

Minutes for EXECUTIVE BOARD MEETING EB 03-10

Date : 9 September, 2010
Venue : Meridien Hotel, Kuala Lumpur
Starting Time : 09.00 a.m.

Attendance

EB members

AAK - Ian McIntosh (IM)
Agropalma - Marcello Britto (MB)
Retailers Palm Oil Working Group - Belinda Howell (BH)*
Cadbury - Tony Lass (TL)*
Carrefour - Faisal Firdaus (FF)
Conservation Intl - Tim Killeen (TK)*
GAPKI - Derom Bangun (DB)
HSBC - Paul Norton (PN)
IOI - Marc den Hertog (MdH)*
MPOA - Jeremy Goon (JG)
Oxfam Intl - Johan Verburg (JV)*
Rabobank - Jose den Toom (JdT)
Unilever - Jan Kees Vis (JKV) – Chair
WWF - Adam Harrison (AH)*

Alternates

AAK - Tim Stephenson (TS)
HSBC - Chong Wei Kwang (CWK)
IOI - Patrick Corbussen (PC)*
MPOA - Chew Jit Seng (CJS)
Rabobank - John Baker (JB)
Sawit Watch - Norman Jiwan (NJ)
WWF - Cherie Tan Li Jie (CT)
Paul Rowsome (PR)*

Apologies:

Mohd Nor Kailany -Felda (MNK)
Advisor - M R Chandran (MRC)
Cadbury - Neil La Croix (NLC)
Conservation Intl – John Buchanan (JB)
Sawit Watch - Abetnego Tarigan (NJ)
SIAT - Gert Vandersmissen (GV)

Secretariat Staff

Rikke Netterstrom (RN)
Sarala Aikanathan (SA)
Siew Pei Erl (SPE)
Poon Chi Sum (PCS)
Indra Thangavelu (IT)
Conrad Savy (CS)

Invited

Peter Ooi, Chair of Organising Committee RT8
Ganapathy, Grievance handling consultant
Wong Shou Ping, HSBC

*dialing in by teleconference (some EU/US based members were not able to participate in the full EB meeting due to timezone difference)

| Agenda | | |
|---------------|---|---------------|
| 9.00-9.15 | Introduction <ul style="list-style-type: none"> • RSPO Antitrust Laws • Minutes of previous meeting - Postponed till EB4 in Jakarta • Matters arising | JKV |
| 9.15 – 10.00 | Accounts, finance and legal <ul style="list-style-type: none"> • Annual audited accounts • Update on legal status – RILO and RSPO org • Budget (after Secretariat discussion) | IT/TS |
| 10.00-11.00 | Secretariat matters <ul style="list-style-type: none"> • Update on recruitment • Status of organization changes • Service level changes | RN |
| 11.00-11.20 | Break | |
| 11.20-12.10 | RT8 <ul style="list-style-type: none"> • RT8 Programme • Side events | PO/RN |
| 12.10-12.30 | GA7 <ul style="list-style-type: none"> • GA7 deadlines, change in proxy and voting procedures • Update on GA6 resolutions | RN/IT |
| 12.30-13.30 | Lunch | |
| 13.30-14.30 | Grievances <ul style="list-style-type: none"> • urgent issues to resolve | JV/RN |
| 14.30-15.30 | Market transformation <ul style="list-style-type: none"> • How RSPO should drive market transformation, including a recap on why we want progress reporting. | JKV/SA |
| 15.30 – 16.00 | Break | |
| 16.00 -16.30 | Update on compensation mechanism | CT/TK |
| 16.30-17.30 | AOB – URGENT issues only | |
| 17.30 | Close | |

1. Introduction

The Chairman (JKV) read out the anti-trust laws to which the RSPO Board is beholden. It was established that the meeting had over 50% representation of the EB, and hence a quorum was constituted.

JKV highlighted that this was an emergency EB meeting, and only very urgent business would be discussed. In the interest of time, approval and amendments to the minutes of EB 02-10 were agreed to be postponed till EB 04-10 in November 2010.

2. Finance and legal matters

TS informed the EB that there are still a number of outstanding issues relating to financial control, compliance and reporting. However, an Interim Finance Manager, Indra Thangavelu has been appointed to follow up on these issues, and they are all being progressed.

TS informed the EB that there is some legal uncertainty regarding the activities of the Swiss RSPO organization and the RSPO SSB (Malaysian registered organization). These uncertainties may impact the tax status of the organization. IM, TS and IT had met with PricewaterhouseCoopers to get initial advice, and would be mapping out options for a possible restructure of economic activity once the situation is clarified.

Decision: TS and IT to appoint PwC to advise on the legal and financial implications of alternative options for RSPO activities.

2.1. *Formation of foundation for Indonesian activities*

RILO is currently being established as a foundation, and office bearers will be selected among eligible EB members and staff. Office bearers must have a valid work permit or citizenship of Indonesia. DB and NJ highlighted the need to ensure that the current stakeholder balance in the governance of the RSPO is safeguarded in the establishment of the RILO foundation. It was underlined that these office bearers are formal positions only, and are appointed only to satisfy legal requirements.

Decision: Secretariat and treasurer to continue to pursue formal establishment of a foundation with Indonesian legal advice.

2.2. *Budget and accounts*

TS presented an overview of the accounts for 2009-2010, which McMillan Wood (previously Parker Randall) was progressing in collaboration with IT. The accounts showed a projected operating surplus of RM 2.9 million. Accounts will be finalised for send-out with GA7 papers 21 October.

There is still a significant amount of outstanding debtors, most significantly unpaid membership fees, but also delays in payments from Utz. TS also stated that the budget has not been reviewed subsequent to EB-02-10, but that the discussion on Secretariat restructure would have budget implications, and that a full revised budget would be presented to the EB in November.

Decision: Secretariat to follow up on all outstanding debtors. TS to present budget at EB-04-10

TS proposed the formation of a formal Finance Committee. It was agreed that the Treasurer, the SG and the future Finance and Administration Director should be members. In addition, Rabobank and HSBC volunteered as members.

Decision: An EB Finance Committee will be formed, and TOR's drawn up. The Finance Committee will consist of EB members from AAK, HSBC and Rabobank, as well as the SG and the current Interim Finance Manager.

3. RT8

Peter Ooi, the consultant appointed as Head of OC gave an overview of the structure of RT8 governance, progress and budgets.

RN presented the draft programme based on individual conversations with EB members. NJ felt that social issues were given too small a place, suggesting that key issues such as gender be addressed in the plenary.

Decision: NJ to revert to OC/RN with topics, names and contact details for programme

PO explained that the OC had invited three companies to host plantation visits, and the OC had proceeded with plans allowing participants to choose which to attend. However several EB members felt that this would be too complicated and that only one plantation should be hosting. As Lonsum had been the first to respond to the invitation, they should be formally invited.

Decision: OC to invite Lonsum to host plantation visit

4. GA7

RN briefed on planning for GA7

4.1. *Quorum*

For the past GAs, it has been very difficult to secure a quorum. RN advised that the Secretariat will carefully monitor registrations to ensure that a quorum is present through attendance or proxies. Several postings on the website have reminded RT8 Ordinary members to register.

Decision: Secretariat to continuously monitor GA7 registrations and remind members to register

4.2. *Resolutions*

RN confirmed that no resolutions had been received by the Secretariat. The deadline for submission of member resolutions is the same as the deadline (21 days before GA) for sending out GA papers to the membership. This is creating significant difficulties as there is no time to suggest amendments to resolution to ensure their validity, or for the Executive Board to receive resolutions in advance.

Decision: Secretariat to prepare EB resolution requiring members to submit resolution requiring resolutions to be submitted 28 days in advance of GAs

4.3. *Voting*

RN highlighted that the voting mechanisms in GA6 were widely seen as confusing, and that the Secretariat would take this into account when designing GA7 voting mechanisms, while maintaining open and visible voting

Decision: Secretariat to come up with a revised voting mechanism for GA7

4.4. *EB election*

RN requested confirmation of all EB members that they would be standing for re-election. All EB members confirmed, except MB who will be leaving the EB. In his place GV will stand for the Rest-of-the-world producer seat. RN also confirmed that only the trader/processor seat currently held by AAK had been challenged by an alternative candidate, Cargill.

5. Secretariat and admin matters

This topic was discussed at closed doors, without the presence of secretariat staff. Sensitive personnel issues and decisions have been omitted from these minutes.

5.1. *Recruitment and restructure*

RN presented an overview of progress in recruitment and staffing, as well as recommendations for budgets to secure sufficient levels of new employees. An amended version of the organizational changes suggested by PricewaterhouseCoopers was presented and agreed. In addition, RN proposed a more structured salary scale to ensure consistency across the organization. She also highlighted the need to move offices to accommodate larger staff and to upgrade current IT systems.

RN enquired as to the availability and preferences of EB members regarding recruitment panels in KL the days prior to RT8.

cision: New salary scale agreed, and recruitment to proceed on this basis. To accommodate new structure, 2010-11 budget for staff, office and IT to be amended from RM 1.4 million in the budget to RM 2.9 million.

Decision: Public briefing explaining the RSPO restructure to be issued in the October newsletter to members

Decision: RN to propose balanced recruitment panels for key posts in the week prior to RT8

5.2. *Membership approval*

Membership applications are delayed due to lack of responses from EB members. RN proposed that SG be empowered to approve memberships which have had no negative findings or comments from public consultation period.

Decision: SG to automatically approve membership applications with no negative findings or public comments

5.3. *Secretariat response times*

RN presented plans for new service levels to be implemented, ensuring quicker and more structured responsiveness for the Secretariat. She explained that some of these are already being implemented, but a more formal commitment and tracking could be announced once a permanent team has been established.

Decision: To announce formal response times to queries once RSPO Secretariat staff has been recruited

6. Grievances

JV gave an overview of the current status of grievance handling, highlighting the need for progress on high-profile grievance cases before RT8. Due to the confidential nature of these discussions, details of this discussion are not included in these minutes.

7. Communications and Claims

7.1. *Communications strategy and activity*

JKV presented the outcomes and conclusions from the C&C meeting on 6-7 September in Zeist which had focused on the development of a logo and trademark.

JKV presented proposals for a logo and trademark mechanism to be presented at RT8. The mechanism would have various forms, depending on the supply chain option chosen.

The C&C proposed that the logo would only be used with three of the four RSPO supply chain options: IP, segregated and mass balance. It would not be used for the book & claim option. In the case of IP and Segregated the logo may be used alone or with the word "certified" above it; for the mass balance option, it is proposed that the word "mixed" is placed above the logo. For all three options, there would be text boxes and claim wording for on pack use.

IM expressed reservations on the proposal. He highlighted that that by using the logo and the word "mixed" above it on pack, the RSPO gives the impression that the product contains some CSPO mixed with standard palm. He argued that this could be construed as misleading and possibly fall foul of to advertising standards authorities, since the mass balance scheme does not assure that any amount of CSPO is in the final consumer product.

IM also expressed a concern that the proposal did not to allow the Book and Claim option to use the logo as Book and Claims is an officially approved supply chain option. He reminded the EB that B&C is the most widely used option and is projected to continue to be popular in two key applications: opening up new markets where CSPO physical supply options are not in place; and for derivatives where physical options are impractical or prohibitively expensive. IM argued that all supply chain options should be supported equally by the RSPO including the option for end users to use the RSPO logo.

JKV highlighted that "mixed" appeared to be the best option, but encouraged EB members to suggest better alternatives.

Decision: trademark development to be progressed, but with further discussion needed on the use of the "mixed" tag and use in connection with book and claim.

In addition, the C&C had highlighted the urgent need for an overarching communications strategy to reach India/China/EU markets with coordinated but targeted messaging. The C&C had agreed to put out a global tender for this work. RN asked if it could be delayed until after RT8, to ensure that there would be resources to manage such a tender and plan. JKV said that the deadline would be set at 1 December.

Decision: JKV to prepare a tender for a formal communications strategy with an application deadline of 1 December

JKV highlighted that S&P had mentioned that activities such as Facebook must be implemented with caution as such activities need professional monitoring and management around the clock. DB stated that he considered Facebook for Indonesian smallholders potentially valuable and urged that the project should not be dropped. RN said that the Facebook project would be dropped, but put on hold pending a review in collaboration with Indonesian stakeholders and smallholders themselves.

Decision: To put Facebook project on hold, but seek to develop the idea in closer collaboration with key stakeholders, i.e. Indonesia smallholders.

8. Compensation

CT delivered an update on the current work on compensation led by WWF and CI.

Remediation is most pressing biodiversity issue on table for RSPO members. Following Jutta Poetz's resignation as biodiversity coordinator, WWF and CI have taken over the work being done with Sime Darby to develop a concrete proposal for compensation. This work, along with other approaches being developed will be presented and discussed in a workshop at RT8. The workshop would aim to present some of this diversity, update on latest developments and elicit feedback from RSPO and RT8 members.

In addition, CT proposed a new working group on the topic. The idea of remediation, related to biodiversity offsets, is an emerging technical field in general with limited or no experiences in the context of oil palm. As a result there is currently a lack of relevant expertise on the BTC. There was no concrete proposals put forward, but no objections.

Action: Add discussion on working group, technical committee or taskforce on remediation at next EB meeting.

JG asked about the relevance of biodiversity offsets to oil palm. CS said that there are no identical examples, but that the RSPO could draw on experiences with temperate agricultural (US, Australia) and tropic mining (Madagascar, Guinea etc). This highlights the need for a dedicated group on the issue.

JKV enquired about the current status of BBOP as he had not been convinced about its merits in earlier meetings he had attended. CS explained that the technical work on BBOP has advanced greatly but that there were still issues that needed to be resolved. He further explained that BBOP may be a useful forum for RSPO to draw on given its technical capacity but due to its multi-stakeholder structure and the RSPO interest in remediation rather than strict biodiversity offsets it would not be an exact fit.

9. Any other business

MB briefed the EB on the Latin America RSPO conference. The conference was well received with 450 delegates from throughout Latin America. He highlighted that many important stakeholders in Latin America are not aware of the RSPO and that it is important to provide better communications to these stakeholders.

Appendices (for EB only):

1. Treasurer's report
2. Staffing and Admin report
3. Communications and Claims
4. Grievances – further actions needed, draft letter to GAR/SMART, draft holding statements
5. Trademark presentation