

MINUTES OF MEETING

33rd SSC Meeting

Time: 1500 - 1730 (MYT)

Date: Wednesday, 5th April 2023

Venue: Zoom Meeting <https://zoom.us/j/95402242521> Meeting ID: 954 0224 2521 Passcode: 33@SSC

ATTENDEES

| Name | Initial | Organisation | |
|-----------------------------------|---------|------------------|------------------------------------|
| 1. Lim Sian Choo (Co-Chair) | LSC | Bumitama Group | Grower (INA) - Substantive |
| 2. Olivier Tichit (Co-Chair) | OT | Musim Mas | P & T - Substantive |
| 3. Anne Rosenbarger | AR | WRI | ENGO – Substantive |
| 4. Mohammed Dao | MD | OLAM Group | Grower (RoW) – Alternate |
| 5. Sander Van den Ende | SvE | SIPEF | Grower (RoW) – Substantive |
| 6. Ian Orrell | IO | NBPOL | Grower (Smallholder) - Substantive |
| 7. Brian Lariche | BL | Humana | SNGO – Substantive |
| 1. Leena Ghosh | LG | RSPO Secretariat | |
| 2. Javin Tan | JT | RSPO Secretariat | |
| 3. Lilian Garcia Lledo | LGL | RSPO Secretariat | |
| 4. Ariel Toh | AT | RSPO Secretariat | |
| 5. Lee Jin Min | LJM | RSPO Secretariat | |
| 6. Siti Nurhayati Kamaruddin | SNK | RSPO Secretariat | |
| 7. Muhammad Shazaley bin Abdullah | SA | RSPO Secretariat | |
| 8. Aryo Gustomo | AG | RSPO Secretariat | |
| 9. Ahmad Amirul Ariff | AAA | RSPO Secretariat | |
| 10. Ruzita Abd Gani | RAG | RSPO Secretariat | |
| 11. Mohd Shafiqul Syaznil | SS | RSPO Secretariat | |
| 12. Akmal Arif Razali | AR | RSPO Secretariat | |
| <i>Absence with apology:</i> | | | |
| 1. William Siow | WS | MPOA/IOI | Grower (MY) – Substantive |
| 3. Nurul Hasanah | NH | FGV | Grower (MY) – Alternate |
| 4. Jenny Walther-Thoss | JWT | WWF Singapore | ENGO – Substantive |
| 5. Librian Angraeni | LA | Musim Mas | P & T – Alternate |

AGENDA

| Time | Item | Agenda | PIC |
|-------------|------|---|-----------|
| 1500 - 1505 | 1.0 | Opening | Co-Chairs |
| | 1.1 | Acceptance of agenda | |
| | 1.2 | RSPO Antitrust Law | |
| | 1.3 | RSPO consensus-based decision making | |
| | 1.4 | RSPO Declaration of Conflict of Interest | |
| 1505 - 1515 | 2.0 | Meeting Dashboard | Co-Chairs |
| | 2.1 | Confirmation of the 32nd MoM on 28 th Feb 2023 | |
| | 2.2 | Action Tracker | |
| | 2.3 | Progress Update WG/TF/SG under SSC | |

| | | | |
|-------------|--------------------------|---|--------------------|
| 1515 - 1600 | 3.0 3.1 3.2 3.3 | For Endorsement Process for SSC Document Endorsement Formation of Peat Task Force (PTF) Proposed Interpretation on Mass Balance 'Unused Volume' in RSPO Supply Chain Standard | LG LJM/AT SA |
| 1600 - 1645 | 4.0 4.1 4.2 4.3 | For Update Shared Responsibility Verification Manual The Socialisation of the Code of Conduct Revised Clause 3.2 Standards Review 2022/2023 | LGL LGL JT |
| 1645 - 1655 | 5.0 5.1 5.2 | Any Other Business Key Operational Challenge within the No Deforestation Joint Steering Group (NDJSG) Next SSC Meeting | AR |
| 1700 | | END | |

DISCUSSION:

| No. | Description | Action Points (PIC) |
|------------|--|---|
| 1.0 | Opening | |
| 1.1 | The Chairs welcomed everyone to the meeting and presented the agenda of the meeting. | |
| 1.2 | The RSPO Antitrust Law, consensus-based decision making, and Declaration of Conflict of Interest were read out to the Committee. | |
| 2.0 | Meeting Dashboard | |
| 2.1 | <u>Confirmation of the 32nd MoM on 28th Feb 2023</u> The minutes of the meeting were adopted. | |
| 2.2 | <u>Action Trackers</u> Action tracker of the previous meeting was presented. No comments were received. | |
| 2.3 | <u>Progress Update WG/TF/SG under SSC</u> The progress update for the WG/TF/SG Committee was presented. Committee suggested including the Compensation Task Force 2 progress update under the BHCVWG section. The Secretariat provided updates on the Shared Responsibility Working Group (SRWG). 1. Shared Responsibility (SR) Performance Webpage – SR Scorecard was launched on 31 March 2023. Email blast was sent to all members on 4 | Include in Progress Update Action by: Secretariat |

| | | |
|--|---|--|
| | <p>April. This tool was created with the goal to publish the results of SR implementation of RSPO members, with data collected from the MyRSPO and ACOP data.</p> <ol style="list-style-type: none"> 2. Shared Responsibility Communication Campaign: Despite many webinars conducted there are still a lot of members who do not know about SR. Therefore, the SRWG has rolled out a SR campaign. Videos and posts about SR were posted on social media and the RSPO website as well as external articles in Sustainable Business Magazine. 3. Guidance document on interpretation and implementation of SR requirements per membership stakeholder category. The SR Unit has prepared a first draft and shared it with the SRWG. SRWG members will reach out to their caucus for feedback in April or May 2023. 4. Resolution GA19-2c Rephrased 3.2 Clause of the RSPO Code of Conduct for Members 2022 and RSPO Code of Conduct for Supply Chain Associates 2022 (as per the mandate of the Resolution GA18-2b). Communication plan was initiated by the SR Unit to socialise the change among all RSPO members: <ul style="list-style-type: none"> • Announcement and email blast will be done on 19 April. • Socialization webinars are planned on 2nd and 11th May, focusing on the interpretation and implications of the 3.2 Clause and refresher course on Code of Conduct: <ul style="list-style-type: none"> ○ The updated clause is not new, and it has always been the intention of this clause to highlight/remind the commitment that the RSPO members shall have towards a sustainable palm oil industry. ○ All RSPO members are committed to implement environmental and social standards, not lower than those included in the Principles & Criteria (P&C), in their palm oil operations to achieve sustainability. E.g: RSPO members registered as Grower with Refinery operation – Refinery operation shall adopt and implement environmental and social standards not lower than those set out in the P&C. ○ It is fundamental to the success of the RSPO that all members support the RSPO vision “to transform markets to make sustainable palm oil the norm”, and through the Codes of Conduct members can be held accountable. 5. SRWG yearly update targets – decision paper for Year 4 (2023) and Year 5 (2024) update targets for CSPO. <ul style="list-style-type: none"> • Sustained objection was received at the Board of Governors (BoG), | |
|--|---|--|

| | | |
|-------------------|---|--|
| | <p>which referred to the lack of CSPKO targets for Y5.</p> <ul style="list-style-type: none"> • For next steps, the Secretariat proposed to proceed with Y4 targets and will review the proposed targets for Y5 during the Q4 of 2023. • Website announcement and socialization webinars with RSPO members is currently on hold. <p>6. Shared Responsibility Verification Manual (VM) Draft 2</p> <ul style="list-style-type: none"> • The Secretariat would like to inform the SSC members on the main content of the VM before the second (and final) public consultation with the goal of addressing their comments on it. • Once SSC has agreed and has no substantial comments on the content of the VM the socialization of webinars and consultation survey (to be announced) will be conducted. • The main amendments in draft 2 is the verification process and the proposed incentives and sanctions. • The verification process concept are as follows: <ul style="list-style-type: none"> ○ Data collection mechanism (Data from ACOP and MyRSPO) ○ Verification of SR requirements - Secretariat checks on ACOP data compliance and MyRSPO data completeness of all members. ○ Members can choose to show compliance through: <ul style="list-style-type: none"> - Independent third-party audit (Accredited Certification Bodies) - Public statement on member’s website (Statement to be easily accessible and visible) - Disclosure of compliance with an external system (Disclose which SR requirements are covered by the compliance with the external system) ○ SR Scorecard Webpage • Sanctions and incentives proposed were also presented. <p>Committee highlighted that there is no starting date for the proposed sanctions and incentives. Need to be clear on when the starting date (first year) is. Secretariat stated that the starting year will be when the verification manual is endorsed. Committee suggested including it in the draft for clarity.</p> <p>Decision Secretariat to send the full draft with the above amendments to SSC members via email and receive approval before going for public consultation.</p> | <p>Send the SR Verification Manual Draft 2 to SSC Members for feedback via email before going for public consultation.</p> <p>Action by: Secretariat</p> |
| <p>3.0</p> | <p>For Endorsement</p> | |

| | | |
|------------|--|--|
| <p>3.1</p> | <p><u>Process for SSC Document Endorsement</u></p> <p>The Secretariat presented the draft on the process for SSC Document Endorsement.</p> <ul style="list-style-type: none"> • Following the last SSC meeting, it was recommended by the SSC members to come up with a draft on the process for document endorsement to address the challenges faced by the SSC due to the lack of quorum and encourage members to attend SSC meetings. • The document was shared with the members on 3 March for any comments or feedback. <p>Committee highlighted that:</p> <ul style="list-style-type: none"> ○ The document is missing some points and should include that this only applies to documents in the “For Decision/Endorsement” section. How do we deal with documents which are amended during the meeting? ○ If someone vocalises an objection ahead of the meeting and are unable to attend, how do we address that in the meeting without them present and then make the decision during the meeting? ○ For the 1st bullet point, sentences need to be modified and clarified because this would make sense only when the existing members have voted for a decision. ○ For the 2nd bullet point, to include queries as well not only objections or comments. ○ For the 3rd bullet point, to include that if there is more information required, we can send them recordings or minutes before they make the decision. ○ Once the document is approved after the modification, how does that apply for Working Groups (WG) and other Standing Committees (SC)? If we endorse this process, how do we communicate to other SC/WG? Should we ask them to follow the same? <ul style="list-style-type: none"> - We would not want to put the same process to the WG. We can share with them, but it is not necessary to follow. - We are allowed to make our own Terms of Reference (ToR) as long as it is not contradicting RSPO rules. This document will be included in the decision-making part of the ToR and we need to send the amended ToR to the Board of Governors (BoG) for endorsement. ○ If an objection was raised before the meeting but there is a quorum during the meeting, can a decision still be made? <ul style="list-style-type: none"> - This depends on how much explanation was given to the objection. A sustained objection must be explained, and the members can come up with a solution during the meeting to address the objection, subject to their approval. - If there is an objection, we can discuss during the meeting and after the meeting allow a window for deliberation via emails to voice | |
|------------|--|--|

| | | |
|--|--|---|
| | <p>their concerns. If the member who raised the objection cannot make it to the meeting, we will then revert to majority votes. Whoever has objection shall be committed to be present and ensure that the Co-Chairs and Secretariat communicate with the person on the sustained objection.</p> <ul style="list-style-type: none"> ○ For the 2nd bullet point, to include finding time to discuss with Co-Chairs and Secretariat after the meeting. ○ Amend the document and separate into two process flows, specifically what happens if there is an objection. <p>Decision</p> <ul style="list-style-type: none"> ○ Secretariat to amend the draft and discuss with SSC members via email within two weeks. ○ Secretariat will share the draft in Google Docs and tag those who offered to review the document (AR, LSC, SvE and OT) <p>3.2 <u>Formation of Peat Task Force (PTF)</u></p> <p>The Secretariat presented the decision paper on the Formation of Peat Task Force.</p> <ul style="list-style-type: none"> ● The target to complete a draft RaCP version 2 is set at the end of August 2023 to enable it to go through the 30-day public consultation process. However, during the revision of RaCP V2, it was discovered that the peat remediation element was unclear and needed further clarification and possibly modification and contextualisation for its applicability to the RaCP document. ● The peat remediation document could had been the output from the retired Peatland Working Group. ● Due to the purpose of finalizing the peat remediation procedure and context to be inserted into RaCP, a Peat Task Force (PTF) needs to be established to complete the tasks such as providing recommendations on peat remediation. ● In the latest draft RaCP version 2, there is a peat remediation table which was included under the recommendation of the PLWG2. Several unanswered questions were raised by the Compensation Task Force 2 (CTF2) members on the peat remediation table for clarification and to make improvements. ● As these several questions fall outside of the mandate of the peat subgroup from the CTF2, there is an urgent need to form the PTF to address these issues. ● It is also recommended that the members of the PTF is composed of the members of PLWG2 as they have the institutional memory to continue with the peat remediation discussion. | <p>Amend the document and share via Google Docs with SSC members to review the draft.</p> <p>Action by: Secretariat</p> |
|--|--|---|

| | | |
|------------|--|--|
| <p>3.3</p> | <p>Committee highlighted that:</p> <ul style="list-style-type: none"> • The document should include that the PLWG2 has been disbanded. • Is there any backup plan if the PLWG2 members are not available to join the PTF? The Co-chair of PLWG2 has indicated that he is willing to come back on a few months’ basis. During the CTF2 meeting, another member also agreed to come back and will also reach out to other members to come back. • The ownership of the process should also be included in the document. This new Task Force will be reporting to the BHCVWG. • The document should include that the Task Force will start operating by the end of April until August 2023. <p>Decision</p> <p>The document has been endorsed subject to the correction mentioned above. Secretariat to seek approval from members that are not present, informing them of the decision above.</p> <p><u>Proposed Interpretation on Mass Balance ‘Unused Volume’ in RSPO Supply Chain Certification Standard</u></p> <p>Note: Ms. Nishaz and Ms. Laila Wilfred, representing Cargill and Ms. Daphne Hameeteman representing Wilmar were present for this specific agenda as observers. Their role is confined to providing information and perspective on the matter but are not involved in the decision-making process.</p> <p>The Secretariat presented the Proposed Interpretation on Mass Balance ‘Unused Volume’ in RSPO Supply Chain Certification Standard (SCCS).</p> <ul style="list-style-type: none"> • Clause C.4.2 (c) of RSPO SCCS 2020 provides multiple interpretations on the ‘unused volume’ for the implementation by the members, as well as the Certification Bodies (CB). This has a huge impact on how the Mass Balance (MB) bookkeeping is maintained by the RSPO Members, and how the CB auditors are auditing these requirements. • Some RSPO members are still implementing the understanding of RSPO SCCS 2014, Clause C.5.3: ‘unused credits’. RSPO SCCS 2020 changed the wording to ‘unused volume’ which is effective from February 2021: <i>“unused volume can be carried over and recorded in the material accounting system for the following inventory period”</i>. • The issue arises when some RSPO certified sites produce and/or purchase the physical RSPO certified Mass Balance oil palm products and sell those volumes as Conventional and/or Other Schemes. This normally happens when there is less/no demand for RSPO certified materials from the buyers within the fixed inventory period (maximum of 3 months). • The issue is the lack of Interpretation. <ul style="list-style-type: none"> ○ Interpretation 1 (SCCS 2014): The site that is selling the | <p>Seek approval from SSC members that are not present via email. The document is to be revised by the Secretariat in line with the comments made by the SSC</p> <p>Action by: Secretariat</p> |
|------------|--|--|

| | | |
|--|---|--|
| | <p>physical RSPO certified oil palm products as Convention and/or Other Schemes will keep and accumulate the unused credits of RSPO certified Mass Balance oil palm products in their bookkeeping to the next inventory period.</p> <ul style="list-style-type: none"> ○ Interpretation 2 (by RSPO Secretariat): The site that is selling the physical RSPO certified oil palm products as Convention and/or Other Schemes will carry over the unused volumes of RSPO certified Mass Balance oil palm products in their bookkeeping, comparable to the physical stock within the scope of the certified sites at the end of the fixed inventory period, to the next fixed inventory period. <ul style="list-style-type: none"> ● Possible impacts of the misinterpretation: <ul style="list-style-type: none"> ○ RSPO SCCS certified sites with MB scope who had misinterpreted ‘unused credit’ as per the SCCS 2014 might face financial loss when implementing interpretation 2, as they might have built up the ‘unused credits’ stocks since the date of certification. ○ If the misinterpretation of ‘unused credit’ is maintained, this means that the ‘unused credits’ will remain valid forever, even if the site has an empty tank. This will create a situation where the member will trade any physical oil palm products volume (including non-certified) and claim them as RSPO certified products as long as they keep the ‘unused credits’ (not the physical volume) in their accounting MB bookkeeping. ○ When there is no alignment for clear interpretation, it will result in confusion among the RSPO CB and members throughout the implementation and thus potentially grant unnecessary non-conformity to the members. ○ Some stakeholders may see this as ‘greenwashing’ if the ‘unused credit’ is indefinitely maintained and they may question the credibility of the RSPO assurance system. ○ This may also affect the RSPO certified upstream suppliers (palm oil mills), creating less demand for RSPO certified palm oil products from downstream supply chain actors that hold/keep a large amount of ‘unused credit’ in their MB account. ● Secretariat is proposing an interpretation for ‘unused volume’ as follows: “unused volume that can be carried over to the next fixed inventory period in the Mass Balance bookkeeping is comparable to the physical stock within the scope of the certified sites at the end of the fixed inventory period”. ● Understanding the financial impact that might affect some of the RSPO members (if this proposal is accepted), the RSPO Secretariat would like | |
|--|---|--|

to suggest an interim measure for the effective date to implement the new interpretation (i.e. six (6) months period from the date of approval).

Representatives from Cargill and Wilmar commented that:

- Most of the MB rights processors and traders (P&T) have come from the 1:1 conversion rule. From Segregated (SG), you can convert 1:1 to MB. In Europe, all the P&T are buying SG and selling a fraction of the SG and are stuck with MB rights. And they have to pay a lot for these MB rights. The wording of ‘unused volume’ is a misinterpretation as volume is not MB rights, should add physical volume.
- The main issues are on the interpretation of ‘volume’, the process in which it was done and the financial impact. The word ‘volume’ was added into the standard without informing the members.
- There is no definition of volume in the standard and this creates an issue for interpretation.

Secretariat clarified that:

- The MB rights are not in the standard and the definition is not stated in the standard. The 1:1 conversion is not directly related to the MB accounting system within the context of this discussion. This topic is more on unused credits becoming unused volumes in the next inventory period.

Committee highlighted that:

- During the last SCCS review, the version which was shared at the Public Consultation was changed from unused credits to unused volumes. When the word ‘volume’ was added into the document, it was unfortunately overlooked, and the definition of volume was also not included.
- We need to ensure that we give a clear interpretation of the standard, and bear in mind that we are not far from the revision of the SCCS. The MB discussion is also currently underway. We can keep the current interpretation and leave the new changes to the MB discussion.
- The intention of volume is not physical volume. The current practice is to keep those volumes permanently. We must also be careful with disrupting the supply chain.
- The Committee is not equipped to make a decision regarding the change of words as this needs to be informed by the TF or WG that have more expertise on this matter. The Committee are more comfortable acknowledging the potential issues raised around the process and implications and make this a priority to review during the next SCCS. There is a need to do more background work and research as

| | | |
|-----|---|---|
| | <p>well as look at the implications to RSPO and members. We should not rewrite the words but give a way forward on the interpretation.</p> <ul style="list-style-type: none"> • The Committee agrees that the revision of the standard should be through the standard review process. • Even though the MB rights 1:1 conversion rule and MB accounting balance are different topics, they are very much related. Committee should take heed that this 1:1 conversion rule and MB balance system is an issue, we should not penalise P&T for this. • CBs will have to be informed directly to not take this as non-compliance for now until a decision has been made at the point of review of the SCCS. As long as CBs are officially informed, they should be able to revert the non-compliance. We can inform the CB and members on the current interpretation. The CBs can be informed that the question was raised to the SSC on the interpretation of the word 'volume' in 'unused volume' and the quarterly balance no longer applies. We need to raise this issue of the MB volumes and make sure it is addressed during the revision of the SCCS. • Currently, we can say that the words do not change and what has been done in the past will continue. • If there is a change in interpretation, it should be implemented at the next certificate year. There should be a transition period. • There was no agreed process to come up with a proposal for the new interpretation. We need to clarify that this is an interim measure until the review process takes place. • Committee suggested adding a preamble text/paragraph stating that until the P&C is completed, the interpretation will be as per the previous understanding (Interpretation 1 of SCCS). Explain why this is happening and this is an interim measure until the next revision process. Committee also suggested to include what happens for those who have non-compliance and include the risk of disruption of supply of certified volumes. • Basically, we are putting a reprieve on this clause until the revision takes place. In the meantime, non-compliance will not be raised until the revision is completed. <p>Decision Secretariat to review the recommendations in the draft and include a preamble to reflect the above.</p> | <p>Review the draft and include a preamble text. Action by: Secretariat</p> |
| 4.0 | For Update | |

| | | |
|----------------------------------|--|--|
| <p>4.1</p> <p>4.2</p> <p>4.3</p> | <p><u>Shared Responsibility Verification Manual</u> This agenda was covered in Item 2.3.</p> <p><u>The Socialisation of the Code of Conduct Revised Clause 3.2</u> This agenda was covered in Item 2.3.</p> <p><u>Standards Review 2022/2023</u> The Standards Review Update was not presented due to time constraints. Updates can be found in the slides shared with the members.</p> | |
| <p>5.0</p> | <p>Any Other Business</p> | |
| <p>5.1</p> | <p><u>Key Operational Challenge within the No Deforestation Joint Steering Group (NDJSG)</u></p> <p>The No Deforestation Joint Steering Group (NDJSG) is facing an operational challenge whereby decisions could not be made due to the inability of the HCSA to acquire complete representation from its members. Based on the NDJSG’s Terms of Reference (ToR) and the Decision-making Process addendum developed in 2018 and 2020 respectively, the group is obligated to adhere to the rule which states that the main representatives from all membership categories of RSPO and HCSA within the NDJSG are represented.</p> <p>The Secretariat would like to seek the SSC’s feedback on the following:</p> <ul style="list-style-type: none"> • Does this change of decision-making process within the NDJSG ToR require consensus from the NDJSG members given the fact that it is not fully represented at this point? • There was a call to remove the NDJSG in the newly developed Draft 2 - How does this affect the NDJSG and its direction of which the Secretariat should facilitate the group towards? • The lack of representation is mainly coming from the HCSA side, and the group is unable to propose a decision paper - What would be suitable as the next step(s) for the group to remain operational? Is reviewing the ToR a viable option? <p>Committee commented:</p> <ul style="list-style-type: none"> • Committee suggested disbanding the NDJSG until the Standards Review Process is completed. • The MOU process has been going on for a long time and we should give it a limited time. • The Committee suggested to draft a letter, recognising that NDJSG is a non-functional working group, and we give around 3 months to find the solution. It is recommended that the group be disbanded if there is no solution. The letter should also include that decisions cannot be made in | <p>Draft a letter and circulate to</p> |

| | | |
|-----|---|--|
| 5.2 | <p>the current situation and the activity of the group has been paused.</p> <p>Decision Secretariat to draft a letter/proposal and circulate to SSC members via email for approval.</p> <p>Next SSC Meeting The next SSC Meeting originally scheduled on 25 April 2023 has been postponed to another date due to the Idul Fitri holidays.</p> | <p>members for approval via email.</p> <p>Action by: Secretariat</p> <p>Share the amended date to SSC members.</p> <p>Action by: Secretariat</p> |
|-----|---|--|

MEETING ENDED AT 1740 MYT