

EB 03-07

Minutes of Executive Board Meeting

Date : Thursday, 4 October 2007
Venue : via telephone/video conference, Unilever Rotterdam & IOI Putrajaya
Start time : 1.00 pm (Malaysia) /7.00 am (the Netherlands)

<ol style="list-style-type: none">1. Derom Bangun (GAPKI) - by tele-conference2. Johan Verburg (Oxfam)3. Rikke Netterstrom (The Body Shop)- by tele-conference4. Jan Kees Vis (Unilever)5. Chong Wei Kwang (HSBC) – by tele-conference6. Simon Harris (HSBC) – by tele-conference7. Chew Jit Seng (MPOA)8. Mamat Salleh (MPOA)9. Tim Stephenson (Aarhus Karlshamns)	<ol style="list-style-type: none">10. MR Chandran (Advisor)11. Mohd Nor Kailany (Felda)12. Samantha Lacey (CIS)13. Andrew Ng (Secretariat)14. Desi Kusumadewi (Indonesia Liaison Officer) – by tele-conference15. Aeimelia Khalid (Secretariat)16. Ali Baizuri (Secretariat)17. Roslinda Sarmin (Secretariat) <p>Absent:</p> <ol style="list-style-type: none">1. Tony Lass (Cadbury Schweppes)2. Ian McIntosh (Aarhus Karlshamns)3. Johann Zueblin (Migros)4. Simon Lord (NPBOL)5. Rudy Lumuru (Sawit Watch)6. Ian McIntosh (AAK)7. Mattias Diemer (WWF-Switzerland)8. Fitriani Adrianshah (WWF-Indonesia)9. Don Grubba (IOI)
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Agenda:

1. Introduction and RSPO Antitrust laws

2. Confirmation of minutes of EB 02-07

3. Secretariat

3.1 Accounts & finances

3.1.1 General update, including Budget 2007/2008 and Financial Report FY2006/2007

3.2 Secretariat updates

3.2.1 Legal status

3.2.2 New staff

3.2.3 Human Resource policies brief, including update on staff statutory benefits.

4. National Interpretation and Implementation

4.1 General update on NI processes

4.2 Approval of NII processes (dependent upon submissions at time of meeting)

4.2.1 Papua New Guinea

4.2.2 Indonesia

4.2.3 Malaysia

4.2.4 Colombia

5. RSPO Certification Systems

5.1 Draft RSPO producers' guide to certification systems

6. Supply chain requirements

6.1 Draft RSPO supply chain requirements

6.2 Supply chain traceability proposals

- UTZ traceability proposal

- Eurepgap traceability proposal

7. RSPO Consumer Branding Working group

7.1 CSPO trademark project/next-steps

8. RSPO Annual progress reporting

8.1 Updates

9. RT5

9.1 Updates

10. GA4

10.1 Update on agenda

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 EB 02-07

Topic deferred to physical EB meeting in November 2007.

3. Secretariat

3.1 Accounts & finances

Tim Stephenson (TS) and Aimeelia Khalid (AK) briefed EB on the RSPO accounts. In the draft audit report as of 30 June 2007, it has been agreed by the EB to write-off fixed assets. Tim Stephenson (TS) will discuss further on the bad debt provision based on the outstanding invoices information given by Aimeelia Khalid(AK). AK would need to transfer the sponsorship fund deficit to the profit and loss account and to insert additional notes to the Financial statement No. 5 (Sponsorship fund). This treatment is to show the reality of the situation which case the RSPO must meet the cost from its own funds.

Action: EB to approve Budget 2007/2008 and Financial Report FY2006/2007.

- Secretary-General to send a letter to outstanding membership for their membership payment.
- Secretariat to prepare projects allocation for budget including Certification System, 2-year Principles & Criteria review and Communication/Branding Group as part of the project list.
- Secretariat to open fixed deposit account, amount to be determined.

3.2 Secretariat updates

3.2.1 Legal status

Jan-Kees Vis (JKV) made an announcement that RSPO Secretariat is legally formalized as RSPO Secretariat Sdn Bhd as of 6 September 2007. With regards to Matthias concerns on the legal connection between Swiss and Malaysian law on RSPO incorporation, JKV confirmed that there isn't any legal connection to be concerned of since RSPO Secretariat Sdn Bhd is established by individuals as directors, not by RSPO, the association

The lists of Directors for RSPO Secretariat Sdn Bhd are: Jan-Kees Vis, Matthias Diemer, Simon Lord, Derom Bangun, Mamat Salleh and Andrew Ng.

Treasurer is Ian McIntosh.

Decision: EB approved benefits package for the Secretariat

Action: The Secretariat would need to write-up a new contract for staff on a standard package and pension. AK will forward the new format of financial account to EB.

3.2.2 New staff

Secretary-General welcomed Ali Baizuri as the new Project Co-ordinator/Communicator.

3.2.3 Human resource policies

Secretary-General updated the EB members on the Malaysian employment and other relevant laws require RSPO Secretariat Sdn. Bhd. to provide a minimum of the following for its employees as benefits:

Employees' provident fund (EPF or pension fund) for Malaysian citizen's breakdown:

- Employer contribution: minimum 12% of gross annual salary
- Employee contribution: minimum 11% of gross annual salary

SOCSSO (disability insurance): relevant for Malaysian employees earning under RM3,000 as contribution of 2% gross annual salary. Not relevant for present RSPO staff.

In addition, general employment practices provide other benefits. To ensure RSPO Secretariat staffs are provided with adequate benefits commensurate with job, reflective of RSPO as an international organisation and across general standards adopted by various sectors in Malaysia, the following is tabled as the RSPO Secretariat staff benefits package:

(MRC proposed a full package of 17% in EPF and SOCSSO payment, in line with most Malaysian employers)

- EPF employer contribution: 15% gross annual salary
- EPF employee contribution: 11% gross annual salary
- Dental allowance: RM200 per year
- Medical insurance covering outpatient treatment and insurance against days on sick leave (evaluating 2 competing proposals from differing agencies)

DECISION: EB agreed to the recommendation.

4. National Interpretation and Implementation

4.1 General update on NI processes

CJS informed EB that the draft MYNIWG document was submitted to RSPO Secretariat for endorsement by EB 03-07 as requested.

NI processes are on-going in Indonesia and Malaysia while a draft NI document for Colombia was sent to RSPO Secretariat via RSPO EB (rest of World) in Spanish. MRC suggested gathering all the National Interpretations and Smallholders Task Force experts, including ProForest and Secretariat to review and provide inputs to EB. For the National Interpretation review EB agreed to setting up an EB volunteer sub-committee to review them. It was suggested the committee consists of Chew Jit Seng from Malaysia, Daud Dharsono from Indonesia and Simon Lord from Papua New Guinea as the NI co-ordinators, representatives from the environmental and social NGO EB as well as any others who wished to volunteer themselves. For the Smallholders Task Force, it consists of Norwan Jiwan from Sawit Watch and Marcus Colchester from ProForest. The EB members also agreed that given the lack of financial support for the TFS so far, the representatives Norman Jiwan and Marcus can claim costs for the performing the task requested.

4.2 Approval of NI documents

Approval would be dependent upon submission of NI documents. The following are the status of various NI processes:

4.2.1 Papua New Guinea

Document submitted and awaiting approval.

DECISION: Secretary-General informed the EB on behalf of Simon Lord there is no major issues on the Papua New Guinea National Interpretation document.

4.2.2 Indonesia

Desi Kusumadewi (DK) informed EB that INA-NIWG has submitted final draft of NI document for Indonesia. DK briefly elaborated to EB on the process that has been undertaken by INA-NIWG in delivering the final draft, and that the process followed requirements as stated in Certification System protocol.

DECISION: EB requested for Secretariat to post out in the website.

Action: Secretary-General will relay the full details of process for review and endorsement of NI to DK in order for her to update Daud Dharsono, chairman of INA-NIWG.

4.2.3 Malaysia

MPOA has submitted the NI document and it will be posted in the website.

DECISION: EB requested for Secretariat to post onto the RSPO website.

4.2.4 Colombia

Document submitted in Spanish only. No translation to English provided to date. Concerns raised regarding the process include the likely absence of Major or Minor non-conformities as well as spread of stakeholder groups represented in the Colombia NI grouping.

Action: Secretary-General was requested to get the softcopy of the document.

General Discussion of NI review process:

EB agreed on need to review NI documents against requirements laid out in RSPO Certification Systems document. In recognizing the need to balance between a credible process and urgent action, the EB agreed to appoint Proforest for their familiarity on the subject and expediency. EB agreed to a suggestion from JKV that volunteer EB members form a small committee to review the documents. Proforest would draw out the process for EB to analyse and decide on next steps and approval. EB agreed to put the scope of the Proforest task to include the following:

- a. To ascertain if the document can be used as an audit document.
- b. To identify deviations from the requirements of the RSPO Certification Systems and against each other.

DECISION:

- Secretariat to contact Proforest regarding facilitating the NI review.
- EB Members to be asked to volunteer to be on review panel. It is recommended that key EB members involved in the NI processes be involved.
- CJS volunteered to be part of the group.

5. RSPO Certification Systems

5.1 Draft RSPO producers' guide to certification systems

A Draft of RSPO Certification Systems Guide for Producers dated July 2007 was sent out for EB Approval. Chew Jit Seng expressed concerns over time period to obtain 100% certification for associated smallholders and out growers within 3 years. Longer period of 5 years suggested but was disagreed by Johan Verburg (OXFAM). He also mentioned of his concerns over smaller independent producers who mostly supply FFB through traders/collectors who are not "associated" with any mill and would like some suggestions from EB on how to bring them on-board.

CJS recommended for MPOA to submit proposal to RSPO EB for GA to consider that this group to be given some flexibility in compliance with RSPO P&C like smallholders as well as reduced membership fees.

On the RSPO Certification System – Guide for Producer's Draft, JKV mentioned need to support the millers on funding should be extended though actual methods are yet to be discussed by the EB.

DECISION: Changes to the document that were agreed by EB are:

- Under item 3.1. Unit of Certification, 1st bullet point: Proforest to edit sentence to explicitly state that holding companies of unit of certification need to be disclosed within context of providing background.
- Under item 3.1. Unit of Certification, 3rd bullet point, 2nd sentence: Proforest to clarify wording to ensure that statement clearly demonstrates that during 3-year implementation period for

smallholders, where mills are collecting from uncertified growers, the plan will include ALL the oil that will be produced by the mill.

- Under item 3.1. Unit of Certification, 3rd bullet point add to end: It is at the discretion of mills, how it wishes to address/deal with independent outgrowers in meeting the need to ensure this plan is implemented.
- Under item 3.1. Unit of Certification: Statement to affect that RSPO would support mills developing plans for 3-year implementation with practical support.
- References to the main RSPO Certification Systems document should be made where it is necessary, especially to ensure that there is no confusion throughout the document. The RSPO Certification Systems document will serve as the main reference.

Action: Secretariat will liaise with ProForest on the changes decided by EB.

6. Supply chain requirements

6.1 Draft RSPO supply chain requirements

Mamat Salleh recommended the supply change requirement is based on book and claim – based on tonnage and not on percentage. JKV stated that in reality only 2 traceability requirements were required in the supply chain; for the book-and-claim and for mass balance as well as identity preserved models. JKV suggested getting Marieke Leegwater from MVO to co-ordinate with Neil Judd from ProForest and coming out with the chain of custody certifiers.

In related discussion, TS said the GreenPalm (GP) contract was ready for EB's consideration and approval. The contract was said to already include the provisions for contract duration previously agreed. MRC enquired on whether the concerns raised previously by Fediol. JKV pointed out that it was not unlikely that demand for book-and-claim from GP would be adequate. 5 agreed to commence with signing of contract. The rest of EB would be informed through circulating the contract document.

DECISION:

- EB agreed to have more in-depth discussion at the November physical meeting if need be, including looking into recommendations from the Consumer and Branding Working Group.
- EB agreed to engage MVO and Proforest to draw out requirements for chain-of-custody certifiers.
- TS to send copy of contract to Secretariat for EB distribution and confirmation of decision made at this EB meeting.

Action:

- ALI to do a short overview of RSPO statement about claims on sustainable palm oil.
- JKV to contact MVO regarding follow-up to MVO meeting and chain-of-custody certifiers
- ANG to contact Proforest regarding follow-up to MVO meeting, chain-of-custody certifiers and co-ordinate next-steps.

6.2 Supply chain traceability proposals

Two proposals have been submitted for consideration of the EB.

Proposal 1 from UTZ certified and proposal 2 from T-Systems. A 3rd proposal was submitted by FoodReg, however, due to the last minute submission; it has not been put in for consideration by the EB. After reviewing both proposals, the EB agreed upon accepting UTZ Certified's proposal on condition that amendments are made to the following issues in the said proposal:

- Point 5.1.2 - Operational cost – administration fee. JKV would like the fee to be charged to the first buyer. This is because, as producers will be carry cost for certification, it seems fair to ask the rest of the supply chain to carry the cost for the trading system.
- Note No. 6, under Point 5 – Financials and planning. EB agreed that this point is to be taken out as certification is exclusive only to RSPO members.

MRC pointed out that there was a need to address Palm Kernel Oil (PKO) trading implications.

DECISION: EB accepted UTZ Certified proposal.

Action: JKV to communicate with UTZ with regards to changes to proposal.

- Buyers should be charged and not producers
- Non-members cannot be certified.

7. RSPO Communications and Branding Working Group

7.1 CSPO Trademarking proposal from SEC

The CBWG met on 13 September and put forward a recommendation/proposal to the EB regarding trademark and claims against future CSPO (Appendix 7). To summarise, CBWG recommends the following:

CBWG recommended proceeding with generating a Trademark. Funding is by a licence payment from all members who wishes to make any product related CSPO claim that is relevant across supply-chain. Initial cost is estimated to be GBP15,000 (c. EUR22,000) and to be cost recovered through pre-booking of the “brand pack license”.

EB recognised that many concerns raised by CBWG were pertinent to other issues, including the supply chain. The work of the CBWG will need to follow-up beyond RT5, based on a new Terms and Reference of possibly a review of the working group.

DECISION:

- EB agreed to defer further discussion on this issue to the next meeting.
- ALI to remind SEC of their contractual obligation to provide a presentation at RT5 on CBWG progress, results and recommendations.

8. RSPO Annual progress communication reporting

8.1 Updates

ANG updated the EB that there are 64 entries from RSPO members for the Annual progress communication report. 4 entries are from Affiliates member and 60 from Ordinary members. It was also suggested for members who did not submit their report; a table of defaulters will be included and publicized in the Participants Kit for RT5.

Secretariat **recommends** a letter should be sent to all non-responding RSPO Members to inform them that they have broken RSPO Code of Conduct to underscore the seriousness of reporting if Members wish to renew their RSPO membership.

DECISION: EB approved Secretariat recommendation.

9. RT5

9.1 Updates

Secretary-General updated EB on RT5 with Teoh Cheng Hai's brief as a reference on the following for EB's approval.

1. To confirm acceptance of PPB Oil Palm Berhad's offer of their paper on results of their field evaluation of P&C. – No objection from EB.

2. To decide on acceptance of the offer by Oxfam to make a video presentation on Dialogue with forest communities' in the session. – No objection from EB but suggested that RT5OC view the tape.

3. To approve the new Session VI on Promoting Certified Sustainable Palm Oil, which will be conducted as a panel discussion? – Agreed by EB.

4. To approve the papers proposed for the session, including the video presentation on tracking and tracing SPO by Unilever and Golden Hope. No objection from EB.

On another issues, MRC had suggested for Daabon for present the paper on organic palm oil supply chain, whereas JKV suggested Florin AG – no decisions were made.

UTZ will make the presentation on RSPO mechanisms for registration of SPO transactions.

5. To confirm that the RSPO Certification System for Sustainable Palm Oil will be launched at the Closing Session of RT5. – Confirmed by EB.

EB Members are reminded that at this RT5, a hard capacity limit of 500 participants is in place. EB members are urged by Secretariat to register without delay if not already done so.

DECISION: EB agreed on all points' decision.

10. GA4

10.1 Updates on agenda

Secretary-General updated EB that there were no proposals received from RSPO Members after the period for submission from the Call passed. However there are clear projects, initiatives and other matters that require attention of the RSPO Ordinary Membership and their voting.

ANG also added that there were no replies from any Retailer to be on-board for Rikke's position.

DISCUSSION: Items relevant to GA to be identified and proposed as agenda items.

Action:

- Aeime to provide list of outstanding membership fees due for upcoming GA4 and present to the next EB meeting.
- Reminder that Members with outstanding membership fees would not be registered for GA4.

11. Any Other Business

11.1. Global Biofuels Issue

Mamat Salleh briefed the EB on the Global Biofuels issue. The Malaysian Cabinet committee wanted to know RSPO's position on biofuels. JKV stated that RSPO does not have a position against or for biofuels. Reference was then made to the RSPO biofuels position on the RSPO website.

11.2. Certified Sustainable Palm Oil

In view with the CBWG recommendation with the CSPO claim, MRC suggested that certified sustainable palm oil (CSPO) be changed to RSPO certified instead.

Action: Ali to compile documents related to CSPO claims.

The meeting adjourned at 6.30 pm (Malaysia time).

Note: Some EB members who participated the meeting via tele-conference were having difficulties phoning in.

RSPO Secretariat
9 November 2007

Approved by:

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