

Draft Minutes

Roundtable on Sustainable Palm Oil 12th General Assembly (GA12)

- Date:** 19 November 2015
- Venue:** Shangri-La Hotel, Kuala Lumpur
- Start time:** 3.30 pm (Malaysia)
- Chair:** Biswaranjan Sen, Chairperson of RSPO
- Attendance:** 172 Ordinary Members in attendance and 37 e-Voters (Total of 209 of 1,266 eligible to vote)
- RSPO Secretariat
- Affiliate members and observers

- Agenda:**
1. Members' roll call
 2. Opening address by the RSPO Chairperson, Biswaranjan Sen
 3. Report presented by the RSPO Chairperson
 4. Confirmation of minutes for the last General Assembly (GA11) held on 20 November 2014
 5. To receive and adopt the Treasurer's Report and the RSPO's Financial Statement for the year ended 30 June 2015
 6. To discuss and adopt resolutions:
 - Resolution 6a - To confirm the appointment of PricewaterhouseCoopers as the auditors of the RSPO for the financial year ending 30 June 2016
 - Resolution 6b - Proposed amendments to RSPO Statutes reflecting change of term from Secretary General to Chief Executive Officer
 - Resolution 6c - Resolution to amend the RSPO Code of Conduct to include guidelines on member's claims
 - Resolution 6d - Revision to the Code of Conduct for Members of RSPO to enable implementation of GA10 Resolution 6f
 - Resolution 6e - Proposed amendment to RSPO Statutes on membership resignation
 - Resolution 6f - Resolution for a comprehensive smallholder strategy
 - Resolution 6g - Resolution to improve the ACOP reporting process
 - Resolution 6h - Ensuring quality, oversight and credibility of RSPO assessments
 7. Election of Board of Governors for the following categories:
 - a) Oil Palm Growers – 2 seats
 - b) Processors and/or Traders – 1 seat
 - c) Consumer Goods Manufacturers – 1 seat
 - d) Retailers – 1 seat
 - e) Banks & Investors – 1 seat
 - f) Environmental NGOs – 1 seat
 - g) Social NGOs – 1 seat
 8. Any other business

1. Members' roll call

The 12th Annual General Assembly of RSPO members was called to order at 3.30 pm on 19 November 2015 in Shangri-La Hotel, Kuala Lumpur. The Chairperson of RSPO Mr. Biswaranjan Sen presided over the meeting after the minimum quorum of 80 Ordinary Members present or represented was reached.

2. Opening address

Biswaranjan Sen started his address by focusing on RSPO NEXT. He said that the intent is clear and the need to raise the bar to create a 'coalition of the willing' to take on the agenda. Although voluntary it would allow leaders of the industry the opportunity to get certified to a different level.

He also announced that RSPO finally has an approved procedure for handling compensations as recommended by the Compensation Task Force. The Remediation and Compensation Procedure will be implemented with immediate effect

Report by the RSPO Chairperson

Further engagement needed to resolve issues

Biswaranjan Sen spoke of the need for further engagement based on a 'triangular' model where the industry, civil society and governments need to come together to resolve issues and challenges.

He cited China, where the Chinese government has expressed an intent to form a set of guidelines for Chinese companies involved in the palm oil industry and that the RSPO is actively collaborating with these companies to help evolve and shape these conversations.

EIA Report

Biswaranjan Sen also highlighted a report recently issued by the Environmental Intelligence Agency (EIA) that questioned the quality of audits and the credibility of auditors

Biswaranjan Sen agrees that this needs to be addressed urgently. The RSPO will sponsor a task force to look into the report and issues that have been highlighted, and relevant expertise from across the board will be deployed to ensure that the RSPO has a solid and sound plan to correct this.

He affirmed that this cannot be allowed to continue and if the allegations in the report are correct then it is indeed deeply disturbing and we must put an immediate end to it.

Areas of focus for the RSPO in 2016:

Biswaranjan Sen then detailed two areas of focus for the RSPO next year.

Firstly is to do more on the smallholders' front.

Biswaranjan Sen said the RSPO has set aside a fairly large sum of money to address smallholder issues. What is required is to build a scalable smallholder model – not for the benefit of just 200-300 smallholders, but one that allows to be scaled up to millions of smallholders and to do it with speed.

The second is plans to increase staffing and resourcing of the Secretariat, which will help the RSPO to address smallholder issues.

The Secretariat has taken on a much larger role in the last few years, playing an executive role in helping address most of the issues. While the RSPO has been investing heavily in terms of resourcing of the Secretariat, there are plans to further step this up to better equip the Secretariat to deal with RSPO's agenda.

3. Confirmation of minutes for the last General Assembly (GA11) held on 20 November 2014

The Secretary General requested the General Assembly to confirm minutes page by page and to raise their hands if there are any comments.

With no comments from the floor the Secretary General asked for the minutes to be confirmed and was seconded by a member, Mr. Simon Lord.

4. Treasurer's Report and the RSPO's Financial Statement for the year ended 30 June 2015

Tim Stephenson (AAK, Treasurer) confirms that the RSPO's financial statements are very strong, and showing a growing surplus and cash balance. There were no compliance issues and the audit report from PwC was a clean one and reports that the financial statements show a true and fair view of the financial position of the RSPO for the year ended 30 June 2015.

Tim Stephenson highlighted the following points before presenting the Treasurer's Report.

Increase in surplus and funds

For financial year 2015, the RSPO had an operating surplus of RM13.7 million. In fact the surplus per ordinary member is around US\$3,000 (about RM12,000). Total funds held stood at RM38.4 million, a significant increase from RM25.3 million in the year before.

Depreciation of Ringgit Malaysia (MYR) impacted the results

The RSPO reports in MYR and most of the costs are incurred in Malaysia and in its local currency. However, almost all of the RSPO's income is denominated in Euro (for membership fees) and in USD (from USD1.00 per tonne charged on certificate trades). A proportion of assets are also denominated in Euros and USD.

From having traded at RM3.20 against the USD in June 2014, to RM4.37 just yesterday, the MYR has depreciated by 35-36%. This has resulted in a bigger mismatch than usual between the

RSPO's income and expenditure. There was a RM1.5 million foreign exchange gain in 2015. This windfall is welcomed but forex rates can also go both ways.

Subject to the confirmation of the Board of Governors it will be RSPO policy to retain funds in traditionally stronger currencies such as the USD and Euro.

Tim Stephenson summarised the Treasurer's Report as follows:

Organisational Structure

- The RSPO's organisational structure remains unchanged. It is a not-for-profit organisation registered in Switzerland, with its operation based in Malaysia.
- RSPO Secretariat Sdn. Bhd. ("RSPOSSB"), a subsidiary of RSPO, is the registered organisation of the RSPO in Malaysia. It employs all the RSPO's Secretariat staff and carries out administrative functions.
- RSPOSSB has branches in the UK, Representative Offices in Indonesia and China, and is in the process of establishing similar arrangements in South America and India.
- The RSPO has a Finance Standing Committee which includes Tim Stephenson (AAK), Geraldine Lim (Rabobank), Ian Hay (HSBC), Darrel Webber (Secretary General) and Patrick Chia (Finance and Admin Director).

Audited accounts for the year ended 30 June 2015

Income

- Subscription income increased by more than expected to RM9.8 million, from RM7.8 million the year before.
- Total membership increased to 2,282 as at June 30 (2014: 1,631) including associate members of 1,032 (2014: 540).
- Contribution from CSPO trade of RM21.4 million was more or less in line with the budget and higher than last year's RM19 million.
- Of the contribution from CSPO trade, RM12.4 million was from certificates trading and RM9 million from segregated and mass balance trading.
- Total income increased slightly more than budgeted to RM31.6 million, higher than the RM27.1 million achieved last year.

Operating Cost and Surplus

- Operating surplus after tax stood at RM13.7 million, a lot higher than what the RSPO budgeted for at RM2.2 million due to higher income and lower-than-expected project costs.
- A foreign exchange gain of RM1.5 million was also booked during the year.
- Operating costs of RM10.4 million, though, was more or less in line with budget, was significantly higher than the previous year's RM7.8 million.
- The largest item of cost is staff cost. The number of staff has risen from 28 to 35 over the year. There were also costs relating to the roundtable meeting in Europe.

- Project cost of RM8.8 million was similar to last year's (2014: RM8.3 million) but a lot less than the RM18.3 million budgeted for.
- As the RSPO needs to keep some surplus, its policy is to retain reserves within the Members' fund amounting to 12 months of operating costs which is around RM15 million for next year, and funds over and above this had been previously transferred partly to the Smallholders' Fund.

RSPO Funds

- Total funds of RM38.4 million consist of: Members' Fund (RM15.3 million), Smallholders' Fund (RM13.1 million), Special Projects Fund (RM10 million).
- Smallholders' Fund rose to RM13.1 million from RM11.5 million (as at June 30, 2014).
- There are plenty to spend on to boost smallholder certification (which has an uncommitted fund of RM10 million).
- There is a transfer of RM10 million to the newly created Special Projects Fund.

Balance sheet

- Net assets or total funds stood at RM38.4 million as at June 30.
- Cash and bank balance increased to RM36.6 million (2014: RM26 million) and has now risen to over RM40 million at year's end.
- Subscriptions due at RM2.8 million (around 3 months membership fees), of which RM1.5 million remains due since the financial year end. The RSPO needs to pursue this or take appropriate action such as suspension or termination.
- Other receivables relate to interest and certificates trading.

Budget 2015/2016

- Subscription income is expected to increase to RM10.9 million for the 2016 financial year (about 11% increase) from RM9.8 million.
- Membership numbers is expected to grow by 10% year on year.
- Tim Stephenson said membership has risen by 6% since June 30, 2015 and thus, the RSPO is well ahead of budget.
- Contribution from CSPO trade amounting to RM26 million is based on certified volume of 13.4 million tonnes, and a 50% uptake – again the RSPO is ahead.
- Operating costs are expected to increase significantly to RM15.3 million (from RM10.4 million) due to the increase in employees to up to 63 staff from 35 presently. Plus, new offices will also be set up around the world.
- Does not expect a foreign exchange gain or loss this year.
- Expects project costs to go back to the budgeted RM17.8 million. Project costs in the first quarter already stood at about RM3 million.
- Part of the budgeted project costs include a technical division (RM6.4 million, more than double last year's) to establish regional offices, a communications division (RM8 million, double last year's) and spending on agency work and campaigns around the world.

To summarise, the 2015 financial year end chalked up a very strong set of financial results. This was helped by the depreciating ringgit but the RSPO continued to expand, thus it has plenty to do with the funds. The RSPO has sufficient assets to make allocations to new funds such as to Special Projects and Smallholders' funds. It also has an ambitious budget to expand its Secretariat capabilities.

Questions were taken from the floor as follows.

Marieke Leegwater: What's the ambition of the RSPO with the Special Projects Fund?

Tim Stephenson: The main project that has been identified would be the SEnSOR projects that relates to impact assessment. We have got the commitment there already as per the accounts, with potential for more depending on how it moves forward. Of course we can also spend it on smallholder issues; if we run out of money from the smallholders' fund, we can take it from this fund.

Darrel Webber: With the three jurisdiction certification pilots, that is something that will take up a lot of bandwidth and capacity. We have to be ready for that, so that could potentially be funded from this Special Projects Fund.

M R Chandran: For the smallholders' fund, it seems you only spend about 30% and one of things that appears to be lacking is the marketing of smallholder certificates. Why can't we use this money to go all out now that we have a sizeable number of smallholders who have been certified?

Darrel Webber: It would be useful to do that.

John Clendon: Why not allocate a certain percentage of fund specifically for mainstream marketing of certificate trading. We have many complaints that smallholder certificates are selling for even less than US\$1 per certificate. There is a suggestion that we should set a benchmark whereby certificates cannot be sold. We need to build a demand by marketing of certificates, in particular traceable smallholder sustainability certificates.

Tim Stephenson: We have to take that into account when planning our next steps, and we are not precluding this.

Simon Lord: Is there an application method to get access to the Special Projects Fund? And is it open to members of RSPO only or to non-members?

Tim Stephenson: At the moment it is down to the Board to consider such projects with recommendations from the Secretariat. If there are any good ideas please bring them forward so that they can be seriously considered.

The Chair asked if there were any objections to the Treasurer's report. As there were none, the General Assembly proceeded to vote for adoption of the Treasurer's report and the audited accounts.

	Approved	
	The adoption of the treasurer’s report and audited accounts	For
	Against	0
	Spoilt	0
	Abstain	9

5. Resolutions

There were eight resolutions up for voting in the GA. The voting results and discussions are as follows:

Resolution 6a – Appointment of auditors

As there were no comments from the floor, the resolution was put to a vote without discussion.

	Approved	
	Resolution 6a: To confirm the appointment of PricewaterhouseCoopers as the auditors of RSPO for the financial year ending 30 June 2016	For
	Against	0
	Spoilt	1
	Abstain	9

Resolution 6b – Resolution to amend the RSPO Statutes

Biswaranjan Sen: This resolution seeks to replace the existing title of “Secretary General”, within the meaning and purpose set out in the existing RSPO Statutes, with the term “Chief Executive Officer”. All references to “Secretary General” within the existing RSPO Statutes shall be amended to “Chief Executive Officer”.

	Approved	
	Resolution 6b: Proposed amendments to RSPO Statutes reflecting change of term from Secretary General to Chief Executive Officer	For
	Against	7
	Spoilt	0
	Abstain	17

Resolution 6c – Resolution to amend the RSPO Code of Conduct

This resolution proposes that an additional item be added to Article 1 of the Code of Conduct for Members. The new item will be Article 1.4 as mentioned below.

1. Promotion and Commitment

1.4 Members must not make claims which imply that the removal of palm oil from a product is a preferable social or environmental sustainability outcome to the use of RSPO certified sustainable palm oil. Moreover, members shall seek to promote, and not to denigrate the aims and goals of RSPO, namely the production and use of RSPO certified sustainable palm oil.

	Approved	
	Resolution 6c: Resolution to amend the RSPO Code of Conduct to include guidelines on members' claims	For
	Against	21
	Spoilt	2
	Abstain	17

Resolution 6d – Revision to the Code of Conduct

This resolution proposes that the Code of Conduct for Members of RSPO shall be revised to remove all decision making powers of the Board of Governors in relation to RSPO's Complaints System. Specifically, this shall include the following revisions to the Code of Conduct. The revised articles are as below.

- 5.3 *Prior to taking public action in cases of unresolved allegations of breaches of this Code or the Statutes, members shall report the alleged breaches to the RSPO Secretariat, which will deal with the alleged breaches in accordance with the RSPO Complaints System.*
- 5.4 *The RSPO Secretariat through the Complaints System, may conduct an inquiry against any member whom in its view may have breached this Code or the Statutes. Members who are found to have breached this Code or the Statutes, after due inquiry and recommendation from the Complaints System, will be terminated at the sole discretion of the Board of Governors without further reference to the RSPO Member.*

	Approved	
	Resolution 6d: Revision to the Code of Conduct for Members of RSPO to enable implementation of GA10 Resolution 6f	For
	Against	6
	Spoilt	5
	Abstain	10

Resolution 6e – Proposed amendment to RSPO Statutes

This resolution proposes that the minimum notice period required for resignation of membership be reduced to one month and an amendment be made to reflect the change in Article 8(a)(i) of the RSPO Statutes to be as follows:

8. *Termination of Membership*
- (a) *A membership shall be deemed to have ceased by virtue of the following:*
- (i) *By issuing a resignation letter to the Secretary General with a minimum notice period of one month.*

	Approved	
	Resolution 6e: Proposed amendment to RSPO Statutes on membership resignation	For
	Against	4
	Spoilt	3
	Abstain	4

Resolution 6f – Resolution for a Comprehensive Smallholder Strategy

Johan Verburg, Oxfam: Smallholders are an inherent part of this industry. Still, they are presented sometimes in relation to a lot of the problems that the sector is facing, while at the same time they can be a part of the solution, for instance part of Green Growth scenarios. Within the RSPO if we develop new tools or rules, they are often mitigative with respect to the implications that those new rules or tools have for smallholders – in other words, corrected afterwards for smallholders to not be excluded. There is actually a lot of merit to more proactively, urgently and strategically look at smallholders and the role they can play in the mission of RSPO. Therefore this resolution proposes that the Secretariat is tasked with developing a comprehensive smallholder strategy and a related action plan within the coming year.

	Approved	
Resolution 6f: Resolution for a comprehensive smallholder strategy	For	186
	Against	6
	Spoilt	0
	Abstain	17

Resolution 6g – Resolution to improve the Annual Communication of Progress (“ACOP”) reporting process

Leonie Lawrence, Zoological Society of London: For all members, we believe this will make it easier, fairer, and enable us to truly measure progress of the RSPO. The ACOP is the main mechanism to measure progress across the RSPO’s membership and towards its aims. But we believe there is some shortcomings in the current system which we can improve. There is significant progress among the members, but at the moment we don’t think that we’re able to robustly capture and communicate this progress – which makes it harder to defend the credibility of the RSPO. Anyone who has filled up the ACOP knows that this could be made easier, that we are finding there is significant variation in the quality of the information submitted and some inconsistencies in reporting and the completeness of the information submitted. We want to be able to enable the true measurement of progress and in turn support the credibility of the system. And so our resolution calls for: a) review of the current system and the consultation of its strengths and weaknesses, and b) consultation to ensure that any new process supports the needs of its members.

We think there are a few simple solutions, namely that there can be clear guidance in the ACOP process, and clearer definitions to ensure that the information submitted is consistent and comparable. And we’re calling for a process to ensure the quality of data submitted and a system to enable the analysis of these data. We think that it is essential to robustly measure the progress across the RSPO and to support the credibility of the RSPO standard.

	Approved	
	Resolution 6g: Resolution to improve the ACOP reporting process	For
	Against	45
	Spoilt	2
	Abstain	20

Resolution 6h – Ensuring quality, oversight and credibility of RSPO assessments

Marcus Colchester, Forest Peoples Programme: Good quality assessments and audits are the bedrock of the RSPO. Weak assessments are a major reputational risk for RSPO. More positively, RSPO leads many certification systems through its new planting procedures, which checks that key elements of the Principles & Criteria are in place prior to that. We propose measures to ensure new planting procedures get done. Basically our resolution just suggests that the Secretariat works with members to develop minimum standards for assessments and clear procedures to check audits and that new planting procedures are undertaken.

We've had a broadly positive response, but so far we have heard 2 main questions which I'd like to address.

The first question is, doesn't the Assessor Licensing Scheme (ALS) system already ensure adequate High Conservation Value (HCV) assessments? And our answer is, that the resolution proposes minimum mandatory requirements of *assessments* whereas the ALS provides quality assurance of *assessors*. But yes, the reporting template of the ALS system should be the starting point for developing the minimum requirements of the HCV assessments.

And the second question that we've had is, doesn't the Accreditation Service International (ASI) already assure the quality of auditors? And the answer is yes, that's exactly the challenge. The RSPO does not yet provide a clear set of requirements against which ASI can measure auditors' performance. It's not just the ASI that needs this, certification bodies do too, and the ones we've talked to all seem to agree this would help them measure up. This resolution is not about complicating the bureaucracy, it's about strengthening our existing system.

Edi Suhardi: I support this resolution but am concern with how proponents of this resolution had sought for support by way of distributing a report by EIA which named and denigrated certain growers and consultants. Since the RSPO has the complaints system, any such reports or disappointments should be channelled to the proper mechanism and such manner of campaign must be avoided in the future.

	Approved	
	Resolution 6h: Ensuring quality, oversight and credibility of RSPO assessments	For
	Against	36
	Spoilt	1
	Abstain	14

6. Election of the Board of Governors

MEMBERSHIP SECTOR	RESULTS								
Oil Palm Growers:									
Malaysia: MPOA is retiring and available for re-election. There will be no election and MPOA will serve another term as no other nominations have been received.	MPOA								
Indonesia: PT Agro Harapan Lestari is retiring and available for re-election. There will be no election and PT Agro Harapan Lestari will serve another term as no other nominations have been received.	PT Agro Harapan Lestari								
Processors & Traders									
IOI Loders Croklaan (IOI Group) is retiring and available for re-election. BASF SE and AAA Oils & Fats Pte. Ltd. were nominated as candidates. Election among the Processors and/or Traders category will therefore be held and only members in this category are eligible to vote.	<p>IOI Loders Croklaan</p> <table> <tr> <td>IOI</td> <td>35</td> </tr> <tr> <td>BASF</td> <td>24</td> </tr> <tr> <td>AAA Oils & Fats</td> <td>6</td> </tr> <tr> <td>Abstain</td> <td>4</td> </tr> </table>	IOI	35	BASF	24	AAA Oils & Fats	6	Abstain	4
IOI	35								
BASF	24								
AAA Oils & Fats	6								
Abstain	4								
Consumer Goods Manufacturers									
Unilever is retiring and available for re-election. There will be no election and Unilever will serve another term as no other nominations have been received.	Unilever								
Retailers									
Marks & Spencer is retiring and available for re-election. There will be no election and Marks & Spencer will serve another term as no other nominations have been received.	Marks & Spencer								
Banks & Investors									
HSBC is retiring and available for re-election. There will be no election and HSBC will serve another term as no other nominations have been received.	HSBC								
Environmental NGOs									
Conservation International is retiring and is not available for re-election. One nomination was received for World Resources Institute and they will assume the seat for a term as no other nominations have been received.	World Resources Institute								
Social NGOs									
Oxfam Novib is retiring and available for re-election. There will be no election and Oxfam Novib will serve another term as no other nominations have been received.	Oxfam Novib								

7. Any Other business

Marcus Colchester: I would like to draw members' attention to the very concerning situation in Latin America. In Peru, one RSPO member has been found clearing forest without environmental impact assessments and without recognising indigenous plans. There was a big protest about this. The RSPO needs to consider how it develops a system to address such challenges when we need to ensure compliance with the system.

Darrel Webber: We are indeed aware. I think you have sent an email to us this morning. This is the first time I heard about this particular issue. One way to do it as we have done in the past is where the Secretariat would highlight something that is already in the public domain, and we reported the case to the Complaints Panel – not as a complaint – but to highlight and kick-start some kind of investigation. So I think that is something we can do immediately.

A short speech was given by John Buchanan, who has resigned from the Board of Governors.

Meeting was adjourned at 5.00 pm Malaysian time by RSPO Chairperson Mr Biswaranjan Sen.

END OF GA12

Annex 1 – Attendance List**Ordinary Members Attendance and Proxy List**

1.	Banks and Investors	7
2.	Consumer Goods Manufacturers	26
3.	Environmental NGOs	24
4.	Oil Palm Growers	45
5.	Processors and Traders	51
6.	Retailers	10
7.	Social NGOs	9

Ordinary Members e-Voter List

1.	Banks and Investors	2
2.	Consumer Goods Manufacturers	6
3.	Environmental NGOs	1
4.	Oil Palm Growers	4
5.	Processors and Traders	18
6.	Retailers	6
7.	Social NGOs	0