been proposed for Friday, 21 July 2006. Invitations were sent to all Indonesian EB members to participate and input into this process, as their opinion and knowledge are crucial for ensuring a suitable candidate is selected. Interviews are set to take place at the Gran Melia Hotel in Jakarta. However, Bryan Dyer (BD) expressed the Indonesian industry's concern about its effectiveness and the costs of maintaining it.

ACTION

Secretariat to invite Indonesian EB Members (not able to be present at the interview on 20 July) to meet the successful candidate with Dr Rosediana Suharto (IPOC) and Hans van der Zijden (Dutch Embassy) at a later date.

3.3 Legal status of RSPO Secretariat in KL

Andrew Ng (ANG) explained that the RSPO Secretariat is domicile in Malaysia, where it operates and is staffed by contractors who serve RSPO through a series of contracts that do not make them employees of RSPO, thus ensuring that RSPO does not become entangled in complicated domestic labour and employment requirements. This arrangement is perfectly legal but concerns have been raised regarding the potential for such an arrangement to be questioned by Malaysian authorities should contracts for staff be continually renewed on a year-to-year basis without provision of basic or minimal fundamental benefits to employees as accorded by Malaysian laws.

ACTION

Secretariat and Treasurer to investigate this further with proper human resource and legal experts in-country to ascertain the actual legal status of the Secretariat, the Secretariat staff and prepare a report back to the EB with recommendations, etc. based upon the advice of these experts. This matter needs to be settled before RT4/GA3.

3.4 Update on RSPO Secretariat staffing

Andrew Ng (ANG) explained that new contracts for Andrew Ng and Lim Si-Siew were completed in June 2006 for 1-year extensions. ANG also explained Aeimelia Kalsom Mohd Khalid's role as Secretariat Administrator. The topic of possibly moving the RSPO Secretariat was also discussed but

upon advice of the EB, it was decided that due to work commitment, it is not advisable to source for new locations for the RSPO Secretariat until the conclusion of RT4.

3.5 Appointment of Advisor (MR Chandran)

Jan Kees Vis (JKV) provided background on the appointment of an Advisor for RSPO. The idea was mooted by former EB member Azizi Meor Ngah. MR Chandran (MRC) has previously indicated that he is available for the appointment.

When asked to comment, Derom Bangun (DB) and Bryan Dyer (BD) stated that the potential appointment MRC as RSPO Advisor is acceptable to Indonesians. Matthias Diemer (MD) felt that the Terms of Reference (RSPO Advisor) previously offered to Teoh Cheng Hai needs to be revised. Ian McIntosh (IM) stated that it would be advantageous for the Secretary-General to have someone with industry experience to bounce ideas off. Simon Lord felt that planters need reassurance from time to time and MRC as RSPO Advisor will be able to provide that. Rikke Netterstrom (RN), Simon Harris (SH) and Tim Stephenson (TS) are also supportive of MRC as Advisor.

In summary, JKV proposed that MRC has a role in advising EB on strategy, providing links (especially with Malaysian and Indonesian governments), and discussing emerging issues with the Executive Board. However, this would not entail speaking on behalf of the RSPO. MRC would also be offered a second portfolio in monitoring of Secretariat workplan, as well as advise on industry topics. Presence at EB meetings would also be required of MRC. Murtaza Ibrahim (MI) further suggested that MRC's involvement should be at the request of EB.

ACTION

Secretariat and Jan Kees Vis to draft a Terms of Reference for the post of RSPO Advisor to be offered to MR Chandran.

4. Membership

4.1 PT Musim Mas case

It was recently revealed that the case of dispute between SP KAHUTINDO/IUF against PT Musim Mas was resolved through copies of a letter from the Federation of All-Indonesian Wood Forestry and General Workers' Union (DPP FSP KAHUTINDO) to the General Secretary of Building and Wood Workers International.

Since Matthias Diemer (MD) and Dian Kosasih (DK) have asked for time to be allocated to do a "Lessons Learnt" analysis of this case for future EB reference in addressing similar cases, the following are some 'lessons learnt' from the perspective of various EB members:

- Jan Kees Vis: "Be very clear about your concerns. If pressure is mounting, you have to make it known to others."
- Matthias Diemer: "EB has to improve the handling of 'crisis' situations in anticipation of future ones. We have to maintain a dialogue through phone conferences or physical meetings."
- Bryan Dyer: "EB members should stick to decisions made unless new information is available."
- Tony Lass:
 - "If any EB member wishes to raise any concerns regarding a recent decision, they should be free to do so and the entire EB will need to discuss this together."
 - "Individual representative(s) should be asked to leave the meeting room during discussions on that particular organization."
- Derom Bangun: "Campaign pressures from Europe were transferred to PT Musim Mas via RSPO, which resulted in the Settlement Agreement. This fact should be communicated."

- Rudy Lumuru: “There is a problem when individuals cannot differentiate their role in the EB and the organization they are representing.”
- Mamat Salleh: “RSPO should maintain a moderate position whereby members under attack should be responsible for finding solutions.”
- Alan Southworth: “It is important to comply with local legislation at all costs.”

ACTION

Secretariat to draft a response to IUF's latest letter addressed to the RSPO Executive Board and circulate among the EB

4.2 Code of conduct and grievance procedure

ACTION

Secretariat to update the existing Terms of Reference for the Arbitration Panel to reflect an expanded role to also deal with grievances. Additional EB members (by sector) can be called into the panel as and when necessary. The updated ToR will then be distributed amongst the Arbitration Panel.

4.3 Interim control of claims (Body Shop)

Rikke Netterstrom (RN) of the Body Shop made the request for the EB to discuss addressing the control of claims in the interim while the Verification Working Group (VWG) is in the process of developing a final recommended verification protocol or methodology to the EB. RN requested for EB to consider a way of setting up an interim system of allowing retailers to make some type of claim in the interim. RN felt that RSPO should reward companies who are progressing rapidly. JKV agreed that reward should be given to fast movers but they should only be allowed to claim that their audit complies with the RSPO P&C. However, they cannot claim that they are RSPO-certified.

Jan Kees Vis (JKV) pointed out that no statement has been made that RSPO will wait 2 years before allowing claims. JKV felt that RSPO should focus its efforts in getting RSPO-certified sustainable palm oil in the market. JKV urged EB members to refer to the VWG paper, which contains all elements being discussed. JKV felt that procedures for interim claims are unnecessary and even if it is needed, what should it be based on? JKV suggested that an assessment of the generic audit checklist that is to be used in audits needs to be done. Simon Lord (SL) suggested using existing information available. SL also believed that the audit process is likely to produce more practical and realistic feedback on the P&C rather than the existing working groups.

Matthias Diemer (MD) claimed that audits based on the P&C are already going on behind the scenes. Chew Jit Seng (CJS) responded that current audits based on the P&C are all business-to-business arrangements. Ian McIntosh (IM) and Tim Stephenson (TS) felt that RSPO cannot stop people from making claims. BD felt that in the end, it is up to consumers to decide what they want. BD does not agree with allowing interim claims be sanctioned by RSPO. JKV reiterated that transparency is needed from RSPO. This can be done by explaining to stakeholders, what is planned in terms of certification, from now until November 2006. A statement should be made on the RSPO website and included in the next newsletter.

SL raised concerns over whether the VWG is able to go through all 8 principles and define weightage. SL felt that the VWG is not the right group to do this. ANG agreed and added that issues like non-conformance also need a physical meeting to ensure proper consultation is being sought. On weightage, ANG suggested recalling the Criteria Working Group (CWG). ANG and SL also felt that a lot of issues were not discussed during the VWG kick-off meeting but has found its way into current VWG document. SL warned that RSPO could end up with a multitude of audit checklists and felt that checklist uniformity is vital. In response, JKV suggested that if NBPOL's auditor is keen on releasing their audit checklist, it will give the VWG something to work on. RSPO can reimburse POPA for this.

DECISION

- All agree to reimburse POPA US\$5,000 for rights to the audit checklist produced by their auditors

ACTION:

- Secretariat to distribute audit checklist (stressing confidentiality and in PDF format) to EB and CWG members for comments
- Secretariat to draft a statement on interim claims for posting on the RSPO website and inclusion in the upcoming members' newsletter. This statement should mention that organizations are currently working on assessments based on P&C and this can be used to satisfy consumers and customers
- Secretariat to inform ProForest regarding RSPO's intention to release an official audit checklist by November 2006. The following points should be highlighted:
 - Volume of (certified) oil needs to be included in an audit. This means that all certificates issued should define the area and/or volume of oil (based on yield)
 - VWG to have a physical meeting during end of September 2006
 - Allow assessments of audits done in the past (important for companies whose supply chain arrangements are more tedious and comprehensive)

4.4 Annual reporting by RSPO members?

Andrew Ng (ANG) provided an explanation on the state of annual reporting by RSPO members. Ian McIntosh (IM) felt that annual reporting of progress by members should continue and advised that the reporting format should not be too prescriptive to encourage additional reporting by members. Rikke Netterstrom (RN) stated that the previous year's format is fine. Bryan Dyer (BD) added that if the Secretariat makes any format changes to the reports submitted by members, members need to approve the final version for posting on the web. Finally, Jan Kees Vis (JKV) expressed that annual reporting is an ideal opportunity for non-producers to demonstrate progress.

ACTION

- Secretariat to send a note out to RSPO members reminding them to submit their Annual Communications of Progress reports to the Secretariat in time for the production of a booklet by RT4 (November 2006).

4.5 Public posting of membership renewals?

It has been suggested by the general public via emails to the Secretariat that early members of RSPO (i.e. organizations that joined RSPO prior to the implementation of the 2-week period for public posting of applications) be subjected to a similar period for public comments prior to membership renewals after 2 years to improve transparency. It has also been further suggested that ALL RSPO members be automatically subjected to a period for public comments when their 2-year membership expires.

After some consideration, the Executive Board decided that there will be no special/additional procedure for membership renewals because no clear advantages of doing so were identified and also because of the potential administrative strain on the Secretariat. Stakeholders are also able to comment on each RSPO member (not only during the 2-week public posting period) via the grievance procedure.

DECISION

All agree that there will be no special procedure for membership renewals.

4.6 Syngenta's application for upgrading to Ordinary Membership

Syngenta AG has been an RSPO Affiliate Member since 13 October 2004. On 22 May 2006, Syngenta AG applied to upgrade their membership from Affiliate to Ordinary citing future plans to develop biofuel processing facilities. During the mandatory 2-week period for public posting, RSPO Member Pesticide Action Network (PAN) Asia and the Pacific submitted comments for the consideration of the EB.

Tony Lass (TL) and Ian McIntosh (IM) expressed support for Syngenta's admission as Ordinary members on the basis of RSPO's policy of inclusiveness and there will be a project to find alternatives to Paraquat. Simon Lord (SL) added that New Britain Palm Oil Ltd uses Paraquat and they use it safely. However, the last new chemical that was released in the market was 15 years ago. Alternatives may exist but could be expensive. SL and Chew Jit Seng (CJS) stressed that the key issue is using chemicals in a safe and responsible manner, emphasising education and training. SL added that (in conversations between Syngenta and himself) Syngenta is willing to actively provide training and supervision to plantation workers in RSPO-mediated workshops.

Rikke Netterstrom (RN) informed the EB that PANAP could consider engaging Syngenta on a project to find alternatives to Paraquat. Jan Kees Vis (JKV) added that it would be good if EB can find a way to convince both parties to discuss constructive ways forward and this can be in the form of a joint project. SL warned that even if Syngenta stops production of Paraquat, this could create a black market for alternative dangerous chemicals. SL and JKV stressed that responsibility for the safety of workers is key.

Bryan Dyer (BD) suggested that RSPO requests for additional evidence from Syngenta regarding their biofuel developments. JKV added that if Syngenta's subsidiary company is handling biofuel developments, then the subsidiary should apply for RSPO Ordinary Membership. Dian Kosasih (DK) enquired if RSPO can proactively deal with PANAP's potential departure from RSPO if Syngenta comes onboard. DK stressed the importance of a communications strategy to minimize the impact of EB's decision.

ACTION

- Secretariat to draft a letter to Syngenta requesting for additional evidence of their biofuel developments as well as requesting for Syngenta to sign-up for RSPO's proposed project to identify alternatives to Paraquat. Specifically:
 - Syngenta to provide evidence of biofuel activities on the ground
 - Syngenta to acknowledge and further RSPO's objectives concerning pesticide use and alternatives to use of paraquat
 - Syngenta to actively participate in project aimed at finding alternatives to paraquat
 - Syngenta to follow up on their offer to provide training/education for safe use of chemicals
 - Syngenta representative in the RSPO must be from biofuels branch
- Secretariat to send a copy of the letter to Syngenta to RSPO Member Pesticide Action Network (PAN) Asia and the Pacific
- Secretariat to put together a public statement/series of Q&As explaining why RSPO made the above decision

4.7 Limit to number of subsidiaries joining RSPO as ordinary members? (PT Musim Mas)

During Cargill Palm Products Sdn Bhd's application for RSPO Ordinary Membership, concern was raised by Alan Southworth of PT Musim Mas as to whether RSPO should limit the number of subsidiaries within a larger group that join RSPO as Ordinary Members.

DECISION

All agree that RSPO would not restrict membership for the time being so based on that, Cargill Palm Products Sdn Bhd would not be excluded from becoming an RSPO member. There was also no objection to Cargill Palm Products Sdn Bhd's application for RSPO membership.

<Day 1 meeting ended at 1800>

<Day 2 meeting started at 0900>

5. Projects & working groups

5.1 Two-year P&C trial implementation

Andrew Ng (ANG) provided a brief of the 2-year trials kick-off meeting. Updates were then discussed amongst EB members.

Chew Jit Seng (CJS) informed EB that only partial funding was agreed in principal for the WWF-Malaysia-MPOA project to define High Conservation Value Forests (HCVF) and its management for oil palm in Malaysia. MPOA has concerns that without firm financial commitment, it would be difficult to begin work. In addition, CJS said work on guidance for Principles 5, 6 and 7 are needed for the National Interpretation process in Malaysia. Jan Kees Vis (JKV) reiterated that the work on defining HCVF in Malaysia is crucial.

On the Indonesian HCVF toolkit, Ian Kosasih (IK) explained that there was room for interpretation. This point was supported by Bryan Dyer (BD), who elaborated on recent experience where the interpretation of HCVF by different individuals or experts would create very different results. The implications for any oil palm operations were further elaborated, the concluding remark from the EB was that more needed to be done to ensure less interpretation by surveyors and refined definition/articulation within the national HCVF interpretations.

JKV enquired further regarding finding the funds for the HCVF project. CJS responded by stating that the highest chances for support (co-funding) could be from the Tripartite Partnership between the Netherlands, Indonesia and Malaysia (PPP), although MPOA has signed a letter of intent for IFC/GEF funding under BACP. However, there was less optimism that MPOA could tap the recently announced RM 20 million offered by the Malaysian Palm Oil Council for biodiversity or environment related projects.

Discussion turned to HCVF interpretation and implementation concerns by producers, mainly in Indonesia. Derom Bangun (DB) asked for WWF and its partners to involve GAPKI further in activities. IK said that RSPO needed to play a stronger role in HCVF definition work in key producer regions, However, JKV expressed concern that increased ownership by RSPO would be counter-productive as it would be a drain on resources and personnel at the disposal of RSPO.

Ian McIntosh (IM) enquired about the process or procedure for the engagement of HCVF experts/consultants? This was in response to concerns raised by BD and DB based on the Indonesian experience. These concerns were further elaborated by Simon Lord for the PNG experience.

Matthias Diemer (MD) clarified that typical HCVF teams would consist of small groups, up to 5, and use of proxy data, available information are typical if surveys, etc. are lacking. MD further asked for a slot at RT4 to deliver more information on HCVF and pilot projects.

SL asked for a list of credible HCVF experts to be made available. Tony Lass (TL) asked for further assurance in such a list by providing guidance on what should constitute a HCVF expert. JKV

suggested that checks and balances be in place, like minimum qualifications of being qualified surveyors with relevant topical or technical experience.

Simon Harris (SH) and IM both sought WWF to champion the setting up of a list of HC VF experts that RSPO members could access for future work.

On the 4 projects earmarked out of the 2-year trials kick-off, JKV proposed that surplus money from the operating budget for FY 2007 be spread across these projects, as well as other initiatives that require injections of funds. Other important activities, like the planning of a potential VWG meeting, supporting the TFS and others would also be put into the pot.

CJS reported feedback from members using the Kuala Lumpur Kepong self-assessment format, which highlighted the need to implement projects related to Principles 5, 6 & 7 to test practicality in the areas of concern as expressed by the producers.

MD raised concerns that there could be little to show for at RT4 on pilot projects. BD pointed out that leadership is lacking in this initiative. Another area of concern was the lack of trial audits done under the auspices of RSPO. JKV suggested that RSPO subsidise the cost for such an exercise and extend a call to producers to participate. Rules over confidentiality on commercially sensitive information or otherwise that could implicate the company in civil or criminal action should be in place as well.

On the issue of encouragement to producers through incentives (e.g. pricing) by BD, JKV advised the EB on the anti-trust guidelines. SH responded to a further enquiry on getting a feel of potential costs associated with implementation of the P&C by saying he would attempt to get finance players to participate at RT4 and share their experiences with providing incentives for sustainable producers from a banking and finance perspective.

CJS and DB both expressed interest by their respective organisations, MPOA and GAPKI respectively to actively participate in the FPIC projects.

ACTION:

- WWF (Indonesia) to compile a list of HC VF experts, and provide to Secretariat for posting on website under resources for the 2-year trials
- Treasurer to finalize surplus of projected funds for FY 2007 and amount to be allocated to urgent projects, initiatives, meetings, etc. by Secretariat
- Simon Harris to provide Secretariat with potential speakers for RT4 from HSBC or banking sector members

5.2 National Interpretation

EB requested for updates on National Interpretation progress from the following EB members:

- GAPKI, WWF Indonesia, Sawit Watch, PT Musim Mas for Indonesia process
- MPOA for Malaysia
- Fedepalma for Colombia
- Jan Kees Vis for Ghana

Chew Jit Seng (CJS) stated that MPOA needs funds for National Interpretation in Malaysia. Derom Bangun (DB) stated that GAPKI are forming an Indonesian team to handle National Interpretation for Indonesia. Matthias Diemer (MD) informed that Fedepalma is planning to kick-off National Interpretation for Colombia sometime during the end of September.

Bryan Dyer (BD) and Jan Kees Vis (JKV) enquired about timelines and milestones as well as the possibility of sharing results of National Interpretation by RT4. DB felt that preliminary work should be completed by then and informed EB that he will talk to the Indonesian team about a brief presentation on National Interpretation at RT4. DB added that work on National Interpretation for a country as

diverse as Indonesia will be very comprehensive. CJS reiterated that MPOA's work on National Interpretation will depend on funding availability. Andrew Ng (ANG) offered for the Secretariat to assist MPOA in raising funds for National Interpretation work.

ACTION:

- GAPKI and MPOA to submit funding proposals to Secretariat for National Interpretation work
- GAPKI and MPOA to update stakeholders on National Interpretation progress by RT4 (November 2006)

5.3 Verification Working Group

Agenda item was discussed on Day 1 as part of discussions under Item 4.3 (Interim control of claims).

5.4 Supply chain project

In relation to supply chain options, Jan Kees Vis (JKV) invited Ian McIntosh (IM) to explain Aarhus Karlshamn UK's (AAK) Greenpalm proposal on the basis that all 3 systems proposed in the supply chain project will work within Greenpalm. AAK would like to market Greenpalm to plantations and consumers as well as energy and retail companies in UK and Sweden as a viable system that is not too complex. AAK would like to have EB's agreement to AAK promoting this idea at RT4.

Bryan Dyer (BD) and Tony Lass (TL) offered encouragement, especially when Greenpalm could potentially be used to raise funds for RSPO activities also. JKV enquired if sale of oil and certificates are done separately. IM responded yes and reiterated that the proposal will not disrupt existing supply chain arrangements. IM added that part of the premium will find its way back to the plantation industry and reiterated that AAK is willing to broker the deal by managing currency issues, payments, etc.

Matthias Diemer (MD) raised concerns regarding how Greenpalm links to the supply chain study as well as how other NGOs will perceive this scheme. IM stated that the objective of Greenpalm is to change practices on the ground by promoting sustainable palm oil via a cost-effective supply chain option. JKV stressed the need for a business plan as well as 'open book' commitments before making a decision. Funds could be funneled into specific RSPO projects (i.e. awareness road shows, HCVF assessments, pilot audits, etc.) or directly to producers.

DECISION:

AAK to present Greenpalm at RT4 in November 2006

ACTION:

- Aarhus Karlshamn UK to formulate a business plan for Greenpalm and distribute to EB for consideration
- WWF Switzerland to formulate a series of questions concerning Greenpalm from the perspective of NGOs and forward to Aarhus Karlshamn UK

5.5 Smallholder Task Force

Andrew Ng (ANG) provided EB with a progress update on the work of the Smallholder Task Force (STF). Since the kick-off meeting on 22 February 2006, leaders of the STF and the RSPO Secretariat had a meeting to discuss smallholder issues on 30 June 2006. Fundraising for future work on smallholders is one of the main items discussed.

Derom Bangun (DB) suggested that APKASINDO should be involved in the work on Indonesian smallholders. Rikke Netterstrom (RN) suggested approaching established auditors who are willing to donate time and resources for smallholder audits to save costs. In response, Simon Lord (SL) stated

that NBPOL has a certified auditor (in house) who can donate time for work on PNG smallholders. Jan Kees Vis (JKV) further suggested that since Unilever's Gail Smith plans to spend time in Indonesia, she may be able to do some audits on smallholders. However, JKV stressed that an audit protocol is required first.

ACTION:

- Secretariat to assist the STF to actively source for funding
- MPOA/FELDA to assist the Secretariat in leveraging for funds from the Malaysian government

5.6 Alternatives to Paraquat project proposal

ACTION:

- Secretariat to contact CAB International since they have previously indicated interest in leading the project
- Secretariat to communicate with key NGOs involved in the issue (i.e. Stephanie Wilson of Pesticide Action Network UK) regarding the Alternatives to Paraquat project proposal

5.7 RSPO Publication on Benchmark Better Management Practices for Sustainable Palm Oil

Project coordinator, Teoh Cheng Hai (TCH) provided a brief report on progress of the proposed BMP book project. In summary, TCH felt that the project did not receive the desired level of response, in terms of number of participating companies, variety of BMP topics and geographical spread. TCH suggested an alternative approach where the Editorial team scouts for benchmark BMPs and consequently selects the best or most appropriate ones for the book. As cost of participation was cited by producers as one of the major constraints, additional sponsorships may also be necessary. TCH has suggested looking into the RM20 million biodiversity funds to be provided by the Malaysian Palm Oil Council (MPOC).

Derom Bangun (DB) stressed the importance of ensuring a good 'balance of information' (between Indonesia and Malaysia) is reflected, especially if funding comes from MPOC. Simon Lord (SL) expressed concern over non-producers submitting proposals for the BMP book project. SL felt that the project should be driven by plantation companies.

DECISION:

- All agree to continue with the BMP book project using the Editorial Team's suggestion of directly approaching appropriate plantation companies to encourage participation.
- All agree that Teoh Cheng Hai approach the Malaysian Palm Oil Council (MPOC) for potential funding

ACTION:

All to send suggestions of suitable BMP case studies to Teoh Cheng Hai.

5.8 IFC/GEF Biodiversity and Agricultural Commodities Program (BACP)

During the last EB meeting, it was decided that Jan Kees Vis (JKV), Matthias Diemer (MD) and Andrew Ng (ANG) to further negotiate with IFC/BACP on the proposed collaboration between BACP and RSPO. JKV explained that after some discussion on the roles and responsibilities of both parties in the collaboration, the latest document titled "Preliminary Market Transformation Strategy for Palm Oil - Annex A: Preliminary Palm Oil Strategy" by IFC/GEF Biodiversity and Agricultural Commodities Program (BACP) is now available. JKV suggested possibly using these funds for biodiversity and HCVF assessments. Rikke Netterstrom (RN) suggested funding work on biofuels since the time frame for fund availability remains questionable. MD stated the need for additional funds for current HCVF work.

ACTION:

All to read "Preliminary Market Transformation Strategy for Palm Oil - Annex A: Preliminary Palm Oil Strategy" document and send comments to the Secretariat by 10 August 2006.

6. RT4 planning and briefing (including GA3 discussions)

6.1 RT4

6.1.1 RT4 update

Andrew Ng (ANG) provided an update on progress of RT4. The Secretariat has distributed the 1st RT4 announcement on 10 July 2006 via the April-June 2006 members' newsletter, an e-update and the website (www.rspo.org/rt4.htm). Notable improvements this year include the availability of online registration and credit card payment facilities (http://www.rspo.org/payment/rspo_registration.aspx). Similar to RT3, an e-flyer for RT4 is also currently being produced by a freelance designer and will be posted on the RSPO website when available. Referring to the latest RT4 budget, ANG enquired if additional sponsorship for RT4 is necessary?

DECISION:

All agree to seek additional sponsorship for RT4.

ACTION:

Secretariat to invite sponsorship for RT4.

6.1.2 RT4 agenda

Mr Prabu Naidu and Ms Janice Lua, facilitators who will be playing a major role at RT4, explained RT4's proposed facilitation plan. Key points include:

- Plenary and/or Wall Gallery Walk concepts
- Round tables for table level discussions during plenary sessions
- Availability of Indonesian facilitators to encourage participation by Indonesians
- Utilization of 'subject matter experts' to provide technical expertise during conference
- Summary convergence process including deployment of a 'backroom engine' to collate stakeholder comments and prepare brief presentations meaning group leaders/session chairs will only have to present summaries

After some feedback from EB members on the proposed facilitation plan, the group decided to discuss the proposed RT4 agenda in detail. Detailed findings are not included in these meeting minutes but will be reflected in the latest version of the RT4 agenda following this EB meeting. Some action points include:

Session 1

ACTION:

MPOA/Secretariat to approach United Plantations Berhad and other participating companies regarding a possible Session 1 presentation titled 'Cost & implementation: concerns regarding verification and meeting RSPO criteria.'

Session 2

ACTION:

- MPOA to provide Secretariat with a set of generic guidelines for poster presentations
- Secretariat to invite poster presentations for Session 2 as soon as possible

DECISION:

All agree in principle to the proposed facilitation plan. However, details need to be worked out at a later stage.

6.1.3 RT4 exhibitions

Agenda item not discussed.

6.1.4 RT4 dinner

DECISION:

All agree that no dinner entertainment will be sought aside from perhaps jazz music during dinner.

6.1.5 Grassroots NGOs participation sponsorship

DECISION:

All agreed that Secretariat to manage NGO sponsorship funds disbursement for RT4.

6.2 GA3

6.2.1 GA3 agenda

DECISION:

All agree that the upcoming GA3 agenda will be as follows:

- Members' roll call
- Opening address (Jan Kees Vis, RSPO President)
- To receive the Report of the RSPO President
- To receive and adopt the Report of the Treasurer
- Presentation and endorsement of the Members' Code of Conduct
- Endorsement of new Financial Protocol for RSPO (to approve auditor)
- Endorsement of proposed changes to RSPO By Laws
 - Grievance procedure
 - New membership category: Honorary Membership
 - RSPO Vision and Mission
- Lessons learnt from EB1: Advice to membership in election of sectoral representatives to EB
- Election of a new Executive Board
- Any other business

6.2.2 Election procedure

6.2.3 Protocol for conduct of General Assembly

Andrew Ng (ANG) explained that at GA2, many last minute proposals were put forth that created a negative reaction from most members present, who complained that these proposals were too new to be studied, thus ensuring proper consideration of their merits.

ACTION:

- Secretariat to invite candidates for election to the new Executive Board. This invitation should also inform potential candidates that there will be a meeting of the newly elected EB meeting on 23 November 2006. It should also be stressed either in the invite or in the GA that continuity within the EB should be a criterion
- Secretariat to prepare a candidate list prior to announcing GA3 on 1 October 2006

DECISION:

- All agree that calls for motions or proposals for adoption at GA3 are to be received by the Secretariat 4 weeks before GA3 is announced (by 1 September 2006)
- All agree that a strict policy of no exceptions to the deadline also be adopted to ensure fairness in the process and transparency throughout
- All agree to identify the persons present at the GA and who was voting via proxy
- All agree that all votes/decisions taken at the GA need to be listed in the proxy form

7. Matters arising

7.1 Changes in bank resolution (new Treasurer)

DECISION:

All agree to put resolution changes on hold until the election of a new Executive Board.

7.2 Next EB meeting

DECISION:

All agree to have an EB meeting starting at 6pm on 20 November 2006.

7.3 Any other business?

FPIC proposal

Bryan Dyer (BD) requested clarification on the FPIC proposal.

ACTION:

Secretariat to ask Dr Marcus Colchester for samples of materials to be used for the series of planned workshops on free, prior and informed consent (FPIC) concepts.

NGO participation in PNG National Interpretation process

Simon Lord (SL) cited the need for environmental and social NGOs to participate in the National Interpretation process he is leading in PNG. SL requested for EB members' assistance in inviting PNG NGOs to come onboard. Rudy Lumuru (RL) responded that Sawit Watch has been encouraging PNG NGOs to participate and will continue to do so.

Oxfam's involvement in RSPO

Matthias Diemer (MD) suggested sending a note to Oxfam urging them to stay engaged in the process.

ACTION:

Secretariat to draft a letter to Oxfam.

<Day 2 meeting ended at 1700>

RSPO Secretariat
31 July 2006

Jan Kees Vis, President
Roundtable on Sustainable Palm Oil (RSPO)