

Minutes for BOARD OF GOVERNORS Meeting 04-17

Date: 18th September 2017

Start Time: 9.00am-6.00pm MYT

Venue: Westin Hotel, Kuala Lumpur

Attendance

BoG Members and Alternates

In Attendance:

Substantive Members

UNILEVER – Biswaranjan Sen (BW) – Co-Chair

MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair

AAK – Tim Stephenson (TS)

WWF – Stephen Watson (SW)

BOTHENDS - Paul Wolvekamp (PW)

HSBC – Ian Hay (IH)

MARKS & SPENCER – Fiona Wheatley (FW)

MONDELEZ – Jonathan Horrell (JH)

MUSIM MAS – Dr. Gan Lian Tiong (GLT)

OXFAM – Johan Verburg (JV)

RABOBANK – Geraldine Lim (GL)

WRI – Anne Rosenbarger (AR)

In Attendance:

Guest

Ian Bretman (IB) – Consultant (Governance Review)

*** Left after lunch time*

Alternate Members

FELDA – Izham Mustaffa (IM) ****** (representing Tn. Hj Ab Ghani Mohd Ali)
MPOA – Chew Jit Seng (CJS)

IOI – Dr. Surina Ismail (SI) (representing Ben Vreeburg)

OXFAM – Taufiqul Mujib (TM)

UNILEVER – Cherie Tan (CT)

UNIVANICH – John Clendon (JC)

ZSL – Izabela Delabre (ID)

Absent with Apologies

Substantive Members

AGROCARIBE – José Roberto Montenegro (JM)

FELDA – Tn. Hj Ab Ghani Mohd Ali (AG)

HSBC – John Laidlow (JL)

IOI – Ben Vreeburg (BV)

RPOG – Belinda Howell (BH)

Alternate Members

AHOLD – Hugo Byrnes (HB)

MONDELEZ – Karimah Hudda (KH)

SIPEF – Olivier Tichit (OT)

OLAM – Audrey Lee (AL)

RABOBANK – José den Toom (JT)

VERITE ASIA – Daryll Delgado (DD)

In Attendance:

Advisors

MR Chandran (MRC)
Prof. Bungaran Saragih (BS)

Secretariat Staff

Datuk Darrel Webber (DW)

Bakhtiar Talhah (BT)

Patrick Chia (PC)

Stefano Savi (SS)

Salahudin Yaacob (SY)

Tiur Rumondang (TR)

Yohanes Ryan (YR)

Oi Soo Chin (OSC)

Item	Description	Focal Point
1.0	<p>Introduction</p> <p>1.1 RSPO Antitrust Laws 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 The BoG was reminded that they try to reach/make decision by consensus, defined as the absence of sustained objection.</p> <p>1.3 Approval of Minutes - BOG 03-17</p> <p>FW clarified item 3.2 on ‘brand positioning additional to product label specifying that the intention of her request was not only to facilitate Trademark usage on product claims, but claims from members who have achieved 100% not necessarily via the use of RSPO TM on pack.</p> <p>Minutes approved.</p>	
2.0	<p>Outreach & Engagement Department</p> <p>2.1 SS briefed the Board on Roundtable (RT) 15. So far, we have almost quadrupled the amount of registrations in respect to the same period last year. Sponsorship is also encouraging with one silver and one gold sponsor secured.</p> <p>2.2 Europe remains a steady market with a 10% growth in both membership and Supply Chain Certified facilities. Updates on market developments also included US and China markets which have been demonstrating an impressive growth especially in terms of increase of Supply Chain Certified facilities (97% growth in USA and 67% China). A new representative has been hired for India which remains the most challenging market.</p> <p>2.3 SS informed the BoG that the Secretariat started collecting data on sales of CSPO from CBs on Sep 1, and will require at least 6 months of continuous data collection from the CBs perspective, in order to be able to report back with a meaningful analysis to the Board.</p> <p>2.4 CBN raised the issue of number of growers in RSPO membership that remains low, and DW clarified that the RSPO strategy is to expand the CSPO market to attract grower membership. BW proposed to carve out 30 minutes at the end of the day to discuss the issue, which was agreed to by the BoG.</p>	
3.0	<p>Impacts & Evaluation Department</p> <p>3.1 Theory of Change (ToC) (Endorsement)</p> <p>OSC briefed the BoG on the ToC document.</p>	

3.2	<p>Conclusion:</p> <ul style="list-style-type: none"> i) Conditional approval of the TOC and the Impacts Division together with the expert need to show how and where commensurate effort is being addressed in the TOC. ii) The Palm Tree visual needs to be simpler and easier to understand iii) Metrics to be straightforward, incorporated with the right set of KPIs and generate data which is measurable and meaningful. <p>RSPO Complaints & Appeals Procedures – proposed changes to RSPO Statutes and Code of Conduct</p> <p>The Resolution 6f GA10 in 2013 outlined the clear separation of powers between the Executive, the Board and the Complaints System. Hence, the changes in the Statutes will make clear of its separation.</p> <p>Conclusion:</p> <ul style="list-style-type: none"> i) The Board endorses the changes proposed in the RSPO Statutes and the RSPO Code of Conduct, with the following caveats: <ul style="list-style-type: none"> a. The Secretariat to provide clarity on the appointment of the Complaints Panel (CP) and Appeal Panel (AP) members. b. The CP is mandated to decide on the suspension and termination of members c. the BoG is to be kept informed of the CP and AP decisions d. The BoG to endorse the appointment of the Complaints Panel and Appeal Panel. ii) The BoG also decided that instead of the Complaints Panel, the BoG will propose the Resolution at the upcoming GA on the changes proposed in the RSPO Statutes and the RSPO Code of Conduct iii) The BoG requests that the Complaints Panel produce a report annually to be presented to the BoG on overall development, processes and resources required to advance cases. 	
4.0	<p>Resolution 6g GA10 – Transparency in plantation concession boundaries</p> <p>4.1 Sanction for non-compliance of RSPO Resolution 6(g) GA10 (Endorsement)</p> <p>TR updated the BoG on the submissions and non-submissions to date.</p> <p>The Secretariat seeks endorsement for membership termination of non-submitters after providing ample notice.</p> <p>Decision:</p> <ul style="list-style-type: none"> i) The BoG endorsed the proposal for termination of membership for non-submitters if they fail to submit their shape-files within 90 days from the date of this decision. 	

	ii) To publicly post the list of non-submitters on the RSPO website.	
5.0	Resolution 6f GA12 – Smallholder strategy and action plan Concept note on potential collaboration and financial support for independent smallholders toward MSPO/ISPO and RSPO certification.	
5.1	YR presented to the BoG a concept note on the above as requested by the BoG in the previous physical meeting. Conclusion: The BoG endorsed the concept note in principle as starting point and requests the Secretariat to proceed discussions that the full proposal should particularly clarify selection criteria, goals and upscaling strategy with potential partners and come up with a full proposal.	
6.0	Technical Department Progress Report on GA Resolutions	
6.1	Resolution 6h GA12 – Ensuring quality, oversight and credibility of RSPO assessments i) CBs have been given a role in the P&C Review to share practical expertise in the guidance of the P&C implementation. ii) The RSPO Secretariat plans to establish the Investigation & Monitoring unit to enhance the integrity of the system. iii) To deliver a convincing presentation during the upcoming GA iv) The whistle blower policy document being developed in relation to quality assessors ensures that the local stakeholders and the labour force feel free to voice their concerns of non-compliance issues. v) Affirmation was given to the BoG that the CB standards have improved. vi) The Secretariat to discuss with the ATF Steering Committee on the implementation plans based on recommendations made in reports produced by Liza Murphy and Steffen Preusser with the BoG.	
6.2	Resolution 6d GA13 – Assuring effectively planned, implemented and monitoring of compensation project in RaCP of the RSPO i) A draft webpage has been developed where aggregate figure of the non-compliant land clearance will be disclosed by regional coverage. ii) The proponent has been consulted with a proposed visual of the webpage and they have agreed with the proposal. iii) The launch of this webpage is scheduled to take place before the RT15.	

<p>6.3</p> <p>6.4</p>	<p>Resolution 6e GA13 – Protecting human rights defenders, whistle-blower, complainants and community spokespersons</p> <p>PW highlights the complexity of developing the RSPO's liability mechanism in launching the protection for human rights defenders and whistle blowers, including RSPO's perceived interferences with the legal, domestic or governance business or the RSPO's liability for non-action of human rights defenders being exposed to harm.</p> <p>The Human Rights Working Group is currently exploring other existing protection system mechanisms from international bodies such as the World Bank and the European Union.</p> <p>Resolution 6f GA13 – Review and amendment of the updated NPP process applied to smallholders (Endorsement for extension of deadline)</p> <p>SY explained that due to time constraint, the Secretariat has requested for another 6 months of extension, to complete the Smallholders NPP process. It will be completed before the next RSPO General Assembly 2017.</p> <p>Decision: The BoG approved the request for a six month extension, as requested by the Secretariat.</p>	
<p>7.0</p> <p>7.1</p>	<p>P&C Review – Progress Update</p> <p>SY provided a progress update on the P&C review. In short, the P&C progress development phases were satisfactory and on time. However, several issues were identified including overlapping processes and subgroups, and challenges with the overall smallholder engagement and strategy implementation.</p> <p>Conclusion: JV (in co-chairing role with FELDA) will lead the discussion on smallholder strategy implementation, and work with the Secretariat on producing a white paper, along with implementation plan to execute the endorsed smallholder strategy.</p>	
<p>8.0</p> <p>8.1</p>	<p>Finance & Administration Financial Update for Q4 FY 2017</p> <p>PC presented on the financial update for the period ended 30 June 2017.</p> <p>Overview</p> <ul style="list-style-type: none"> ▪ Net surplus before Forex Gain of RM3.1 mil. Forex gain at period end was RM2.7 mil. ▪ Overall project spending increased by RM5.7 mil to RM19.6 mil. ▪ Cash balances of RM49.4mil including foreign currency balances equiv. to RM31.5 mil. ▪ Net Assets at RM47.3 mil represented by Members' Fund of RM18.2 mil, Smallholders Fund of RM14.1mil, Special Projects of RM15 mil. 	

<p>8.2</p>	<p>Net Surplus of RM5.6mil is significantly lower compared to last year, with lower total income and increases in both operating and project costs.</p> <p>(i) Income:</p> <ul style="list-style-type: none"> • Total income of RM40.5 mil is lower compared to budget and last year. • Although subscription for the year was slightly higher than budget at RM14 mil, contributions from CSPO trading at RM26 mil is however significantly lower to last year, particularly on credit trading. <p>(ii) Costs:</p> <ul style="list-style-type: none"> • There were some unexpected costs compared to budget mainly from: <ul style="list-style-type: none"> - contract staff cost by about RM1.3 mil due to new contract staff - Malaysian withholding tax absorbed by RSPO of approximately RM0.6 mil. - Deficit from RT of RM0.6 mil. • Around 70% of budget was spent on Departmental Operating Costs and 50% on Discrete projects, totalling RM19.6mil. 	
<p>8.3</p>	<p>Contribution from physical trade was at similar level to FY2016, but was slightly higher in RM due to Ringgit being weaker in FY2017. It is important to note that credit trading contribution was previously averaging around RM12-13 million annually, and income from RSPO Credit for H2 of FY2017 only shows a total of RM0.8 mil representing contribution from credit trading since the launch of RSPO Credit in January 2017. Not only has this lead to a low projection for contribution from credit trading for FY2018 estimated to be around 100K MT per month, it remains a financial concern that income from credit trading could drop by RM6-7 mil in FY2018.</p> <p>RSPO Credit trade may be picking up as seen in August 2017 as trading results shows credit volume breaching 100K MT, with a total for the month of 124K MT. However, there is still uncertainty on how this trend will progress during the year.</p> <p>In view of declining income and increasing costs, the Finance Committee was asked to closely monitor income and look at ways for improving income.</p> <p>BoG asked that a review of the credit trading situation be undertaken by the Secretariat, to identify credit trading declines and where these can be addressed.</p>	
<p>8.4</p>	<p>Balance Sheet as at 30 June 2017:</p> <p>(i) Subscription due from members was at RM4.5 mil (EUR920K) with an average debtors' turnover of 3 months. To date more than 50% or RM2.3 mil (EUR490K) has been collected particularly on balance of more than 180 days. We are seeing improvements in debtors aging, however there remains a significant amount of long</p>	

	<p>outstanding balance that require continued recovery efforts.</p> <p>(ii) Other receivables include RM3.7 mil due from UTZ and RM1.1 mil of prepayments for RT15.</p> <p>(iii) Included in Other Payables are RM4.5mil of amounts due relating project payables.</p>	
8.5	The Financial Committee is proposing that no further allocations to Special Projects Fund be made for FY2018, in view that there was no significant spending during FY2017, with total commitments of only RM2.8 mil.	
8.6	<p>Financial audit for the year ended 30 June 2017:</p> <ul style="list-style-type: none"> ▪ The financial audit for FY2017 is targeted to complete by early Oct 2017. ▪ Exit meeting with Finance Committee is scheduled for 11 Oct ▪ Financial statements to be circulated to BoG on week of 16 Oct ▪ Presentation of financial statements to BoG on 23 Oct 	
8.7	The Finance Committee has requested for a detailed internal controls review be conducted for seeking recommendations for improvements in RSPO's financial procedures and controls. This exercise is targeted to complete before the RT.	
8.9	<p>Update on the 14th General Assembly (GA14)</p> <ul style="list-style-type: none"> ▪ The GA14 will be held on 30 Nov 2017. ▪ GA announcement was sent on 16 Sep 2017 and the closing date to submit resolutions and nominations will be on 6 Oct 2017. ▪ The Notice of GA is scheduled to send to members on 2 Nov 2017. ▪ E-voting registration and process has been made easier. <p>Conclusion:</p> <p>DW suggested that for this GA, the BoG should give comments or views on resolutions submitted and be made available to members (on RSPO website), particularly for e-voters, in order that e-voters may make informed decisions when voting online.</p> <p>It was agreed that the Secretariat will provide recommendations to the BoG on the issues raised from the resolutions, where they will be discussed by the BoG before final comments are provided to members.</p>	
9.0	Antitrust amendment to Communication & Claims (C&C) rules (Endorsement)	
9.1	<p>The RSPO Rules on Market Communications and Claims define NEGATIVE CLAIM.</p> <p>As a “Claim which conflicts with the stated aims of the RSPO and/or implies that the removal of palm oil from a product is a preferable social or environmental sustainability outcome to the use of certified sustainable palm oil.”</p>	

	<p>The rules also state that (Article 3.3): “RSPO members shall avoid negative claims and seek to promote, and not to denigrate the aims and goals of RSPO, namely the production and use of CSPO.”</p> <p>It has come to the attention of the RSPO Secretariat that such a claim could be deemed in breach of antitrust laws of the EU, under Article 101 (ex Article 81 TEC) of the “Treaty on the Functioning of the European Union”, and what such treaty considers as “incompatible with the internal market: all agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the internal market</p> <p>It is proposed that, as agreed by the Communications and Claims (C&C) Standing Committee meeting on 14th September 2017, the current document wording is kept and the below wording is included in the 3rd bullet point in Article 3.3 of the Rules on Market Communications and Claims Document:</p> <p><i>“This “negative claim” requirement shall not in any way whatsoever restrict Members’ freedom to make any other claim or statement regarding its product(s) or its composition provided always that any such claim be in accordance and compliance with applicable laws including competition law.”</i></p> <p>Decision: The Secretariat to schedule a conference call on 2 Oct 2017, for BoG clarification and endorsement.</p>	
<p>10.0</p> <p>10.1</p>	<p>AOB</p> <p>To Drive Increase Grower Membership Uptake</p> <p>As proposed by BW and indicated in item 2.1, the following are the points from the BoG on ways to attract more growers to join RSPO membership:</p> <ol style="list-style-type: none"> 1) Conduct a study to understand the needs, setback, and challenges faced by grower sector. 2) Realign RSPO strategy to suit emerging markets in China, India and Southeast Asia and not just focusing on the European market. 3) Simplify P&C standards and making it more easily adoptable to growers especially within the smallholder group 4) Understand competition from other schemes, including the requirement of traceability, as smaller companies feel that they have met the buyers’ requirement and need not abide by the RSPO criteria. 5) Communicate clearly on the benefits of being RSPO certified. 	

- 6) To discard the "negative" narrative to more positive terminology, such as moving away from 'no deforestation' / 'no peat' / 'no exploitation and moving towards formulating more positive Sustainable Development Goals.
- 7) Leverage the traders and consumer goods companies on its supply chain commitments towards RSPO, in a pre-competitive collaboration phase.
- 8) Reinforce credibility by continuing the Assurance Taskforce work to deliver a more robust system and measuring and communicating real impact (livelihoods improved, forests/peat/biodiversity protected etc), rather than focusing purely on compliance
- 9) Reduce supply chain costs: the drive to physical CSPO options makes the supply chain less efficient by an order of magnitude.
- 10) Invert the business case from – expensive compliance in return for the hope of a premium to continuous improvement towards more productive, more resilient business.
- 11) Engage with governments for RSPO to play a constructive role in sector-wide transformation.
- 12) Reduce bureaucracy as there are too many rules, resulting in growers seeing MSPO and ISPO as more viable to improve good agricultural practices.
- 13) Encourage NGOs to champion the RSPO cause and recognize growers within the RSPO fold.
- 14) Produce good and independent cost benefit analysis and use it to explain to growers as to the advantages of joining RSPO.
- 15) Resolve the compensation mechanism.
- 16) Engage with the potential companies and government agencies. For example, Gapki, MPOA, state agencies who has oil palm operations (e.g. Felcra, RisdA (organisations with huge land banks for palm oil).
- 17) Re-engage with GAPKI.
- 18) Dedicate time to have a shared platform (growers, buyers, traders).
- 19) Require downstream members to source CSPO.
- 20) Leverage MSPO/ISPO as a stepping stone towards becoming a RSPO member.
- 21) Demonstrate positive impact of the environmental and social

	<p>benefits of RSPO Certification.</p> <p>22) Shift the deleterious Retail Paradigm Perspective. The cost of engaging with Palm Oil is high with the value proposition associated with it for e.g. supply chain re-engineering, the reporting, the calculation, the engaging activities, addressing the gaps, etc.</p> <p>23) Address persistent negative perception of palm oil.</p> <p>24) Focus on opportunities to address framing issues in the market positively like climate change and human right issues and provide evidence of impact.</p> <p>25) Build confidence, trust, transparency (disclosure of map), delivery, accessibility, coverage of smallholders and simplification of standards.</p> <p>26) Develop a culture of continuous improvement alongside with critical management.</p> <p>Conclusion: The Secretariat was tasked to craft out the work plan with a timeline, taking into account the comments above. Proposed Resolutions at GA14 -</p>	
10.2	<p>Proposed Resolutions at GA14 - Relocation of the RSPO Head Office to Jakarta</p> <p>Conclusion: The Board has agreed to not support this resolution and the Secretariat was tasked to engage with the proponents of this resolutions and clarify the underlying issues.</p>	
11.0	<p>BoG Governance Review</p>	
11.1	<p>IB presented the progress on work done to date to the board members.</p> <p>Conclusion: i) BoG KPIs shall be linked back to the ToC</p>	
12.0	<p>RT15 Board Meeting</p>	
12.1	<p>The BoG physical meeting is scheduled to take place on 1 December 2017 following the upcoming GA.</p>	
	<p>Meeting adjourned at 6.00pm.</p>	