

Minutes for EXECUTIVE BOARD MEETING EB 04-10

Date : 7 November, 2010

Venue : Narcissus, Mezzanine, Mulia Hotel, Jakarta

Starting Time : 13.00 a.m.

Confirmed attendance

EB members

AAK - Ian McIntosh (IM)
Agropalma - Marcello Britto (MB)
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)
Retailers Palm Oil Working Group - Belinda Howell (BH)
Unilever - Jan Kees Vis (JKV) – Chair
WWF - Adam Harrison (AH)
Rabobank – Jose den Toom (JdT)

Excused

Sawit Watch - Abetnego Tarigan (AT)
Mohd Nor Kailany -Felda (MNK)
Cadbury - Neil Lacroix (NL)
Rabobank – Jose den Toom (JdT)
MPOA – Puvan Selvanathan (PS)
SIAT – Gert Vandersmissen (GV)

Alternates/advisor

AAK - Tim Stephenson (TS)
Cadbury - Neil La Croix (NLC)
Conservation Int- Jatna Supriatna (JS)
HSBC -Wei Kwang Chong (WKC)
GAPKI – Edi Suhardi (ES)
IOI - Patrick Corbussen (PC)
Oxfam Intl – Kate Geary (KG)
Sawit Watch - Norman Jiwan (NJ)
WWF - Cherie Tan Li Jie (CT)
Advisor - M R Chandran (MC)

Secretariat Staff

Rikke Netterstrom (RN)
Indra Thangavelu (IT)
Conrad Savy (CS)
Desi Kusumadewi (DK)

Invited

Peter Vermij, S&P
Gabriel Chong – CSR Asia

Agenda 7 November 2010

13.00-13.15	Introduction <ul style="list-style-type: none">• RSPO Antitrust Laws• Minutes of previous meetings – EB2 and EB3• Matters arising	JKV
13.15 – 13.45	Accounts, finance and legal <ul style="list-style-type: none">• Annual audited accounts• Budget• Update on legal status – RILO and RSPO org	IT/TS
13.45 -14.30	GA7 resolutions <ul style="list-style-type: none">• Overview from GAPKI/MPOA• EB resolutions	RN
14.30-14.45	Break	
14.45-16.00	Recruitment panels – nominations for positions <ul style="list-style-type: none">• SG• Technical Director• Communications Director	Recruitment panels
16.00-16.30	RT8 overview <ul style="list-style-type: none">• Programme and EB activities• Media	RN/PV
16.30-17.00	Grievances update <ul style="list-style-type: none">• Update on SMART/GAR	JV/RN
17.00-17.30	AOB – urgent issues only	
17.30	Close	

1. Introduction

The Chairman read out the anti-trust laws to which the RSPO Board is beholden. On behalf of the EB and the RSPO he thanked Mr Chew Jit Seng who has stepped down from his alternate EB seat for the MPOA long-standing committed service and contribution.

1.1. *Minutes from EB-02 and EB-03*

Reviewed and approved

1.2. *Matters arising from review of Minutes from EB-02*

JKV enquired whether Secretariat had taken action on the issue of non paying members. RN responded that some action have been delegated to EB members and some progress had been made.

Action: continue to track and chase non-paying members

JKV enquired whether the list of RSPO approved assessor references in the minutes was published on website. RN confirmed that this had been done.

Regarding discussion on 4.2.4 DB has sent documentation to JV and requested for a short extension. JV confirmed the response was received and extension granted. JV still looking for further clarification from GAPKI

Action: JV will get back to GAPKI with seeking clarity of the response on the wording of 424.

JV highlighted that this is not an issue between Oxfam and GAPKI but a general concern for EB, so encouraged others to provide input.

BH highlighted that the the grievance panel for has had to put an action to resolve this issue. JKV suggested a summary to remind the EB what is unclear and for EB to agree on the final text. He also stated that it is clear that 4.2.4 needs to be discussed further as subsidiaries have joined but not the holding company. TL highlighted that this should be across all categories of membership. EB needs need to come back to this because it is difficult to have different rules for new members versus existing members

Action: BH will summarise the issue and circulate.

JKV asked whether palm kernel was now included in the UTZ certified system. TS clarified that this was in progress

JKV clarified that on pt 7.3 on communications, a call for global communication strategy has been put on website with a deadline of 1 Dec 2010 and several global agencies had responded

JKV enquired whether the RSPO had participated in the GlobOil conference in India. RN confirmed this.

1.3. *Matters arising from review of Minutes from EB-03*

MB raised his previous request relating to an invitation from Amazonian Sustainable Forum, which has asked the RSPO to participate. CI was supposed to give feedback. TK said that CI had not finished due diligence on this group. It's a Brazilian consortium of business and NGO looking at sustainability. Reputable institutional groups involved. TK sees no reason not to be involved.

MB added that there is going to be a forum with over 1000 people where they will launch a sustainability letter on palm oil. They want people to join this initiative. Members of RSPO with a presence in Brazil will be at the meeting. CI and WWF are on the list, as well as Walmart Brazil, Union for Ethical Bioproducts. 14 members, 69 companies and 119 NGOs are part of this group. This is being supported by the Evida Foundation.

Action: Members to liaise with Marcello and have a coordinated presence there.

DB enquired as to the progress of the Facebook project. JKV responded that it had been put on hold pending the appointment of a Communications Director.

Action: TK/JV/DB to move FB project forward after appointment of Communications Director. JKV advised to consult with Peter Vermij to avoid risk.

1.4. Other matters arising

JV introduced Kate Geary, his alternate from Oxfam. Kate gave a background to her work and experience working on natural resource issues and climate change and a background in Forest Issues.

AH raised the issue of the publication of the compensation guide from the Indonesian RSPO HCV working group. It is labelled as DRAFT but printed. Preface originally printed as "by RSPO" and crossed out to say RILO. This draft has not been discussed or endorsed by EB.

DK said it was produced by Indonesian RSPO HCV working group and that ten copies have been printed. This is not a final copy. The working group is asking for a time to discuss with GAPKI members on the content of the book. Agreed in the meeting that book should be used for consultation only.

JKV asked if there are no NGOs in the Indonesia RSPO HCV WG, as there are none on the list as authors. CT explained that ex WWF staff was represented. She added that NGOs have not been invited into the WG. CT clarified that this is the RSPO Indonesia HCV WG, not the Indonesia HCV official WG. DB said that he was not aware how the group was formed.

DK clarified that when the working group was started, there was a representative from WWF. In a meeting in Oct 2011, Daud Darsono stepped down as Chair of the Groups and will be replaced by Wewin from WWF as chairman of the WG.

NJ asked whether the meeting was for Pak Daud Darsano to pass the Chair for Indo NI WG, not the ID HCV WG. DK said that it was for both working group because Pak Daud chaired both WGs. Since NI WG is done, and there is still work to be done on HCV, that WWF will chair it temporarily to finish the work.

JKV expressed that although he was pleased of the initiative, but as it carries RSPO and RILO's name he did not approve, as appropriate stakeholder representation not assured.

DB added This WG was established some time ago during the NI WG in 2007/08, but it is now not clear to whom the WG reports. He clarified that the WG is not established by GAPKI.

JKV said that Sawitwatch, CI, WWF, Oxfam might need some time to form an opinion on this.

AH added that the content of the book looks good but the point is that it looks like it is published by RSPO and looks like a final copy when it is not anywhere near that.

Action: DK will communicate to the WG that it should not be printed as it is a draft and RSPO has not been consulted. It should say RSPO Indonesia HCV working group instead of RILO

2. Recruitment panels – nominations for positions

2.1. Secretary General (SG)

JKV informed the EB that three SG candidates were interviewed by a recruitment panel consisting of JKV, DB, JG, JV, FF and AH/TK on 6 November in Jakarta. Each of the panel members gave an overview of their assessment of the candidates.

JKV clarified that the interviews had reflected the new role of the SG. RSPO is building a management team supported by four directors. This is a big change from how it was managed before. It will bring different balance on power and the SG doesn't have to be the expert in everything. It will also bring more stability because employees can leave and without leaving a vacuum. Gender balance important as well. The new SG must also know where the organisation is going so they can manage it. RSPO has changed, so the SG must know this and be able to update the RSPO image as it changes over time.

The PWC recommendation was that the EB should change from an EB to a non-executive role and the SG change to Exec Director and the three standing committee should have dedicated support in the secretariat.

MRC added that the new SG would need to be able to deal with policy makers and government. The RSPO needs personality who can get access. The RSPO has failed both in Indonesia and Malaysia in this area. It is left to EB members to speak to ministers when it should come from SG.

EB members were invited to comment or raise questions. DB clarified that he would have to consult with GAPKI members to confirm final recommendation. PN asked the Chair to clarify whether GAPKI, the EB or the panel would have final say in the recruitment process. JKV emphasised that all EB members in principle have the right to veto, and that the objective is to reach consensus.

Action: GAPKI & MPOA to report to EB with final recommendation for EB-05

2.2. Technical Director

JV clarified that Technical Director recruitment panel, consisting of MRC, CT, JV and Simon Siburat (Wilmar) found no candidates suitable at interviews on 5th November in KL. Suggestion to shortlist potential candidates and approach them directly. MRC added that he did not feel the recruitment agency had understood the brief and that candidates were poorly selected and briefed as to the role.

Action: New SG to work with EB members, incl MPOA, GAPKI and MRC to identify suitable candidates

2.3. *Communications Director*

JKV informed the EB that a recruitment panel consisting of JKV, JV and JG had interviewed four candidates on 4th November, and had shortlisted two.

Action: New SG to meet with two shortlisted candidates and make final selection

3. Treasurer's Report

TS gave an overview of the treasurer's report to be presented at GA7 (see appendix with treasurer's report – also in GA7 minutes).

JKV commented that cost of communications may not reflect what we may be paying a global communications partner. RN clarified that EU comms is covered separately, and that the late start of the global communications strategy means that the cost for 2010/11 will be lower than budgeted.

TS presented list of project including GHG working group, Task Force for Smallholders 2, Dispute settlement, HCV guideline which are big projects. IT is investigating Indra is doing some work to find out where we are at with all these budgets and what we are likely to spend this year and in total.

JKV highlighted that there are no project briefs, so need for improvements in financial discipline. For every project, RSPO should have deliverables, how funds were raised, and budgets.

DB enquired whether there was still a budget for the NI Indonesia. TS confirmed.

JV highlighted that the budget on sales of CSPO were conservative so might add financial room. TS commented that running costs had also increased significantly

TS highlighted issues around cost and income compliance and control issues. AH asked whether there is a project template for budgets. IT said there is a template, but a budget of all the various WG and a project sponsors are required. This can then be reviewed by Finance Committee and EB.

Action: All new projects to be accompanied by budget and deliverables. New Finance Director to lead on this.

DB enquired about the Finance committee, which will constitute 4 EB, SG, treasurer, financial director. He would like to volunteer Edi Suhardi as a member.

Action: Finance Committee to include Rabobank, HSBC, AAK, GAPKI, Finance Director and SG

NJ asked how the RSPO deals with NGO members who ask for reduced membership fee. JKV said that the Secretariat ask for proof that budget is insufficient and then the EB will either waive or reduce the fee. Examples are financial report and overview of budgets. London Zoological Society has refused to do this and discussion has been going on for three years.

TK added that there is a resolution for GA asking for propositional representation on the EB but at the same time, the RSPO has not been very successful at recruiting environmental NGO to the RSPO. He

wondered if EB should revisit the policy on this issue if the RSPO wants to expand the stakeholder base in this issue. Many smaller national NGO do not have the financial resources. JKV said that the procedure was in place but that it is not being used. TK suggested being more proactive in getting message out.

Action: Clearer communications of NGO waiver rules from Secretariat

MRC enquired whether the cash balance of RM 4 million is in an interest-bearing account. IT confirmed this.

4. RT8 Media Briefing

Peter Vermij introduced the presence of S&P at RT8 and gave a briefing on the media operations for the upcoming RT8.

Objective is to boost support for RSPO by generating positive RT8-related media. The strategy to achieve this is by facilitating and liaising with media (global & local), pre-empt negative coverage by front-loading media with positive stories

Strategic actions so far includes

- Provide early access to global media partner (Reuters)
- Set up media program with controlled opportunities to interact
- Send out press releases, news flashes
- Engage local PR partner (Royston) to liaise with local media in local language
- Use set of overall key messages guiding all briefings, interviews, releases

Key message to get out is that RSPO is bringing meaningful change. The system is working and growing. This is demonstrated by:

- the growing supply of CSPO,
- growing use of certified oil, mostly in Europe
- first smallholders being certified and
- Entering phase II: trade to grow further
- Consumer trademark introduced in 2011
- Efforts to expand trade to India, China

Distribution list of 700, 14 reporters registered via S&P and about 20 with the Indonesian PR company handling local press. Materials have been prepared (fact sheets, press kits, press releases).

5. Resolutions

5.1. Resolution 6c To reduce the requirements for a quorum in the RSPO's statutes and bylaws to thirty five per cent of the Ordinary membership

RN explained that this is in breach of normal majority rule, but put forward for practical reasons as last year a quorum was reached by only one vote, and the year before it was also difficult to reach a quorum. Despite weeks of canvassing, GA7 is in danger of not reaching a quorum, partly due to flight

cancellations. As RSPO grows, a quorum of 50% will be harder to attain as more join to be members, but may not be actively involved.

DB commented that he found it difficult to accept a quorum at 35% because it should be generally 50% or more. Some organisations get around this with postponement. He emphasised the need to get members to be present or to send in proxies by email or fax.

MB supported the resolution. He reminded members that all the RT have been held in South East Asia, but that a GA in RoW, e.g. China and India would make it difficult to reach 50%

JKV said that members who have not paid membership dues should be excluded from voting. He added that the vast majority are in SEA and it is a sensible decision to continue to have events there. The problem can be reduced by ensuring members are active and to get proxies.

IT asked what happened if a quorum is not met, as current bylaw does not provide for adjournment. JKV agreed and suggested this is reviewed in the by-laws

IM agreed with DB, but added need to be practical. With a lower level for quorum the RSPO can have an effective GA but the EB should find ways to engage better and earlier with members so that there is pressure applied to respond in time. A more proactive communication strategy with membership that they have to be proactive and be involved through proxy. In the short term agreed to 35%, with reservation for a review in 12 months.

AH stated that RSPO should not undermine the principle of what a quorum is. Instead should look at ways to get constituencies to vote and develop alternatives to get the votes in such as internet voting.

MRC added that by-laws need to be relooked at. Normally in organisations like this, 90 days after non payment, then they are suspended and have no rights, access to communications and privileges.

JKV said that RSPO needs to review of bylaws on the basis of legal advice, as there is a need to create a legal bypass. TL added that if there is no quorum we cannot approve accounts and approve resolutions.

PR said that FSC has over 800 numbers. GA three years and 50% plus 1% quorum. RN commented that the FSC system is not comparable to the RSPO. For example, resolutions are required six months before. RN stated that she would support withdrawing resolution based on the discussion.

MDH stated that EB should not change a fundamental principle for solving an ad-hoc problem. If each EB members contacts 20 members, there can be a quorum. Supports withdrawal of resolution.

BH agreed that on the principles front, it is a drastic step away from democracy. RSPO has lots of criticism both ways, dominated by growers and industry on the one hand and western NGO on the other. In agreement with MDH that there is a practical issues that need to be resolved and prioritised.

TL added that some organisations can make a decision called ad-referendum, i.e. make a decision and then go back to ask members. If they do not agree, then they respond. There is a mechanism to make progress. So in the future, for the accounts, this can be done.

Action: Withdraw the resolution. Increase discipline for members with arrears or who do not follow code of conduct.

New SG and management team will look at statutes and bylaws when in place.

5.2. Postponement of the implementation and Review of New Planting Procedure (NPP)

AH stated that many stakeholders felt that Resolution 6F about the new planting procedures (NPP) was put forward in bad faith as it asserted that due process was not followed around the development of the NPP. There was a decision by GA to create a NPP WG which was duly constituted. The membership was approved by GAPKI and MPOA. The WG went through the appropriate process and recommendations were done in a transparent and approved manner. It was carried out by consensus so stakeholder are not sure why this is being placed at the GA and the implication is.

ES said that MPOA and GAPKI felt that this NPP was not in process and procedure decision making within RSPO because it was a unilateral decision. It was not adequately reviewed by growers and engagement was minimal. Growers felt that decision making by consensus and applicability of procedure was questionable.

JKV asked whether ES is speaking on behalf of GAPKI and MPOA. JG confirmed that MPOA was also a signatory to the resolution.

MDH asked ES to clarify what he meant by applicability being questionable.

ES stated that the NPP is questionable in eyes of growers. There are a number of issues in the field, and growers are looking for an opportunity to review and study the process. During the adoption of the NPP, it needed more engagement. The resolution is also related to another resolution in which the grower would like to table a resolution on reviewing and revising process in decision making in terms of P&C and how to reform structure of EB. Growers feel the aspiration and representation of growers are being marginalised in decision making.

PN asked whether GAPKI was in the NPP WG. ES confirmed. PN enquired what had changed. ES clarified that it was a delayed awareness by the plantation group. Thought that process and implementation could be done but companies developing plantations are asking for this to be relooked at.

MB stated that the resolution is only on behalf of growers of Malaysia and Indonesia. They did not consult RoW, so RoW does not support the resolution, and this should have been made clear.

AH stated that he has no objection to a review of the NPP. He also would like to know why so few NPP notifications have been made. His objection is that the resolution says that due process was not sufficient. Placing the resolution in those terms is incorrect when due process was taken.

TK said that the NPP was agreed to be reviewed after the first year, so does not see need to suspend it prior to the review.

JKV clarified that there was a GA resolution to develop the NPP. EB was asked to by the GA to approve or to turn down the NPP. GAPKI and MPOA agreed to approve. JG clarified that he did not represent MPOA at that time.

JKV said that it was in the plan to review procedure but now there is a question embedded in this resolution to postpone the implementation of NPP.

AH asked to make an EB decision to reconstitute the WG and to review NPP and which does not require suspension or postponement. JKV said that there is no need to make that decision because it has already been made.

ES reiterated that there is no harm or restriction in tabling resolutions. GAPKI asks EB to honour and respect the desire to table at GA, as this is a growing concern among growers.

NJ asked whether within GAPKI, those that disagree are members of the RSPO or non RSPO members. ES clarified that he spoke on behalf of all GAPKI members. TK enquired what percentage of GAPKI members are members of RSPO. ES stated that a minority of growers are members of RSPO.

JV stated that the EB is currently looking at a potential member of RSPO, Golden Agri Resources willing to come to RSPO. The Grievance Panel worked with them to reach agreement on committing to the RSPO with commitment to NPP. This resolution which was written before that agreement was reached is therefore very surprising.

IM said that he understands the need to take in the views plantation industry and GAPKI RSPO members. Understands reluctance, but many customers ask about NPP and how rigorously or successful RSPO will manage NPP and GHG. IM has been reassuring customers on this, and RSPO is potentially doing itself a big disservice by delaying or reversing the progress. This is quite risky for RSPO to vote on this because it can generate very negative news for RSPO.

PR supported the review and added that as a customer he can confirm that a postponement of the NPP will be seen as a step back in protection of HCV. A headline of RSPO reversing would be a big risk.

JV said that this could be a Code of Conduct issue, with two members, MPOA and GAPKI, who are not meeting code of conduct requirement to move towards implementation of RSPO P&C. He stated that the EB might face a potential serious grievance if this resolution is brought up for election.

JKV enquired how long a review of NPP would take and who will lead it. AH said that he original NPP WG should be the ones leading, but membership might need to be reviewed with consultation with MPOA and GAPKI. CT said that HCV review took 5 months. An NPP should take less as not many NPPs have been registered.

JKV asked how the most prominent members of GAPKI, Golden Agri Resources and PT Smart, are going to resolve this when they have gone public on their commitment including to the NPP. He agreed with JV that this goes against the Code of Conduct. He stated that GAPKI should consider whether they represent GAPKI RSPO members or GAPKI RSPO non-members and respond to this to the EB within the next three months.

PN said that they (GAPKI/MPOA) were member of the group that made that decision and it is a GA-approved resolution. He asked whether the board say that this is not a valid resolution because the EB has already taken a decision. JKV clarified that every member has the right to put in a resolution the EB can only reject resolution if it violates legal consideration.

DB stated that the resolution shows complexity of grower's positions and attitude. 40% of Indonesian growers are members are GAPKI. Members have 3 million out of 7 million planted hectares. Some

members of GAPKI have registered directly to be RSPO. There are differing attitudes between growers in South Sumatra, Kalimantan and Riau and their response to the current developments around Sinar Mas and Greenpeace. He asked the EB for more specific time line for review and points of contention in order to reconsider the resolution.

BH stated that the grievance panel of the PT Smart and GAR case had reached a public statement and route to resolve the case. The case cannot be won't be able to resolve that grievance if this resolution is passed.

MRC stated that if the resolution is passed goes through the GA, then the whole RSPO is at stake. The EB has approved the NPP and the people putting this resolution are also from the EB, so it looks odd. If these criteria in the NPP are going to be reviewed then there is not necessary for the resolution now and can be put forward at the time of the review.

Action: Secretariat to check who were members of NPPWG so it can be reconstituted and undertake the review. GAPKI to address representation of non-RSPO vs RSPO members

5.3. *Resolution 6e - Ensuring Balance between Producer and Non-Producer Stakeholders*
JKV proposed that if resolution 6e is carried at GA7, the WG is the EB.

6. PT Smart/GAR Case

JV invited EB members to ask about the position and agreement reached by the Grievance Panel. There were no questions.

7. AOB

RN informed the EB that the Minister has confirmed to speak. Key note speaker in the afternoon will be Dr. Emil Salim, a prominent environmental economist.

Breakout sessions on day 1 of RT8 may be hard hit due to volcano and speakers might not be present but that plenary panels would not be so badly affected.

MB announced that he would be ending his term as representative for Producers in the Rest of the World and thanked the EB

FF raised the issue that there are questions in Indonesia about the income of RSPO, claiming that RSPO is no longer a non profit. Need to be better in explaining to them what projects the RSPO spends funds on etc. JKV agreed with the point and added that he treasurer's report is the place to do this. He also said that if the EB approves all requests for support, there will be a shortfall of RM 2 million this year. Projects need to be communicated as part of the communications strategy.

Appendices (for EB only):

1. Treasurer's report