

## Minutes for BOARD OF GOVERNORS Meeting 01-18

**Date:** 30<sup>th</sup> January 2018

**Start Time:** 9.00am-5.10pm MYT

**Venue:** Renaissance Hotel, Kuala Lumpur

| <b>Attendance</b>   |  |
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| <b>BoG Members and Alternates</b>                                     |  |
| <b>In Attendance:</b>   | <b>In Attendance:</b>                      |
| <b>Substantive Members</b>  | <b>Substantive Members</b>                 |
| MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair                          | UNILEVER – Biswaranjan Sen (BW) – Co-Chair |
| WWF – Elizabeth Clarke (EC)   | FELDA – Tn. Hj Ab Ghani Mohd Ali (AG)      |
| GOLDEN AGRI RESOURCES – Agus Purnomo (AP)                             | HSBC – John Laidlow (JL)                   |
| AGROCARIBE – José Roberto Montenegro (JM)                             | MONDELEZ – Jonathan Horrell (JH)           |
| AAK – Tim Stephenson (TS)   | RPOG – Belinda Howell (BH)                 |
| BOTHENDS - Paul Wolvekamp (PW)  | WRI – Anne Rosenbarger (AR)                |
| HSBC – Ian Hay (IH)   |  |
| MARKS & SPENCER – Fiona Wheatley (FW)                                 |  |
| OXFAM – Johan Verburg (JV)  |  |
| RABOBANK – Geraldine Lim (GL)   |  |
| WILMAR – Daphne Hameeteman (DH)                                       |  |
|   | <b>Advisors</b>                            |
|   | MR Chandran (MRC)                          |
|   | Prof. Bungaran Saragih (BS)                |
|   | <b>Secretariat Staff</b>                   |
|   | Datuk Darrel Webber (DW)                   |
|   | Bakhtiar Talhah (BT)                       |
|   | Patrick Chia (PC)                          |
|   | Julia Majail (JM)                          |
|   | Javin Tan (JT)                             |
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|   | <b>Absent with Apologies</b>               |
|   | Stefano Savi (SS)                          |
| <b>Alternate Members</b>  | <b>Alternate Members</b>                   |
| FELDA – Izham Mustaffa (IM) ** (representing Datuk Ab Ghani Mohd Ali) | AAK – Caroline Westerik-Sikking (CWS)      |
| HUTAN – Harjinder Kler (HK)   | AHOLD – Hugo Byrnes (HB)                   |
| MPOA – Chew Jit Seng (CJS)  | MONDELEZ – Karimah Hudda (KH)              |
| SIPEF – Olivier Tichit (OT)   | RABOBANK – José den Toom (JT)              |
| OLAM – Audrey Lee (AL)  | UNIVANICH – John Clendon (JC)              |
| VERITE ASIA – Daryll Delgado (DD)                                     |  |
| ZSL – Izabela Delabre (ID) ** (representing Anne Rosenbarger)         |  |
| <b>In Attendance:</b>   |  |
| <b>Guest</b>  |  |
| Dato' Henry Barlow (HB) – Chair, Complaints Panel                     |  |
| Lim Sian Choo (LSC) - Member, Complaints Panel                        |  |
| Guus ter Haar (GH) - Consultant, NewForesight                         |  |
| Joost Gorter (JG) - Consultant, NewForesight                          |  |
| Ian Bretman (IB) – Consultant (Governance Review)                     |  |

| Item | Description   | Focal Point |
|------|---|-------------|
| 1.0  | <p><b>Introduction</b></p> <p>1.1 RSPO Antitrust Laws<br/>There will be no discussion on any commercial aspect of the trade in palm oil on premiums, volumes, individual suppliers, individual customers, etc.</p> <p>1.2 RSPO BoG consensus based decision making<br/>The BoG was reminded that they try to reach/make decision by consensus which is the absence of sustained objection.</p> <p>1.3 Approval of Minutes - BoG 04-17, BoG 05-17 and BoG 06-17 minutes have been approved.</p> <p>1.4 <b>Election of Office Bearers:</b><br/>The following persons have been re-elected as office bearers for RSPO in the Board of Governors:</p> <ul style="list-style-type: none"> <li>● Co-Chairman: Biswaranjan Sen-Unilever and Dato' Carl Bek-Nielsen-MPOA</li> <li>● Vice President I: Elizabeth Clarke-WWF (NGOs) *1</li> <li>● Vice President II: Agus Purnomo-Golden Agri Resources (Indonesian Growers)</li> <li>● Vice President III: Jose Roberto Montenegro-AgroCaribe (Rest of the World Growers)</li> <li>● Treasurer: Tim Stephenson-AAK (Processors and/or Traders)</li> </ul> <p>1.5 New Board Members</p> <ul style="list-style-type: none"> <li>● Agus Purnomo-Golden Agri Resources: Newly elected Vice President II (Indonesian Growers)</li> <li>● Daphne Hameeteman-Wilmar International: Newly elected (Processors and/or Traders)</li> </ul> <p>Note. *1<br/>EC will confirm her acceptance of the position of Vice President I within 2 weeks from 30 Jan 2018.</p> | EC          |
| 2.0  | <p><b>CEO's Report</b></p> <p>2.1 DW provided an update on recent developments in the sustainability space, and uptake data for CSPO. He presented shortlist of member companies who have, seemingly, dropped their uptake in Certified Sustainable Palm Oil.</p>   |             |

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|     | <p><b>Decision:</b></p> <p>1) The BoG is concerned with the drop in CSPO uptake by certain members and the decline in commitment in making sustainable palm oil the norm. The BoG requested the Secretariat, along with willing NGOs within the BoG, to engage with the aforementioned members and confirm the uptake figures and reasons for the decline.</p> <p>2) The BoG requested that the list of identified companies be kept on the agenda of all upcoming BoG meetings.</p>   | <p>Secretariat</p> <p>Secretariat</p> |
| 3.0 | <p><b>Overview of RT15</b></p>   |                                       |
| 3.1 | <p>The BoG endorsed the decision to give a 50% discount for the upcoming RT16 to those who could not make it to RT15 and have requested for a discount.</p>  | Secretariat                           |
| 4.0 | <p><b>Overview of GA14</b></p>   |                                       |
| 4.1 | <p><b>Resolutions – results and next steps</b></p> <p><b>Indonesian Grower Caucus (IGC)</b></p> <p>The BoG requested that AP consult with Indonesian growers and update the BoG on the formal registration and statutory obligations of the Indonesian Grower Caucus (IGC) at the next BoG meeting.</p>  | AP                                    |
| 4.2 | <p><b>Updates on previous resolutions</b></p> <p><b>a. Resolution 6g 2013 GA10 – Transparency in plantation concession boundaries</b></p> <p>TR updated the BoG that one member was terminated due to non-compliance of this resolution.</p> <p><b>b. Resolution 6f GA12 – Smallholder strategy and action plan</b></p>  |                                       |
| 4.3 | <p>JV updated the BoG on the work done by the Smallholders Interim Group (SHIG) and the proposed governance structure aligned with the Smallholders Strategy, which includes:</p> <ul style="list-style-type: none"> <li>● Current SH WG to continue its important work until the new structure is in place</li> <li>● SHIG to continue prioritising Objective 2, based on the approved ToR</li> <li>● Enhancing the Smallholder Unit within the Secretariat, with 8-10 positions to be recruited</li> <li>● To determine how the SH Support Fund will fit into the new structure and how it will be continued</li> <li>● A Smallholder Standing Committee shall be established</li> </ul> |                                       |

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| 4.4 | <p><b>Decision:</b><br/>The BoG endorsed the proposed governance structure, including the enhanced Smallholders unit within the Secretariat and the establishment of a Smallholder Standing Committee.</p> <p>The BoG requested the Secretariat to review and streamline the budget allocation for all smallholders related activities for FY 2018/19, as part of the budget approval process by the Finance Committee.</p> <p><b>c. Resolution 6h GA12 – Ensuring quality, oversight</b></p> <p>PW updated the BoG on the work done by the Assurance Task Force to date. The BoG emphasised that the credibility and integrity of RSPO is of high importance.</p> <p>The BoG requested that the Assurance Task Force continues to work with the Accreditation Body on improving the work of Certification Bodies, and to provide feedback to the BoG in identifying weaknesses in the system and ways to address them.</p> <p>It was also highlighted that growers face delays with HCV evaluations, and the BoG requested for Secretariat to look into this matter with HCVRN.</p> <p>The BoG also requested that labour issues be addressed with priority, and for the Assurance Task Force work with the Human Rights Working Group and to provide regular updates to the BoG.</p> | <p>JV</p> <p>TS</p> <p>PW</p> <p>Secretariat</p> <p>PW</p> |
| 5.0 | <p><b>Session with the Complaints &amp; Appeals Panel</b></p> <p>5.1 HB and LSC updated the BoG on the highlights of 2017 of the Complaints &amp; Appeals Panel, proposal on resources needed to strengthen the complaints mechanism and outlined the process of recruiting 4 new members of the panel.</p> <p><b>Decision:</b><br/>The BoG endorsed that the recruitment process of the new Complaints &amp; Appeals Panel members is in compliance, and supports full staffing of the Complaints unit and the role of the Investigation &amp; Monitoring unit to strengthen the complaints mechanism.</p> <p>The Complaints Panel would provide a six monthly report to the BoG, including indicators i.e. number of live cases, number of closed cases, number of new cases, categories of claim etc.</p> <p>In addition to the above, the BoG notes that the speed of complaint resolution is important, and acknowledges reasons cited by HB and LSC for lack of progress in some cases, including failure of relevant parties to respond in a timely manner.</p>   |  |

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| <p>6.0</p> <p>6.1</p> | <p><b>RSPO membership – trends &amp; analysis</b></p> <p>SY updated the BoG on analysis and trends of RSPO membership in 2017. The BoG requested that the Secretariat puts in a summary page as follows:</p> <ul style="list-style-type: none"> <li>i. change in total number of grower members</li> <li>ii. change in total number of certified grower members</li> <li>iii. certified volumes in the pipeline with reasons explaining the increase/decrease of these volumes</li> </ul> <p>The Grower representatives stated that it was very disappointing to note that the offtake by key RSPO players appeared to have declined considerably year on year, thereby sending a negative message to RSPO grower members. Hence, the Grower fraternity wishes to see greater emphasis to improve the uptake of CSPO in line with the spirit of shared responsibility in the RSPO Theory of Change.</p> <p>The BoG requested that the Secretariat circulate the above data to the BoG via email by 9 Feb 2018, including re-circulating the presentation slides with correct numbers.</p> | <p>Secretariat</p> |
| <p>7.0</p> <p>7.1</p> | <p><b>Jurisdictional Approach</b></p> <p>JG and GH gave a presentation on the work done on Jurisdictional Approach to date, including a proposal and timeline to move forward with the work.</p> <p><b>Decision:</b></p> <p>The BoG agreed to the formation of a Working Group (WG) and timeline as proposed, and requested for the TOR of the WG to be drawn up for endorsement.</p>   | <p>Secretariat</p> |
| <p>8.0</p> <p>8.1</p> | <p><b>Finance</b></p> <p><b>Finance &amp; Administration</b><br/><b>Financial Update for Q2 FY 2018</b></p> <p>PC presented the financial update for the period ended 31 December 2017.</p> <ul style="list-style-type: none"> <li>➤ Net surplus for period ended was RM1.5 mil. Overall expenditures for the period were on track compared to budget for both operating and project costs.</li> <li>➤ Total income for the period amounted to RM21.9 mil with subscription fees of RM8.2 mil and contribution from CSPO trade of RM13.6mil, performing slightly above budget. Recent movements in contribution income were encouraging and forecast of RM21.4 mil from physical trade and RM5.7mil from credit trades are projected for the year.</li> </ul>   |                    |

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|                    | <p>PC also updated on the review of internal controls which was performed and completed by BDO Malaysia in November 2017 and provided a number of key recommendations:</p> <ol style="list-style-type: none"> <li>1. A comprehensive report of proposed improvements/changes</li> <li>2. A set of new Financial Policy</li> <li>3. Process flowcharts for all the various functions being reviewed</li> </ol> <p>The Secretariat will carry out implementation of the recommendations made in phases:</p> <ul style="list-style-type: none"> <li>➤ Phase 1 - implement high risk areas namely on Procurement and Budgetary Controls by April 2017</li> <li>➤ Phase 2 - implement medium and low risk areas by June 2017</li> <li>➤ Review - BDO to perform a review to determine compliance and effectiveness in Q4 of 2018</li> </ul> <p>TS informed the BoG concerning an anonymous letter from a concerned Indonesian member relating to alleged lack of compliance with Indonesian tax regulations. The Secretariat expressed confidence that appropriate advice had been taken and acted on, but nevertheless further review will be undertaken to double check.</p>   | Secretariat |
| <p>9.0<br/>9.1</p> | <p><b>AOB</b><br/><b>Concerns over impact of HGU guidance by RSPO</b></p> <p>In relation to a letter sent to the BoG on 26/01/2018 signed by IGC, Wilmar and Cargill with regard to the HGU guidance, the BoG deliberated on the legal requirements of HGU and IUP as interpreted in the Constitutional Court Decree No. 138/2015, and relatedly RSPO's current guidance requiring RSPO grower members to have obtained HGU and IUP prior to obtaining RSPO certification.</p> <p>It is duly noted that this decision of the Constitutional Court is yet to be enforced through an enabling legislation, and nor have there been any amendments to the previous legislations, including UU No. 39 of 2014. The BoG acknowledged that RSPO also has to be mindful of both the long term legal and potential financial implications with regard to the requirements leading to the RSPO certification process.</p> <p>The BoG further noted the assertion by members that upon cessation of the HGU, the land reverts to the State, resulting in the communities permanently losing their rights to the land. The proposal put forth by these members include the need for the FPIC process (prior to applying for the HGU) to ensure that the communities are fully informed on the implications of signing the land use or land release agreement and the actual consequences of the HGU. The legal alternatives proposed in cases where the communities wish to proceed with oil palm development, without extinguishing their rights over the land as a result of the HGU, requires further consideration by the BoG.</p> |             |

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|              | <p>The BoG also noted that additional emails and subsequent conversations with co-chair BS concluding in the memo sent to BoG 26 Nov 2017, were received from the Forest Peoples Programme (FPP).</p> <p>In order to take a constructive and progressive way forward on this matter, the BoG requested AP, BS and TR to approach the relevant authorities in Indonesia to obtain further clarity on this issue and update the BoG at the next meeting in March 2018.</p> <p>The BoG has also requested the Secretariat to extend the annual certification licence of PT Sarana Titian Permata to end-March 2018.</p>   | <p>AP, BS,<br/>TR</p> <p>Secretariat</p> |
| <p>9.1.1</p> | <p><b>Views of the BoG</b></p> <p>EC proposed that RSPO shows better evidence and positive impacts in areas such as fire, deforestation etc. to counter the IUCN Draft Situation Analysis which states that “Responsible Palm Oil produced by the members of RSPO have marginally fewer negative impacts on the environment and biodiversity” as well as the Carlson 2017 Report which specified there is no difference in RSPO plantations as associated with a non-RSPO certified plantations in terms of fire management and planting on peat.</p> <p>AP would like to see better communication in the EU by the RSPO, strengthening of the Secretariat in Indonesia to engage with stakeholders, and for RSPO to be bold with regard to promoting its standards.</p> <p>CJS highlighted the need to review the potential impact of the EU legislation, restructure the P&amp;C to promote shared responsibility and relook at the certification system.</p> <p>AL highlighted the threat of the no palm oil development in Africa, and commended DW on the engagement with TFA, increasing certification prospects in the African region.</p> <p>OT suggested for the P&amp;C review to provide tools that are inclusive of smallholders, and reminded that the RSPO may face strong criticism in Paris during EURT and proposed that RSPO work closely with the Malaysian and Indonesian embassies in France, and downstream players.</p> |  |
| <p>9.1.2</p> | <p>MRC supported AP’s suggestion to strengthen the Secretariat in Indonesia, and to continue engaging with smallholders, governments and national standards.</p>   |  |
| <p>9.2</p>   | <p>BoG members are requested to make their own hotel reservations alongside their logistics arrangement, at any forthcoming BoG activities.</p>  |  |
| <p>9.3</p>   | <p>The BoG meeting will take place on 27 June 2019, after the EURT.</p>  |  |
| <p>9.4</p>   | <p>The BoG members present, voted on a choice of venue for RT16. It was choice between Kuala Lumpur and Kota Kinabalu. The results were 12</p>   |  |

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|      | were for Kota Kinabalu and 5 were for Kuala Lumpur. The BoG requested the Secretariat to send out for further poll to all absent BoG members, to vote on the venue of the RT16, between Kuala Lumpur and Kota Kinabalu.                          |    |
| 10.0 | <b>Governance Review</b>   |    |
| 10.1 | <p>IB delivered an update on governance review work to date.</p> <p>The BoG thanked IB, the steering group and all those who have contributed towards this undertaking and endorsed the proposal to proceed with the governance review work.</p> | IB |
|      | Meeting adjourned at 5.10pm.   |    |