

EB 01-07: Minutes of Executive Board Meeting

Date : Thursday & Friday, 25-26 January 2007
Venue : Unilever Offices, Rotterdam, the Netherlands
Start times : 0900

Participants:

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| 1. Derom Bangun (GAPKI) | 14. Tim Stephenson (Aarhus Karlshamns) |
| 2. Umberto Villars (Migros) | 15. Ian McIntosh (Aarhus Karlshamns) |
| 3. Simon Lord (New Britain Palm Oil Ltd) | 16. Fitriani Ardiansyah (WWF-Indonesia) |
| 4. Johan Verburg (Oxfam) | 17. Mohd Nor Kailany (Felda) |
| 5. Tony Lass (Cadbury Schweppes) | 18. MR Chandran (Advisor) |
| 6. Rikke Netterstrom (The Body Shop) | 19. Andrew Ng (Secretariat) |
| 7. Rudy Lumuru (Sawit Watch) | 20. Aemelia Kalsom Mohd Khalid (Secretariat) |
| 8. Matthias Diemer (WWF Switzerland) | 21. Desi Kusumadewi (Indonesia Liaison Office) |
| 9. Jan Kees Vis (Unilever) | 22. Si Siew Lim (Secretariat) |
| 10. Simon Harris (HSBC Bank Malaysia Bhd) | |
| 11. Samantha Lacey (CIS) | Absent (substantive EB members): |
| 12. Chew Jit Seng (MPOA) | |
| 13. Don Grubba (IOI Group) | 1. Mamat Salleh (MPOA) |

Agenda:

1. Introduction and RSPO Antitrust laws

2. Confirmation of minutes of past EB meetings and GA3

3. Secretariat

- 3.1 Accounts & finances: Presentation of audited accounts and finance update
- 3.2 RSPO Indonesia Liaison Office: Update
- 3.3 Secretariat relocation/upgrading and legal status

4. Membership

- 4.1 Outstanding membership applications: Syngenta and Control Union Indonesia
- 4.2 False claims (Proposed by Agropalma)
- 4.3 Greenergy letter/FEDIOL statement/RSPO Statement on Biofuels
- 4.4 Statement from Migros
- 4.5 Grievance procedure re-proposal
 - 4.5.1 Review of Grievance procedure by EB for re-proposal
- 4.6 Code of Conduct
 - 4.6.1 Next steps: Revision of current annual reporting format
- 4.7 Anti-trust guidelines
- 4.8 Multiple membership issues (Proposed by PT Musim Mas)
- 4.9 Concern over involvement or engagement of Africa and Latin America stakeholders (Proposed by Fedepalma)
- 4.10 Reduced membership rates for NGOs, etc.
- 4.11 New membership applicants' commitment to sustainability
- 4.12 Resignation of RSPO members (Proposed by M R Chandran)

5. Projects & working groups

- 5.1 Two-year P&C trial implementation
 - 5.1.1 ProForest/DOEN proposal-capacity building for effective implementation of RSPO P&C
 - 5.1.2 Process for reviewing P&C in November 2007
- 5.2 National Interpretation: Updates
 - 5.2.1 Funding for National Interpretation groups
 - 5.2.2 Presentation on National Interpretation in PNG
 - 5.2.3 Establishment of Indonesia Smallholder P&C Working Group
- 5.3 Verification issues
 - 5.3.1 Updates: ProForest proposal, VWG next steps, etc.
 - 5.3.2 Interim claims and minimum standards
 - 5.3.3 Audit reports on RSPO website
- 5.4 Supply chain issues
 - 5.4.1 GreenPalm
 - 5.4.2 Supply chain proposal
- 5.5 Communications proposal
- 5.6 Alternatives to Paraquat project proposal update
- 5.7 BMP project
- 5.8 Seed funding allocation for other RSPO projects (Smallholder Task Force, FPIC, Biodiversity training, and smallholder chemical training)

6. RT5 planning

7. Matters arising

- 7.1 Next EB meeting
- 7.2 Proposal for acquiring membership database & management software

Minutes:

1. Introduction and RSPO Antitrust laws

Jan Kees Vis (JKV) welcomed all to the Executive Board meeting. RSPO Antitrust laws were also covered. After confirmation of the proposed meeting agenda, the meeting commenced.

2. Confirmation of minutes of past EB meetings and GA3

DECISION: All agreed to confirm the following meeting minutes:

- EB 04-05
- EB 01-06
- EB 02-06
- EB 03-06
- EB 04-06
- GA3

3. Secretariat

3.1 Accounts & finances: Presentation of audited accounts and finance update

Tim Stephenson (TS) briefed EB on RSPO accounts. MR Chandran (MRC) and Jan Kees Vis (JKV) raised concerns over a statement on page 9 regarding legal entities and TS agreed to reword to Roundtable on Sustainable Palm Oil comprises registered members worldwide and is in the process of being registered as a legal entity in Malaysia, Note 2, all computer equipment written off to the profit and loss account and note 5, to change the wording to the purpose of this Fund is to meet specific project costs by way of sponsorship income. JKV proposed a vote of thanks to the RSPO Treasurer.

ACTION: Secretariat to inform Parker Randall on the final changes

Management Accounts from July 2006 to Dec 2006

Tim Stephenson (TS) explained RSPO's Balance Sheet as at 31st Dec 2006. Subsequent discussions were focused on the collection of outstanding debts. Andrew Ng (ANG) stated that the Secretariat still needs to determine some unidentified payments. Jan Kees Vis (JKV) suggested that every member with outstanding fees should receive a letter with an appendix that includes their joining date as well as an invoice for outstanding fees. ANG added that this letter should also instruct members to send proof of payment if they have made payment already. Simon Harris (SH) offered his and Chong Wei Kwang's assistance with RSPO's bank statements should the Secretariat encounter any problems.

JKV added that it is priority (until end of June 2007) for Secretariat to chase outstanding debts as this is a serious issue affecting the validity of GA voting. Matthias Diemer (MD) stated that actions taken on the case of non-payment should be consistent with RSPO Bylaws.

TS continued explaining the balance sheet and added that once debtors pay up, RSPO should have over 1 million Ringgit to spend. However, TS reminded EB that RSPO should keep a financial buffer in terms of reserves for future commitments as well as legal claims. JKV added that a legal reserve should be in the order of one year's income. MR Chandran (MRC) enquired if reserves should be put in fixed deposit. SH again offered his and Chong Wei Kwang's help to the Secretariat in setting up a fixed deposit arrangement in HSBC Bank Malaysia Berhad. Derom Bangun (DB) felt that excess funds should be put into fixed deposit and not other investments.

ACTION:

- Secretariat to distribute current list of debtors to EB
- Secretariat to retrieve outstanding debts following a stepwise approach:
 - Write individual letters to members with outstanding debts
 - Letter should include an appendix containing membership information, date joined, outstanding invoice(s), as well as a request for proof of payment if payment has already been made
 - Follow-up with phone calls and emails
 - If contact with debtor cannot be established after one month, send a warning letter (stating that if payment is not received in 2 months' time, they will be expelled)
 - If needed, send letter to expel member for unpaid subscription fees
- Secretariat to provide a detailed debtors' list to EB by end of June 2007

3.2 RSPO Indonesia Liaison Office: Update

Desi Kusumadewi (DK) provided an update on the RSPO Indonesia Liaison Office (RILO) along the following lines:

- Office set-up
- Set up RILO section in RSPO website
- Translation of key RSPO documents
- Support meetings, discussions on implementation of P&C and NI
- Monitoring and reporting of progress of P&C implementation to RSPO
- Conduct meeting and discussions on smallholders, support and co-ordination for STF meetings
- Communication of RSPO P&C to local government in Nunukan district, East Kalimantan

Fitrian Ardiansyah (FA) offered WWF Indonesia's assistance with the eventual relocation of RILO. As funding was requested for the Indonesian smallholder work via RILO, Matthias Diemer (MD) asked for the budget but firstly Jan Kees Vis (JKV) enquired about the relationship between the work and the Smallholder Task Force (STF). Andrew Ng (ANG) explained that from his understanding, the RILO work on smallholders is one part of the STF's work in Indonesia. If RSPO submits proposal of funding for the work of Indonesian smallholders, JKV warned that questions will be raised by potential fund providers if there is duplication of work between Indonesian smallholders and STF. In summary, JKV suggested that RILO should get in touch with STF coordinators with regards to funding since STF has already asked for funding from the Tripartite. However, if funding is still deemed inadequate, EB should receive a budget and workplan for consideration.

ACTION: Indonesia Liaison Office to coordinate funding requests with the Smallholder Task Force.

3.3 Secretariat relocation/upgrading and legal status

Andrew Ng (ANG) provided an update on RSPO's legal status arrangements. In summary, Tim Stephenson (TS) explained that the situation remains unchanged from the last EB meeting. Jan Kees Vis (JKV) stated that this is a serious issue that needs to be solved. JKV also enquired about the financial implications of contractors becoming employees. MR Chandran (MRC) explained that 17% of salaries for EPF and SOCSO payments are sufficient.

DECISION:

- Andrew Ng agreed to be one of the Directors
- MR Chandran agreed to be the minority shareholder (1 share; 99 RSPO shares)
- All agreed to a 2-week deadline for a decision on 2 Directors and minority shareholder for the Secretariat's registration as a private limited company in Malaysia.

ACTION:

- MPOA to advise on whether Mamat Salleh agrees to be one of the Directors. Failing which, Simon Harris of HSBC Bank Malaysia Berhad will take the spot.
- Secretariat to prepare adjusted budget to include 17% salary increases.

JKV requested for an explanation of specific office setup costs. ANG explained that 'professional fees' should cover unbudgeted needs for external consultants (i.e. facilitators, etc.) for various activities. Although agreed, ANG also revisited reasons why the Secretariat needs to move to a new premise. Finally ANG added that additional staff and resources (i.e. computers, software, etc.) were needed to provide support services.

After some discussion on the Secretariat's resource needs, JKV felt reluctant to have 6 full-time employees for a 150-member association. However, it was pointed out during discussions that RSPO is heading to a point where professional communications resources may be required in the near future.

DECISION: All agreed to hiring an office assistant and the moment of hiring will be when the Secretariat moves to a new premise.

4. Membership

4.1 Outstanding membership applications: Syngenta and Control Union Indonesia

A. Syngenta

DECISION: All agreed to reject Syngenta's request to upgrade to Ordinary Membership, on the grounds of not (yet) meeting the requirement to physically handle palm oil. However, the EB is pleased that Syngenta are currently 3-time Affiliate Members.

ACTION: Secretariat to advise Syngenta on EB's decision above.

B. Control Union Indonesia

DECISION: All agreed to accept Control Union Indonesia as an Affiliate Member.

ACTION: Secretariat to send acceptance package to Control Union Indonesia.

4.2 False claims (Proposed by Agropalma)

Jan Kees Vis (JKV) felt that Daabon's brochure containing RSPO's logo is misleading and should be changed. JKV also warned that RSPO should be cautious about the use of the logo at the moment.

ACTION: Secretariat to send a letter to Daabon requesting them to remove the RSPO logo from their brochure based on the fact that they are creating the impression that they are RSPO-certified.

4.3 Greenergy letter/FEDIOL statement/RSPO Statement on Biofuels

DECISION:

- All agreed for RSPO to have a statement on biofuels
- All agreed that a small group within EB (Matthias Diemer, Don Grubba, Samantha Lacey, Tony Lass, Johan Verburg and Chew Jit Seng) to finalize RSPO's draft biofuel statement
- All agreed that this statement should be a general statement listing challenges this new development will pose to RSPO as well as what RSPO can and cannot do

ACTION:

- Secretariat to respond to Greenergy and Cargill informing them of EB's decision above
- Small group above to distribute RSPO's final statement on biofuels to the rest of EB by 28 February 2007

4.4 Statement from Migros (Lead: Migros)

Umberto Villars (UV) explained that Migros merely wanted to provide information to EB. Rikke Netterstrom (RN) added that it is not the intention of retailers to replace the Principles & Criteria with EUREPGAP but just to raise concerns if some aspects of EUREPGAP can be used for RSPO. Jan Kees Vis (JKV) suggested the need for a checklist comparing other certification schemes with the P&C.

ACTION: Secretariat to suggest to VWG to produce a checklist comparing other certification schemes with the P&C

4.5 Grievance procedure re-proposal

4.5.1 Review of Grievance procedure by EB for re-proposal

At EB 03-06 meeting on 20 November 2006 the EB decided to withdraw the proposed Grievance Procedure from the GA3 Agenda:

RSPO By-Law new article: Grievance procedure

An arbitration board consisting of the RSPO President as Head and 4 other members to be appointed by the Executive Board would consider appeals and decide to reject, suspend or terminate membership. Grievances against RSPO members should be notified in writing to the RSPO Secretariat. The arbitration board can also provide the Executive Board with recommendations for resolution of grievances. Appeals: the right to appeal exists so long as notification of appeal is given in writing to the RSPO Secretary General within 14 days with any supporting material.

Amendment RSPO Statutes Article 7 – Termination of membership

Expulsion pronounced by the Executive Board for non-payment of the membership fees or on basis of serious grounds, provided said member has been convened by registered mail to stand before the Executive Board or arbitration board as appointed by the Executive Board in order to provide explanations. An Executive Board member under consideration for expulsion may not vote on this decision.

Discussions on RSPO's grievance procedure revolved around the following points:

- Revisiting the PT Musim Mas case, Jan Kees Vis (JKV) stated that RSPO is not the palm oil police but if someone complains about our member, RSPO needs to take action.
- JKV added that RSPO's ability to conduct investigations and come up with any conclusion is limited.
- Simon Harris (SH) stated that actions need to be taken. For example, the accused could be asked to step aside until a particular case is settled.
- JKV stressed the need for speed in handling grievances so JKV prefers to start the grievance process with a core group and then expand to include other stakeholders if needed.
- Tim Stephenson (TS) felt that the grievance panel should have some flexibility in composition on a case-by-case basis.
- JKV added that grievances should be dealt with by the panel but appeals need to go to the entire Executive Board.
- Matthias Diemer (MD) reminded EB that a flow and panel composition had been agreed upon in the past.
- JKV felt that as a first step in handling cases, the panel should produce a position statement on the RSPO website

ACTION:

- Secretariat to write-up latest grievance procedure incorporating the original proposal, discussion points above as well as past agreements.
- Secretariat to distribute latest grievance procedure to EB for approval

Derom Bangun (DB) voiced discontent over the current composition of the grievance panel. JKV responded by saying that expertise on social and environment issues will probably be needed when dealing with grievances and that was original intention of including both environmental and social NGOs in the panel. JKV added that the objective was to solve cases efficiently and accurately.

DECISION: All agreed that proposed changes to RSPO Statutes Article 7 above should remain.

Dutch NGO Palm Oil Platform request on Grievance procedure

Jan Kees Vis (JKV) stated that RSPO should reply to the Dutch NGO platform about having accepted a grievance procedure, but and explicitly explain that RSPO's ability to do impartial fact-finding is limited.

ACTION: Oxfam to respond to Dutch NGO platform on behalf of the RSPO EB.

4.6 Code of Conduct

4.6.1 Next steps: Revision of current annual reporting format

Rikke Netterstrom (RN) proposed that each sector get together and discuss how best to report. RN does not agree with a single template for reporting. Chew Jit Seng (CJS) felt that non-producer sectors do not have to comply with the P&C and thus should demonstrate commitment to RSPO. Finally, RN stated that her own sector will look at reporting guidelines for retailers so that future reporting done better.

DECISION: All agreed that RSPO's reporting format remain unchanged. However, all recognized that the new Code of Conduct makes annual progress reporting mandatory.

ACTION: Secretariat to send reminder to RSPO members regarding reporting (bearing in mind, timing for compilation prior to RT meetings).

4.7 Anti-trust guidelines

ACTION: Secretariat to post latest RSPO antitrust guidelines (with MPOA input) on website.

4.8 Multiple membership issues (Proposed by PT Musim Mas)

Simon Harris (SH) felt that the issue was important and should not be ignored. Derom Bangun (DB) explained that PT Musim Mas was worried about potential biases (from multiple memberships) during voting at General Assemblies. Jan Kees Vis (JKV) added that it is conceivable that one company can dominate and he proposed the EB take action only when that is apparent. JKV suggested that one solution could be to change the way GA voting is conducted.

4.9 Concern over involvement or engagement of Africa and Latin America stakeholders (Proposed by Fedepalma)

As a potential solution, Simon Lord (SLO) nominated Marcello Brito of Agropalma (Brazil) as his alternate. SLO wanted to make a case that Marcello be invited to EB meetings despite EB's recent decision to limit each EB member to one voice. SLO also mentioned succession planning for Marcello Brito to take over when SLO steps down.

DECISION: All agreed that Marcello Brito of Agropalma is EB alternate to Simon Lord and be allowed to attend EB meetings.

4.10 Reduced membership rates for NGOs, etc.

EB members were briefed on recent developments and the issue of reduced membership fees for small producers from MPOA was also cited as another consideration for having reduced membership fees for potential members who would be challenged in meeting the RSPO membership fee structure. EB agreed that at present it was wise to monitor the situation regarding membership fee situation for now. In addition, the expressed policy of considering on a case-by-case for membership fee reduction or waiver would be better communicated to potential applicants on the RSPO website.

ACTION: Secretariat to communicate possibility of reduced membership fees on website.

4.11 New membership applicants' commitment to sustainability

DECISION: All agreed to:

- Be a bit more firm in asking applicants to address all parts of the membership application form, especially under Section 2 of the application
- Provide a place for applicants to sign-off on RSPO's Code of Conduct

ACTION: Secretariat to make the above adjustments to the membership application forms and application process.

4.12 Resignation of RSPO members (Proposed by M R Chandran)

ACTION: Secretariat to state explicitly in membership application forms that RSPO's membership commitment is for 2 years.

5. Projects & working groups

5.1 Two-year P&C trial implementation

5.1.1 ProForest/DOEN proposal-capacity building for effective implementation of P&C

Andrew Ng (ANG) explained ProForest's proposal to the EB.

After discussion, the following points in ProForest's proposal require clarification:

- WWF was stated as a reference (in ProForest's proposal to DOEN) and WWF has not seen this proposal.
- Secretariat committing to find 10 participating companies for the project
- EURO 145,000 contribution from 10 participating companies
- RSPO's role in the selection of 10 participating companies

- Discrepancy in figures mentioned in proposal
- Geographic coverage of project to include areas outside of Malaysia and Indonesia?
- Will project participants have the option of expanding ProForest's audit to cover the entire P&C?

Fitrian Ardiansyah (FA) felt that plantation companies should have the freedom to choose consultants other than ProForest. MR Chandran (MRC) stated that ProForest is offering capacity-building for local auditors, which will meet the demands of P&C certification come November. Tony Lass (TL) stressed the importance for RSPO to find clarity on Principles 5 & 6 and TL felt that ProForest's proposal could provide this. Chew Jit Seng (CJS) relayed that Kulim has expressed interest in being involved in such a project.

ACTION: Secretariat to seek clarification on the above points from ProForest and distribute answers to EB for consideration of the proposal.

5.1.2 Process for reviewing P&C in November 2007

Matthias Diemer (MD) stated that the National Interpretation process is moving slowly and raised concern whether RSPO will be ready for a review of the P&Cs in November 2007. Jan Kees Vis (JKV) reminded EB that the P&Cs will continuously evolve and another review period may be required 2 years from now. JKV enquired about National Interpretation in Latin America and Africa. Simon Lord (SLO) responded that he knows of work being done in Brazil and Columbia but is unsure about Africa. JKV stressed the need to inform members who wish to provide input of the timeline for review of the P&Cs. Tony Lass (TL) felt that RSPO needs to write-up its review mechanism stating that the P&Cs are not 'set in stone' and that there will be regular review process. JKV foresees the need for a standards committee in the near future. Simon Harris (SH) agreed and cited the failure of other certification schemes due to not having a proper review process plan. Derom Bangun (DB) suggested that RSPO should make a statement on the finalized P&C (i.e. P&C 2007) by RT5. JKV reminded EB to think about a review mechanism and present a final P&C review procedure by November 2007.

Based on early feedback from PNG stakeholders, minor changes to the P&C guidance document can be expected at RT5. JKV suggested that a large meeting may not be necessary to review the P&C prior to RT5. SLO was in favor of having a pre-meeting and then presenting the finalized P&C at RT5. This will be followed by approval at GA4. SLO suggested offering 1-5 delegates from each region to bring their National Interpretation of the P&Cs to the pre-meeting. JKV summarized that the meeting to review the P&C should encompass results of NI processes in Malaysia, Indonesia and other regions that have done so. The objective of meeting is to agree to a new wording for P&C, if necessary. Johan Verburg (JV) reminded EB to include the Smallholder Task Force as an NI group as well. MR Chandran (MRC) also mentioned Rabobank's interest in possibly sponsoring or hosting the P&C review meeting. SLO stressed the importance of preparing strong guidelines in the briefing document to ensure stakeholders do not propose fundamental changes to the P&C document.

DECISION: All agreed to have a meeting on 8 & 9 October 2007 in Jakarta for NI groups to review the P&C.

ACTION: Secretariat to prepare a budget for P&C review meeting in consultation with ProForest (approximate budget EURO 10,000) incorporating the following points:

- Travel cost of participants not covered
- Approximately 20 participants expected (not including EB observers and support team)
- EB members welcome as observers (approximately 10 pax)

5.2 National Interpretation: Updates (Lead: MPOA, GAPKI and NBPOL)

5.2.1 Funding for National Interpretation groups

Derom Bangun (DB) stated that the Indonesian National Interpretation group needs funds for carrying out their work. Simon Lord (SLO) provided an update on PNG's national interpretation/implementation process. SLO explained that the PNG NI group has completed national interpretation and also managed to put together a pass/fail criteria for this. Jan Kees Vis (JKV) suggested that this information be fed to ProForest. In Malaysia, Chew Jit Seng (CJS) explained that the Malaysian NI group has submitted a proposal for funding to the Malaysian Ministry of Plantation Industries and Commodities amongst other projects. JKV suggested looking at total demands/requests made to EB in view of funds available at the end of the EB meeting to decide on which projects to fund. JKV again stressed the importance of recovering debts over the next few months.

Desi Kusumadewi (DK) handed to EB a letter from the Indonesian National Interpretation Working Group (INA-NIWG) that provided a detail of the members of INA-NIWG, workplan, budget and minutes of its formative meeting. In addition, the INA-NIWG has requested financial assistance from RSPO, as communicated through RILO and Secretariat.

DECISION: EB decision is deferred to item 5.8 below

5.2.2 Presentation on National Interpretation in PNG (Lead: NBPOL)

Refer to Day 2 start of meeting.

5.2.3 Establishment of Indonesia Smallholder P&C Working Group (Lead: GAPKI/RILO)

Agenda item discussed under Item 3.2.

5.3 Verification issues

5.3.1 Updates: ProForest proposal, VWG next steps, etc.

ACTION: Secretariat to check if VAT charges were included in previous invoices from ProForest.

NOTE: Since the EB meeting, ProForest has clarified to Tim Stephenson that no VAT has been or will be charged on their invoices to RSPO.

Don Grubba (DG) proposed to reduce the number of Verification Working Group (VWG) member for efficiency and speed. DG also suggested for a revision of the payment schedule to ensure ProForest delivers the final product in a timely manner. Simon Lord (SLO) felt that 3 producer representatives in the VWG are not sufficient to cover the wide geographic spread of palm oil production. MR Chandran (MRC) stated that having 2 auditors in the VWG is also insufficient. Jan Kees Vis (JKV) reminded EB members that the earlier criticism of the VWG was that representation was not sufficient, not balanced, etc.

DECISION: All agreed to the following changes in ProForest's VWG proposal:

- VWG composition: remains the same with 3 auditors instead of 2
- Revise payment schedule

ACTION:

- Secretariat to discuss the above points with ProForest
- Secretariat to send PNG National Interpretation documents to ProForest

<Day 1 meeting adjourned at 1700>

<Day 2 meeting commenced at 0910>

Simon Lord (SLO) presented results of the PNG National Interpretation Working Group.

Tony Lass (TL) and MR Chandran (MRC) voiced concerns about the applicability and benchmarking of the P&Cs for smallholders as well as timelines for delivery of results. Jan Kees Vis (JKV) felt that it was inevitable that some will pass and some will fail audits. JKV enquired if audits can still take place without National Interpretation in place. SLO responded that audits can still take place. SLO suggested for the CWG to decide on compulsory and measurable indicators so that there will be minimum standards even without the presence of National Interpretation. JKV felt that a good auditor would be able to make judgement on compulsory indicators anyway.

MR Chandran (MRC) enquired about who would have to be responsible for smallholders. Would it be millers, plantations or refineries? SLO responded that in PNG, if a company buys the palm fruit, the company has to be responsible for the audit. JKV felt that responsibility at the mill level is acceptable but not beyond. Chew Jit Seng (CJS) suggested that a logical approach for smallholders would be phased implementation. SLO added that the PNG NI group is now called the National Implementation Group working on how to make RSPO work for all including smallholders. JKV mentioned the Rainforest Alliance and Unilever tea initiative in Kenya where similar work is being done to get smallholders onboard.

MRC raised concerns over plantation expansion into peat soils in Kalimantan (Indonesia) and Sarawak (Malaysia). MRC suggested a minimum indicator of 2m for planting on peat. Derom Bangun (DB) felt that one needs good reasoning to set a minimum depth (fixed figure) for planting on peat. JKV mentioned that carbon or Green House Gas balance of feedstock will be used for biofuel policies so depth of peat may not be the determining factor. CJS mentioned that the minimum regulation for planting on peat in Malaysia is 3m and also felt that peat soils can be planted with proper management.

Don Grubba (DG) raised concerns that if RSPO constantly evolves, new policies may be different by the time the P&C is implemented.

5.3.2 Interim claims and minimum standards

MR Chandran (MRC) felt that although the public is still has high expectations of RSPO and some industry groups like the EU Biodiesel producers are working towards their own production criteria and certification scheme. Don Grubba (DG) felt that confusion was caused by lack of communication while Matthias Diemer (MD) felt that confusion was caused by the impatience of certain sectors. Jan Kees Vis (JKV) felt that no further discussion on this topic is necessary and all agreed that communications is important.

5.3.3 Audit reports on RSPO website (Lead: Unilever)

Jan Kees Vis (JKV) enquired that in view of social criteria requiring public consultation, would it not make sense to keep a public register of certified companies? Simon Lord (SLO) and Chew Jit Seng (CJS) do not agree to have a full audit available on the website but would agree to post an executive summary. SLO added that the VWG should come up with a template for reporting audits. Fitriani Ardiansyah (FA) stated that public announcements of EIAs are required by Indonesian law and suggested that RSPO do the same. Johan Verburg (JV) added that this matter was also mentioned in

the NGO letter to the VWG. MR Chandran (MRC) enquired if this practice was above and beyond the requirements of the P&C. In response, JKV and SLO said that this is normal practice for auditors.

DECISION: All agreed:

- Mandatory for executive summaries of audit reports (template to be created by VWG) of certified companies to be posted on the RSPO website
- Mandatory for companies to publicly announce that they are going to be audited

ACTION:

- Secretariat to provide a space on the RSPO website for audit reports, summary reports and announcements of future audits as well as maintain a register of certified companies.
- Secretariat to ask VWG to include mandatory requirement for companies to publicly announce that they are going to be audited

5.4 Supply chain issues

5.4.1 GreenPalm

Ian McIntosh (IM) provided a detailed brief of the Green Palm brokering system and how it would operate using certificates. IM also shared views on the benefits to amongst players in the supply chain. He also touched on the fact that benefits would be seen by producers. IM further explained that market forces would prevail in the long-term over prices and that GreenPalm would be suited to the varying specifications of different sized companies with different quantities and needs. IM said the certificate trading system being promoted by GreenPalm would allow RSPO to meet its goals of bringing sustainable palm oil to the market without much disruption to the market or need for high infrastructure inputs necessary for dedicated or segregated supply. As such, it provides clear commercial value, is cost-effective and meets the existing demand immediately. In tying up to other pressing concerns of RSPO, IM argued that GreenPalm and certificate trading would give RSPO a degree of control over emerging claims made recently. Otherwise, other players would take advantage of the gap now and begin setting their own schemes for trading sustainable palm oil. In summing up, IM said GreenPalm was prepared to should most of the costs and that RSPO can support the scheme by licensing to it with time constraints for assurance and options. IM expressed concern that if RSPO does not demonstrate visible signs of taking control over the present situation, more parallel schemes would emerge as indicated by present trends (e.g. a German scheme being driven by Fediol).

Umberto Villars (UV) said that Migros would be satisfied with switching to the Book-&-Claim system as proposed by GreenPalm once certification is available. Don Grubba (DG) updated the EB on developments at Fediol where he said the RSPO Principles & Criteria for Sustainable Palm Oil Production (P&C) was being recognised as the primary standard for palm oil. He also added the need for any scheme to maintain transparency, thus maintaining credibility.

IM responded that GreenPalm will only act as the brokerage. Transparency issues are key to certificate trading and would be made public through the website. RSPO maintaining control over such schemes and certificates ensures credibility. DG added that it was important to work with other stakeholders like Fediol to be involved in-part on the development of a scheme and discourage independent initiatives that would unnecessarily compete with RSPO's scheme.

Jan Kees Vis (JKV) felt that reflecting on other schemes shows that a certificate trading system would work, while parallel trading or supply-chain mechanisms are needed. JKV said that key control must be maintained on amounts produced versus volume claimed in certificates. JKV cited the Utz Kapeh coffee scheme that has a brokerage scheme that allows traceability, including volumes and transfer of certificates from producers to buyers. Having a licensed trader or brokerage from RSPO would be beneficial. Matthias Diemer (MD) expressed concern over the potential for double selling and other unscrupulous acts that exploit the system.

Tony Lass (TL) proposed the setting of a central register of certificates by RSPO to ensure full control over the scheme. A task of the proposed central register would be to request declarations of sales volumes, buyers information and point of destinations.

DB touched on the potential good and bad from tapping the scheme for funds for RSPO. While it was a welcome benefit to RSPO it would also be potentially lower RSPO ability to remain objective.

The trading by GreenPalm would be independent of the audit and certification process, IM explained. JKV also said setting out clear accreditation rules for auditors would also be part of the checks and balances.

Chew Jit Seng (CJS) updated EB that the Malaysian National Interpretation process would also look into verification matters and that such a trade system was not opposed in general.

Johan Verburg (JV) expressed concern that there is no benefit for environmental and social concerns on the ground. JV felt there was little link between the trading of certificates and impacts on the ground. And skepticism on a Book-&-Claim system by consumers with green energy markets was another concern made. IM responded by reminding that the scheme proposed and GreenPalm does not make claims of direct links between raw materials and sustainable supplier. However, IM cautioned the EB that traceable palm oil has not aggressively grown in volume of total palm oil trade in 4-years of trading. IM felt the key consideration of cost for commodities would drive buyers towards cost-effective methods. On carbon neutrality, IM said speculation on what supply chain scheme is more carbon neutral is still rife.

Ian McIntosh (IM) summarized AAK's GreenPalm proposal. MR Chandran (MRC) felt that the EB should endorse this as a commercial venture that is workable. Umberto Villars (UV) enquired if GreenPalm will be a part of AAK. IM clarified that GreenPalm will be a subsidiary of AAK. Staffing and location will be as independent as possible. Rikke Netterstrom (RN) felt that RSPO needs to endorse one broker rather than allow a free-for-all situation. RN also requested for clarification on the brokerage fee and how money will be channeled towards RSPO. IM responded that much will depend on trading volumes. According to GreenPalm's business plan, the scheme should break even in 3 years. IM estimates that overheads will cost 3-5 dollars with a dollar going to RSPO and a 15% return on investment can be expected. Anything on top of this figure will go to the planter. IM reiterated that it is not the intention of GreenPalm to make certificated overly expensive.

Samantha Lacey (SLA) stressed the importance of communication. RSPO needs to state that the GreenPalm scheme is not the only mechanism RSPO is endorsing. SLA proposed to invite other supply chain mechanisms to meet these criteria.

For endorsement, Derom Bangun (DB) requested for transparency in the scheme as well as a written description of the scheme that is easily understood by Indonesian producers. IM responded that there will be limited marketing initiatives for GreenPalm. IM also stressed that the basic idea is for plantations to register their oil for sale and this option is open to all who wish to participate.

Don Grubba (DG) disagreed with awarding exclusive endorsement by RSPO to AAK, a sitting board member, without an opportunity offered for others outside the board to participate.

Tony Lass (TL) proposed to endorse GreenPalm for a specified time period and then it should be subjected to a review period. TL also felt that it was important to develop a very good communications package and launch the scheme at RT5.

Matthias Diemer (MD) offered support but also raised concerns about GreenPalm maintaining the central registry. MD would prefer RSPO to play that role instead. MD also stressed that transparency of transactions and interactions will be crucial. MD further added that Greenpalm should specify claims of the scheme. Jan Kees Vis (JKV) agreed that the RSPO website should be the central registry of volumes and transactions. JKV suggested posting certified companies and audits on RSPO website.

From there, a link can be made to the GreenPalm website for volumes. JKV requested for AAK to prepare a contract including the comments made above.

DECISION: All agreed to adopt the GreenPalm proposal in principle.

ACTION: AAK to draft contract between GreenPalm and RSPO covering transparency, description of claims, legal contracts, etc. and forward to EB for further consideration.

5.4.2 Supply chain proposal

Matthias Diemer (MD) briefed EB members on WWF's supply chain proposal. MD felt that RSPO needs to take a lead on creating and maintaining a central registry for sustainable palm oil. MD proposed a screen or system to evaluate each of the supply chain models.

Jan Kees Vis (JKV), Simon Harris (SH) and Don Grubba (DG) felt that the last bullet point of WWF's proposal was not feasible (i.e. limiting speculation). Rikke Netterstrom (RN) felt that it would be useful to have guiding principles during the initial stages.

DG stressed that EB needed to determine how much oil and how many people will be involved in the initial stage. Early levels need to be set to create initial interest and participants should be allowed to show continuous improvement over time. JKV suggested setting entry levels as low as possible while still maintaining minimum standards. RSPO can gradually raise the bar or introduce staggered levels of compliance (i.e. bronze, silver and gold levels, etc.). JKV enquired about why NGOs are not supportive of the mass balance system. MD responded that in general, it depends on the type of claim(s) being made as well as the implementation system of a particular supply chain model. JKV felt that if controlled mixing, mass balance and bulk models are not included, smallholders may be sidelined.

MD reminded EB that adoption of the principles must be followed by development of plans by EB and VWG to ensure to address some of these supply chain issues. Johan Verburg (JV) added that the NGO letter to the VWG mentions verification issues as well as supply chain issues. RN stated that DG's communications proposal is relevant in this case (i.e. guidelines for what people are allowed to say/claim).

Ian McIntosh (IM) warned that RSPO's reputation could lose credibility if RSPO fails to monitor where sustainable palm oil is going. In response, JKV felt that it is not complicated citing the example of the organics market. RSPO simply needs to make sure the volume of certificates traded matches the volume of oil produced. Tim Stephenson (TS) felt that calculations of percentages going in and out can still be complicated. JKV stated that there are already existing supply chain models that can be utilized. For controlled mixing, calculations need to be done for every step where mixing occurs. The Green Gold Label may be a useful model to study where different claims are allowed for different supply chain models.

MR Chandran (MRC) enquired if bullet point 6: *Costs and other burdens associated with supplying RSPO oil through the mechanism should be fairly shared amongst users along the supply chain and contained and/or compensated by market incentives* is acceptable to the rest of the supply chain? IM and DG responded positively.

DECISION: All agreed to adopt the WWF supply chain proposal in principle (removing last bullet point on speculation and edits to bullet point 6). However, a 2 week period will be given for final comments.

5.5 Communications proposal

Don Grubba (DG) explained his communications proposal and provided some suggestions on ways forward. DG mentioned the inconsistency of messages being spread by members and stakeholders to the public. Simon Harris (SH) offered support but raised concerns about RSPO's lack of resources and public relations expertise. DG responded that communications to governments are different and must be done in a face-to-face manner. Jan Kees Vis (JKV) felt that RSPO does not have an active communications programme and there is a need for one. Fitriani Ardiansyah (FA) supported the proposal and highlighted the role of the Secretariat in terms of communications. JKV felt that communications is a 2-way street. New initiatives also need to be made known to the Secretariat.

Rikke Netterstrom (RN) felt that is useful to have a small team and stressed the need to widen RSPO's communications role. RN felt that more business-to-business marketing is needed as well as a branding/communications working group over the next few months.

MR Chandran (MRC) enquired if RSPO is communicating to the right target audience. MRC explained that in Malaysia, the Ministry of Plantation Industries and Commodities expects RSPO to respond against damaging NGO campaigns. JKV reiterated that RSPO's role is not to fight anti-palm oil campaigns. JKV felt uncertain over the value of investing heavily in brand-building exercises. JKV also stressed the importance of ensuring balanced working groups.

DECISION: All agreed to form a Communications Working Group comprising of:

1. Don Grubba, IOI
2. Samantha Lacey, CIS
3. Matthias Diemer, WWF Switzerland
4. Chew Jit Seng, MPOA
5. Derom Bangun, GAPKI
6. Fitriani Ardiansyah, WWF Indonesia
7. Simon Harris, HSBC Bank Malaysia Berhad
8. Tony Lass, Cadbury Schweppes

The Secretariat will play a coordinating role.

ACTION: RSPO Communications Working Group to commence work immediately and possibly produce communications materials within a 2-month timescale.

JKV reminded the working group to consider including in their workplan, an RSPO event in Brussels. JKV mentioned that Unilever offices in Brussels can assist in setting up a 1-day workshop. Johan Verburg (JV) also reminded EB of Oxfam's earlier proposal to create a 'climate friendly' video link to communicate RSPO's work to European audiences during RT5. JKV felt that it was an issue of resources and preferred to have a European event in September 2007 to explain what RSPO aims to present during RT5 in November 2007.

5.6 Alternatives to Paraquat project proposal update (Lead: Secretariat)

Jan Kees Vis (JKV) explained that communications with CABI has been difficult since RT4. Tony Lass (TL) felt that this could be caused by CABI's restructuring exercise. JKV proceeded to briefly explain the project objectives again. MR Chandran (MRC) felt that phase 1 of the study (literature survey) has already been done several times in the past. Simon Lord (SLO) stated that the project should focus on practical trials on the ground. Matthias Diemer (MD) also mentioned that PAN and Syngenta (as participants in the consultation group) were also not mentioned in CABI's proposal.

Derom Bangun (DB) suggested approaching IOPRI and MPOB for base information. JKV suggested starting with a shortlist of chemicals for IOPRI/MPOB/consortium to conduct field trials on. Andrew Ng (ANG) reminded EB members that a consortium of researchers with IOPRI and MPOB onboard may be

technically sound but may have little credibility amongst wider stakeholders. SLO felt that a neutral scientist (not involved in the CWG) is needed as an anchor point to coordinate a worldwide study/field trial.

ACTION: Secretariat to approach CIRAD (Hubert Omont/Bertrand Talliez) to possibly carry out the project in consultation with Pesticide Action Network Asia & The Pacific (PANAP).

5.7 BMP project

Andrew Ng (ANG) provided a brief update on the status of the BMP project.

5.8 Seed funding allocation for other RSPO projects (Smallholder Task Force, FPIC, Biodiversity training, and smallholder chemical training)

DECISION: All agreed to allocate RM 500,000 equivalent to EURO 110,000 of RSPO funds for the following projects:

- Indonesian National Interpretation (EURO 12,500, 50% of total funding required)
- Finalization of VWG work (EURO 15,000, 33% of total funding required)
- Finalization of National Interpretation/Review of P&C (EURO 10,000)
- Smallholder Task Force (EURO 14,500)
- FPIC project (EURO 14,500)
- Alternatives to Paraquat project (EURO 14,500)
- Biodiversity training (EURO 14,500)
- Smallholder chemical training (EURO 14,500)

ACTION: Secretariat to communicate above EB decision to various project leaders.

6. RT5 planning

DECISION: All agreed that an offer be made to Hotel Shangri-La Kuala Lumpur to host RT5. However, if preferred dates cannot be offered, the offer will be made to Hilton KL.

ACTION: Secretariat to secure RT5 venue based on EB's decision above.

DECISION: All agreed that the RT5 Organizing Committee (operational during RT5 only) will comprise of the following EB members:

- Jan Kees Vis, Unilever
- Chew Jit Seng, MPOA
- Simon Harris, HSBC Bank Malaysia Berhad
- Fitriani Ardiansyah, WWF Indonesia
- Mohd Nor Kailany, FELDA

7. Matters arising

7.1 Next EB meeting

DECISION: All agreed that the next EB meeting will be held on 30 & 31 May 2007 in Kuala Lumpur.

ACTION: Secretariat to make logistical arrangements for the above EB meeting.

7.2 Proposal for acquiring membership database & management software

Andrew Ng (ANG) explained that the current accounting software has limitations. ANG requested to upgrade to more powerful software to handle both membership and accounts matters.

DECISION: All agreed to the Secretariat's proposal for acquiring membership database & management software.

Any other business

Chew Jit Seng (CJS) enquired about the engagement of governments in RSPO's work. Jan Kees Vis (JKV) suggested incorporating engagement of governments within the RSPO communications programme. JKV also mentioned that EB members involved in National Interpretation have a role in getting government representatives involved in RSPO. On the subject of getting governments involved in RSPO's work, MR Chandran (MRC) suggested that the RSPO President send a letter to the new MPOB Chairman inviting MPOB to be a member of RSPO.

ACTION: MR Chandran to draft RSPO letter to MPOB.

Desi Kusumadewi (DK) reminded EB members that the Indonesian National Interpretation Working Group sought endorsement from EB members.

DECISION: All agreed to the proposed composition of the Indonesian National Interpretation Working Group.

Johan Verburg (JV) proposed that the EB discuss 'land issues' and offered to prepare background documents for the discussion. JKV and Simon Harris (SH) agreed that the matter should be discussed.

ACTION: Oxfam to prepare discussion note on issues related to land matters in consultation with GAPKI for further discussion by EB.

Fitrian Ardiansyah (FA) remarked that the small number of NGOs involved in RSPO despite positive growths in general membership remains an issue that needs to be tackled.

EB members thanked Jan Kees Vis for organizing the EB meeting.

<Day 2 meeting adjourned at 1626>

RSPO Secretariat
4 February 2007

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