

Minutes for RSPO BOARD OF GOVERNORS Meeting 03-23

Date: Tuesday 05 September 2023
 Start Time: 2.00 pm – 5.30 pm (MYT)
 Location: Kuala Lumpur, Malaysia
 Virtual on ZOOM

BOG MEMBERS AND ALTERNATES IN ATTENDANCE

<p>SUBSTANTIVE MEMBERS</p> <p>Anne Rosenbarger (AR), WRI Tim Stephenson (TS), AAK Marcus Colchester (MC), FPP Lee Kuan-Chun (LKC), P&G Martin Huxtable (MH), UNILEVER Anita Neville (AN), GOLDEN AGRI RESOURCES Paul Wolvekamp (PW), BOTHENDS Kamal Seth (KS), WWF INTERNATIONAL Lee Jwee Tat (JT) STANDARD CHARTERED BANK H. Narno Sayoto Irontiko (NS), ASOSIASI SWADAYA AMANA Julian Walker-Palin (JWP), RPOG</p> <p>ADVISORS: Absent with Apologies Prof. Bungaran Saragih (BS) Mr Mavath R Chandran (MR)</p>	<p>ALTERNATE MEMBERS</p> <p>Mario Abreu (MA), FERRERO Eleanor Spencer (ES), ZSL Sander Van den Ende (SVE), SIPEF Olivier Tichit (OT), MUSIMMAS Steni Bernadinus (SB) KALEKA Laila Wilfred (LW) CARGILL Nursanna Marpaung (NM), HUKATAN Imogen Jamie (IJ), STANDARD CHARTERED BANK Rukaiyah Rafik (RR), GAPOKTAN TANJUNG SEHATI John Clendon (JC), UNIVANICH</p> <p>ABSENT WITH APOLOGIES Jose Roberto Montenegro (JM), AGROCARIBE Daphne Hameeteman (DH), WILMAR Dato' Carl Bek-Nielsen (CBN), MPOA Dr Surina Ismail (SI), MPOA Quentin Meunier (QM), OLAM Dr Fadhil Hassan (FH), PT. INTI INDOSAWIT SUBUR Harjinder Kler (HK), HUTAN</p>
<p>SECRETARIAT</p> <p>Joseph D'Cruz (JD), CEO Francisco Naranjo, Director-Technical Dr Inke Van Der Sluijs, Director-Market Transformation Ashley Tang, Special Officer Irene Low, EA to CEO</p>	<p>LANGUAGE INTERPRETERS</p> <p>Irma Nurhayati Ray Pahlevi</p> <p>OBSERVER Catherine Brown, Consultant on Governance Review</p>

ITEM	DESCRIPTION	FOCAL POINT
1.0	<p>Introduction and RSPO Antitrust Caution, Quorum and Conflict of Interest AR initiated the meeting as co-chair and the meeting convened. AR expressed her regret that co-chair Carl Bek-Nielsen could not attend the meeting and would have liked to thank him for his years of service on the Board.</p> <p>CBN's successor at MPOA has not been chosen, thus, there is no new representative yet. Catherine Brown was introduced to the Board and had joined as an observer for the Governance Review work. The Board was also reminded of the need to follow the antitrust policy and the agenda for BoG 03-23 meeting was approved.</p>	
2.0	<p>Approval of Minutes of Meeting – BoG 02-03 The Meeting Minutes of BoG 02-23 was approved, proposed by AN and seconded by TS.</p>	
3.0	<p>Actions Arising from Previous Meeting JD informed the Board that there were no issues that were of concern.</p>	
4.0	<p>RemCom Committee Update by RemCom Chair RemCom praised JD's first year as the CEO and acknowledged his efforts. RemCom rewarded JD the full bonus based on this financial year. Co-chairs and the RemCom will also be working with JD to set KPIs for the coming year.</p> <p><i>Approval has also been given for the fiscal year 2023 RSPO Increment and Ex-gratia Payout to the Human Resources Unit at the Secretariat. Since concerns were raised about the rate of inflation in different countries, the Board was told to take that into consideration for next year's calculation considering that the Secretariat currently only uses one rate across different offices.</i></p>	
5.0	<p>Secretariat Update by CEO JD gave an overview report, including progress on the development of the future strategy that the Secretariat team has been working.</p>	
	<p>5.1 Progress Report & Update on Strategy Development from Retreat JD explained that the teams are progressively developing consultation plans and engaging members and other stakeholders with the intention that a well-developed presentation will be shared with the Board by the next Board Meeting in November. Based on the feedback and the consultations, they intend for this to be turned into a full operational strategy by mid-2024.</p>	

	<p>TS asked whether this strategy fits into the theory of change or is this just a revamp of how it is presented.</p> <p>LKC noted that there might be potential conflict between one strategy and another, adding that it is crucial that it is fully linked and aligned as well as for its impact to be taken into consideration.</p> <p>TS and MH requested for the slides to be shared so that feedback can be provided.</p> <p>MC agreed with the strategy ideas but urged for more clarity on how risk-based certifications are going to work in practice, noting that social auditing is a RSPO weak point. He pointed out that the assurance system needs to be strengthened before thinking of developing a multiple level standard.</p> <p>AR questioned whether the team would have enough time for the consultation with RSPO members around these concepts and whether these concepts would be completed before RT in November so that it can be shared.</p> <p>AR also requested for future strategy developments concepts on the overall direction to be incorporated into RT discussions to ensure people are aware that the organisation is thinking beyond current issues.</p> <p>SVE called for the findings of the risk-based approach work, that was extensively looked into by Adam Harrison during the transitional period at RSPO, to be revisited.</p> <p>In response to questions by Board members, JD agreed with AR, noting that the RT breakout or plenary sessions will be identified to enable these discussions to take place.</p> <p>On the teams having consultation with RSPO members, JD clarified that discussions with various partners and stakeholders are currently ongoing including an upcoming discussion with ISEAL. Internal coordination is also in progress where the groups come together on a regular basis to share information, adding that a townhall sharing session is also planned.</p> <p>On potential conflict between strategies, JD noted that there is a possibility that the five parallel stream structure will not be maintained as there are already suggestions by the team to combine a few of the strategies that will hopefully translate into an operational plan by February next year.</p> <p>On the revised theory of change and the future strategy development, JD pointed out that these are connected. The theory of change revision is expected to be completed by the end of this year. When the strategy is finalised, the theory of change will be revisited again. JD agreed for the Board session in November to have a more thorough discussion on the theory of change and the strategies.</p> <p>On ensuring that the assurance system is strengthened, JD reassured MC that their priority has not changed, that is to maintain, improve the systems, demonstrate performance and compliance, adding that the development of the future strategies will only take up half of the team's time.</p>	
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	<p>On the risk-based approach, JD stressed that it is necessary if RSPO intends to effectively address social issues beyond the checklist audit that is only conducted once a year for four to five days.</p>	
	<p>5.2 P&C Review</p> <p>JD updated the Board on the status of the P&C Review, adding that the Task Force discussions have been intense where a number of issues have come up and will require clarity before it can move on.</p> <p>JD voiced concerns about RSPO's obligations to revise the Standards every five years due to ISEAL compliance. He will reconfirm this with ISEAL as he believes that ISEAL only requires a review every five years and not a revision. The review process conducted to-date has in his view complied with ISEAL requirements. Under ISEAL obligations, he said that it is not necessary for RSPO to submit a revised draft P&C to the General Assembly in November. As such, he noted that additional time should be taken to work on it before it is put forward for consideration.</p> <p>The Steering Group will also draft a message to be sent to the Standards Standing Committee for their thoughts and recommendations before it is brought to the Board at the next meeting.</p> <p>The Board and Steering Groups members thanked the Task Force members for their work in reviewing the P&C.</p> <p>What have we learned?</p> <p>KS agreed that more time is needed to deliberate on tricky issues in the P&C which are centered around FPIC, high carbon stock areas and conservation.</p> <p>AN pointed out that issues surrounding HCSA related matters cannot easily be resolved purely through indicator language, adding that the delay may be an opportunity to better align the timeframes to review the certification systems alongside the P&C.</p> <p>As there was no representation from the retailer groups during the Task Force discussion, JT felt that if retailers wanted their voices heard and to have an influence on the process then they should be represented.</p> <p>JWP responded that a separate discussion is needed on the needed contribution from the retailers, adding that personnel changes in a European retailer group member may have contributed to the loss of a participating member. However, JWP noted that he was also not aware of the retailers' lack of attendance and engagement in the review process.</p>	

<p>MC wanted to know how the P&C review process can be improved as feedback he has received from Task Force members was that it was confusing and unsatisfactory, noting that there were process problems not just content problems.</p> <p>AR concurred and wanted to have a time of reflection on the process such as whether there were issues with representation and wanted to know what steps will be taken moving forward.</p> <p>KS agreed that there is a need to review the standard revision process for the future.</p> <p>SB concurred too, noting that a review for the process should be carried out to define a proper process.</p> <p>JT requested the Steering Group to provide guidance on how to take the P&C Review further. He also asked if the Task Force needed to reconvene or if they have been officially disbanded.</p> <p>LKC believed that the review was difficult this time because it was conducted by new members and a new facilitator in which they may not understand the complexity and the time and effort needed to work in a consensus-based way. He asked how they can continue to ensure that the institutional knowledge is in the review.</p> <p>OT opined that the presence of new members was not the major issue but that the P&C outcome had perhaps shown the limits of the process; the complexity of the standard and the issues in it.</p> <p>Though they may be new, JT said they were experienced. Instead, he believed that the process was already broken in the past, adding that other parties had alternate perspectives besides making the P&C robust.</p> <p>AN noted that the natural limits of the methodology used to review and revise the standards seemed to have been reached, adding that the past is not necessarily a good predictor of the future anymore.</p> <p>JT suggested for the HCSA to be fully dropped from the P&C. He pointed out that HCSA made changes as it deemed fit. JT referenced the HCSA's June 2023 version, noting that it was published without any consultation. He said this will make the P&C referencing a moving goalpost, thus, cannot be a reliable certification approach.</p> <p>JT also urged the Secretariat to send an update to the Task Force members that their work is not in vain even though there will not be a new P&C for endorsement.</p> <p>JWP wondered whether there will be revisions that will be required to support legal changes in certain geographies, for example, the EUDR issue, as the timeline for the GA this year is tight. He asked for a process to be put in place to get these changes through as this weighed heavily on the legitimacy of RSPO.</p> <p>JWP also asked for clarification if any components need to go to the GA in order to ensure EUDR compliance. He conveyed the concerns of the retail members regarding the slow pace progress especially on EUDR issues.</p>	
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	<p>AR asked if there were any communication plans planned during RT or ahead of the GA on issues relating to EUDR gaps, P&C review, or others?</p> <p>As the Board will not be presenting the revised Standard for now, AR urged that careful communications need to be executed and positively communicated.</p> <p>KS called for a clarification to be put out on social media, email and others, that the P&C 2018 and ISH 2019 will be in use till further notice, so that there will be no confusion.</p> <p>LKC said the reinforcement of the importance of governance in terms of the difference between RSPO and HCSA over the years needs to be looked into. LKC explained that from 2014 to 2015, there was already significant complexity in terms of the type of forest that they were striving to conserve and there were multiple approaches and methodologies taken.</p> <p>SVE noted that although they have been following HCSA guidelines, from January 1, 2021 onwards, the guidelines will not be protecting them from EUDR. As the HCSA classifies a scrub as agri-forestry but under the EUDR, a scrub is classified as a forest, SVE felt that this is not clearly stated in the gap analysis. He noted that the analysis only mentioned that there was a fundamental difference in definition. The difference in guidelines will result in IP mills not being able to export to Europe if nothing changes with regards to the FAO definition.</p> <p>What is the action plan?</p> <p>In response, JD concurred that the Standards and the issues they are currently dealing with now have gotten complex enough that simply placing people together in a room and doing a bottom-up consultative process is not the optimal way to solve this problem.</p> <p>In the future, JD believed that this needs to begin with a more analytically driven process. Such a process could be led by the Secretariat, and include for instance a review of audit data, subsequently compiling current issues and identifying any emerging ones. This can be used as a starting point for a more structured conversation.</p> <p>On EUDR, JD responded that they would continue with the revision of the certification system in parallel with the development of the revised Standard. JD also explained that they face challenges in ensuring that the P&C and certification system complies with EUDR due to the lack of clarity from the EU itself. The implementation regulations for the legislation are not yet developed so many questions remain unanswered in terms of how the RSPO system could ensure coherence.</p> <p>JD highlighted that in conversations regarding HCSA, nobody had a problem with the HCSA methodology but that concerns were raised because people were uncomfortable about the way the platform was governed.</p>	
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	<p>KS agreed with JD, adding that the issues highlighted were not for the HCSA methodology and assessments but more in terms of HCSA's governance and RSPO's collaboration with HCSA and also the HCV Network. As WWF is a governance body member of HCSA and HCVN as well, KS said he will be happy to provide support in facilitating a win-win situation in the near future that works for all three organisations for a strong and credible P&C.</p> <p>On the disbandment of the Task Force, JD noted that it will indeed be disbanded.</p> <p>On the process moving forward:</p> <ul style="list-style-type: none"> - The Steering Group will send to the SSC its own view on this. Previous discussions have urged for the need to switch to a much more technically driven subject matter process based on Draft 3 as a starting point. - To get the guidance of the Steering Group based on two issues – the need to identify what must be done to make it clear, implementable, and auditable, and what are the issues that have surfaced from this process that cannot be fixed in the text (FPIC and the application to existing plantations, dealing with no deforestation standards and the high-carbon stock approach) - The need to identify what issues need a broader conversation instead of looking at the text to fit into the P&C. - Revision will begin again on the basis that it will be a more technically driven process, under the guidance of the SG, with the assumption that the SC and the Board agrees. <p>JD clarified that there is no 'delay' in putting out a revised Standard since there is no specific deadline by which a revision must be completed. The Board is just indicating that it will not be presenting anything at the upcoming GA.</p> <p>On having a communication plan, JD stressed that there will be clear communications coming out of this.</p>	
	<p>5.3 Preparations for RT 2023</p> <p>Some sponsors are confirmed, and efforts are still being made to reach out to other sponsors.</p> <p>JD requested for Board members to encourage their members, partners, and others to sponsor the RT as the costs have increased due to inflation, hotel costs and others. Registration numbers are slowly trickling in.</p> <p>Professor Koh Lian Pin has been chosen as the keynote speaker. His selection also received commendation from the Board.</p> <p>JD believed that Koh would bring an interesting perspective in terms of what the future may hold for the industry as we grapple with climate compliance and carbon more directly.</p>	

	<p>5.4 GA 2023/ GA Resolutions</p> <p>MPOA is up for re-election.</p> <p>On the P&T side, Wilmar has mentioned that they will not be standing for re-election as principal Board member. The Secretariat is looking to P&T members to put forward a strong new principal candidate for the position.</p> <p>The interim Principal & Alternate members of the Banks & Investors are up for approval at GA 2023.</p> <p>There are still gaps on the retailer side. JD acknowledged JWP's efforts in this. On the alternate for CGM, the Secretariat will check with MH if there is a party willing to step in.</p>	
	<p>5.5. Digitalisation- Update on CTTS Development</p> <p>The CTTS is currently in the assessment phase which will run through until just before RT. On the basis of this assessment phase the vendors and Secretariat team will be able to provide a detailed design with full costing, etc.</p> <p>On the vendor, a consortium led by Agridence together with CIED and NGIS has been selected. Each of these parties have the expertise and available solutions to cover the trade and traceability, certification, and the geolocation requirements. The closest alternative to this consortium was RainForest Alliance (RA). But in the final analysis, the financial proposal from RA was vastly more expensive than what these vendors provided because RA has a lot of subcontracting involved as well. Although there is a cost of USD3 million on this budget, the revenue fees that currently goes to the processing done by RA will, if things go well, partly return to RSPO itself.</p> <p>TS asked if the decision to not select RA has been communicated to them, noting that the interim period will be critical as they currently rely on this system for RSPO's income. A large proportion of RSPO's income and credibility is at stake in the handover period, as well as how it moves forward.</p> <p>AR asked whether they could have conversations with their constituents about the vendor, or do they need to keep that internal for now?</p> <p>AN asked whether the one time cost would be able to be offset through major donor funding or something similar.</p> <p>LKC believed that the bare minimum requirements in order to support EUDR as a first phase needs to be prioritised and should strive to be completed by the end of next year. The three organisations working on the same system need to be coordinated well too as they're building one, not three systems. For the system to function effectively, accurate data input is also essential.</p>	

	<p>While LKC acknowledged the complexity of setting up the technical prerequisites, he noted that it is even more challenging to gain consensus across multiple sectors; upstream to downstream, including the government, regarding data management or authorising RSPO as the data repository system. To facilitate this, he urged for dialogues to be held with various sectors to clarify the system's purpose, believing that this proactive approach will pave the way for smooth data integration. The JA pilots can also be considered to use this system as the central data repository.</p> <p>LKC also asked for the Secretariat to start developing a strategy and an action plan in terms of engagement on data provision governance as well as an action plan for the data.</p> <p>He also requested for the CTTS development to be set as a default standing agenda item for Board meetings.</p> <p>On RA, JD clarified that they have been notified of their decision, adding that the contract with them will run until early 2025 or longer, as they're needed for the transition period. They will also work with RA carefully to ensure that the transition process will proceed smoothly. Contractually, RA is required to provide assistance in terms of data migration, etc.</p> <p>On the consortium having three vendors, JD clarified that the contract was negotiated explicitly for Agridence to be the primary vendor and to be the one accountable for overall delivery. Having three vendors who have existing solutions is a lot safer than trying to work with one vendor trying to rebuild everything from scratch given the complexity of what's needed, and the timelines involved.</p> <p>On whether the selected vendors can be announced to members, JD responded that he wouldn't want to put out anything publicly yet but acknowledged that the news will spread anyways. The final contract has not been signed yet, but JD noted that the vendors have already started working on this while procurement is being finalised.</p> <p>On the criticality around EUDR, JD assured that EUDR is given the priority, adding that they are working on the 13 modules in the system that are required to replicate the functionality of PalmTrace as well as to be compliant with EUDR and other regulatory requirements. The remaining few modules will only be rolling out by May 2025.</p> <p>On data repository, JD explained that internal discussions have begun on how quickly they can make the data frames and data requirements final and publicly available, so that members and others can start capturing these data in offline systems, and other repositories to migrate into the system when it goes live.</p> <p>However, JD noted that the data governance issue is tricky as he does not know yet what the full implications are. But, the membership and certification system currently captures the geolocation, traceability, and legality. He hoped that this would not be a deal breaker but that this would be watched carefully.</p>	
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	<p>On donor funding, JD is willing to explore donors or partners as this may reduce the impact on the reserves. But he cautioned that working with donors can be very complicated. In his experience, there's a risk of that slowing down progress. The intention for now is to fund this from the reserves that they currently have. However, he would be willing to seek guidance from the Board.</p> <p>JD acknowledged LKC's request for a strategy and action plan on data provisions, noting that he has asked the team working on this to come back to him to provide more clarity.</p>	
6.0	Coffee Break	
7.0	<p>Secretariat & Committee Updates</p> <p>7.1 Finance Update</p> <p>TS gave an update on RSPO's financial situation. RSPO is still in a strong position and is currently in the middle of an audit. So far there aren't any major audit adjustments. There is currently a surplus of RM3.9 million for the year although it is less than last year. This is considered better as the surpluses they've been having have been excessive for a nonprofit organisation, though it is useful for building reserves to pay for things like the new CTTS system.</p> <p>Income is flat compared to last year and we are budgeting for an increase. The budgeted surplus is around RM2 million. Costs went up in accordance with the budget. For the subsequent year, the budget was for an increased income for 2023-2024. But if that doesn't come through, RSPO has to be careful that it doesn't end up in a deficit.</p> <p>Costs have increased due to an increase in staff, project costs, professional fees, office rentals, and others. There is currently RM89 million now in cash in the bank. Subscriptions have gone up a little bit but there is a need to keep a close eye on overdue subscriptions. The provision for doubtful debts has been reduced, which has increased the net number.</p> <p>A rectification needs to be made in the 'Assets & Liabilities' presentation slide as there is an error in the calculation. The calculation should be the same as the ones in the 'Equity' slide.</p> <p>The members' fund currently stands at RM60 million. There is still RM9 million in the smallholders funds, but there are some commitments going forward. Similarly, for the Special Projects funds when the DSF Trust fund was terminated, there was a remaining balance which was paid back to the Special Projects fund. There are also some currency translation reserves which are accumulating.</p> <p>TS agreed that it would be good to obtain other grant monies for the new systems. But if it doesn't work out, there are still sufficient reserves in order to pay for it. It can reduce payments for that system from USD4 million to USD 3.25 million dollars a year. TS said this should be dealt with going forward which should also be part of the operating plan supporting the strategic plan going forward.</p>	

	<p>An account with the Custodian Bank has been opened and was formalised with Perennium and investment management contracted with Cone Marshall. Despite the account opening, TS wasn't sure whether any funds have actually been physically deposited but approval's been given within the Finance Committee to get the investment of RM90 million in cash, or a significant proportion of that invested in a professional way.</p> <p>JD clarified that the funds are not with Perennium yet as the paperwork is being prepared.</p>	
7.2	<p>Standards SC</p> <p>JD pointed out that there have been operational challenges around the No Deforestation Joint Steering Group (NDJSG) which has lacked quorum and lacked the ability to make decisions for more than a year now. The SSC discussed the option of disbanding the NDJSG as further progress was not forthcoming.</p> <p>The formation of a peat subgroup was recommended as part of the RACP LUCA Review but this is not a new task force, but just a subgroup under the Compensation Task Force to be able to address compensation issues.</p>	
7.3	<p>Market Development SC</p> <p>Ian Suwarganda (GAR) was approved as the MDSC co-chair.</p> <p>JWP expressed his concerns about the gap in terms of expertise after the dissolution of the Oleo Task Force.</p> <p>TS urged for more support to get growers members to be fully certified as this will translate to 42% of total palm production RSPO certified, which would be a huge step forward. He also questioned the accuracy of the European numbers against world oil; the total numbers for volumes that's coming into Europe, and how much is non biofuel use or food use.</p> <p>LKC said the dissolution of the Oleo Task Force was agreed upon. But, despite the dissolution, he felt that there still isn't a good understanding of the tracking of PK versus PKO, which is something that is still required to continue and strengthen.</p> <p>The ACOP review showed that having a 6.5% increase of PK with more than 11% increase in volume of PKO is clear evidence that there's a gap in terms of being able to track CSPKO in the market. LKC called for dedicated resources to work on it whether it is in the system or as part of the supply chain standard revision.</p> <p>On the Oleo Task Force, Inke said to ensure continuity, it was important the Supply Chain Traceability Working Group continues to track and monitor the availability of palm kernels and palm kernel oil and its sales.</p>	

	<p>On the oversight of the Shared Responsibility Working Group that will move to the MDSC, the Secretariat will ensure a smooth transition so that there's no gaps in oversight.</p> <p>On the inaccuracy of the European numbers, Inke would be happy to speak with TS separately and urged him to share insights to improve their data.</p>	
7.4	<p>Smallholders SC</p> <p>AR called for three follow up action points for the smallholders.</p> <ul style="list-style-type: none"> - The communication plan for promoting smallholder credits and the narrative around that. - Maximising viability and the next steps. - What is an appropriate venue to continue these fundamental discussions around the positioning of smallholder credits on where they sit on the other RSPO schemes? <p>RR shared about the problems faced by smallholders in using PalmTrace. The inability to check within PalmTrace on the status of the sales of smallholders physical FFB. This will impact the remaining volume for CSPO, CSPKO, and CSPK.</p> <p>There are also technical challenges a group from Jambi, Indonesia faced in which PalmTrace had blocked their account as there was a problem with their transaction in credit purchasing. Smallholders are also technology challenged where they do not know how to check their remaining volume.</p> <p>RR proposed for the system to provide notification for the smallholders either through email or other methods so that they are aware that they still have the remaining volume that they have to sell before it expires.</p> <p>LKC agreed with RR, calling for the need to have a specific marketing arm to ensure that this continues to be communicated to ensure that the smallholders credit market is understood.</p> <p>SVE thanked RR for raising this issue, adding that the RSPO helps smallholders transition into certified status but doesn't help the mills who sell and export to Europe. He pointed out that these credits actually render the FFB useless to exporting IP mills because they remove their certification status. He urged for this to be looked into or to find ways to maintain the traceability along the MB mills. Otherwise, he said IP mills, which are the only ones that are interested in exporting, will never be able to support independent smallholders based on how it is right now.</p> <p>RR agreed with SVE that this is a huge problem for smallholders because they cannot sell their FFB, even if the FFB is certified by RSPO through the IP mill.</p> <p>She said this issue was raised during the Standards Task Force meeting because this indicator in the Standard is needed. Though smallholders in Indonesia are happy with the credit that they receive, however, RR noted that the credits are not sustainable as smallholders are still allowed to send their FFB to non-certified mills, or they could still sell their FFB to an agent.</p>	

	<p>RR felt it is of paramount importance to think about the new model to ensure that the smallholders are also part of physical trading so that buyers can also directly support the smallholders individually and can claim that they also buy the certified palm oils physically.</p> <p>LKC acknowledged that credit selling, and demand is a realistic need on the ground right now. But, as they have to look at the impact of EUDR, they need to ensure that the smallholders continue to be in the supply chain or supplying to Europe as needed. He pointed out that this reinforces the importance of ensuring that the digital system continues to enable data from the smallholders to be included.</p> <p>LKC also highlighted the need in addressing P&C 2.3 in terms of the third party fruit that needs to be tracked to ensure its legality.</p> <p>On communication strategy around credits, MH believed that all this is about phrasing. Specifically, when those committed to purchasing credits from independent smallholders end up not doing so. He called for a practical solution to ensure that if someone expresses interest in buying credits, it's done transparently and with all feasible options available for their sale. He added that it is a misleading narrative if the meritocracy approach continues to be conveyed that credits are at the lowest rung, followed by mass balance and then segregated and IP as the highest standard. Instead, the aim in fact is to establish sustainable palm oil as the standard practice.</p> <p>KS added that a change is needed in the strategic messaging around this, especially for independent smallholder credits. He urged the Smallholder Standing Committee to look into the group manager or the farm cooperatives model to help the oil palm farmers in different parts of the world.</p> <p>AN agreed that a communication plan needs to be mobilised to promote smallholder credits and their value, and for a toolkit to help members already sourcing these credits to be able to promote their value within their own corporate communications teams.</p> <p>MA also concurred for a communication plan, noting that the overall narrative that RSPO is a sustainability advisor needs to encompass that, particularly on how to move the sector as a whole with perhaps different strategies for credits, mass balance and segregated.</p> <p>SVE believed that EUDR is going to trump everything and will require segregation, or traceable to source to prove no deforestation. Even one single plot of land in a supply will turn that shipment back and segregation and traceable to source is the only way. He believed that there should be a market-based mechanism thought out that would work for the smallholders and that is logical in the current market conditions that EUDR is proposing.</p> <p>On traceability, SB noted that it is time to strengthen the partnership with the national governments as they take the main role to identify and legalise independent smallholders at scale, noting that this translates to JA becoming a much more important strategic focus.</p>	
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	<p>JWP pointed out that retailers are working on the basis that credits will not be compliant with EUDR, but that they are looking at how they can continue to support independent smallholders from 2025 onwards.</p> <p>TS indicated that perhaps this meant that independent smallholders are effectively excluded from the EU market under the EUDR due to the need to show legal ownership of land but that will not stop end users from supporting smallholders outside EUDR.</p> <p>Inke, Francisco and JD's Responses to Questions:</p> <p>On technical issues with PalmTrace, Inke explained that all license holders receive a notification when their licenses are to expire but acknowledged that it is possible that this did not reach smallholder group managers. She recognises that there is a need to ensure that this is in place.</p> <p>On the concerns around unsold independent smallholder credits, Inke said they are working towards improving messaging on all supply chain models. They will also proactively reach out to large buyers of independent smallholder credits to understand what they are intending to do, whether they will continue buying these credits, or whether they want to move away from it.</p> <p>Apart from that, they are also speaking to companies that do not meet their shared responsibility targets to suggest that they can buy independent smallholder credits to reach their uptake targets, but also meet the requirement under shared responsibility for smallholder support.</p> <p>With the communication team, Inke said they have launched a member survey to speak to members to understand how they foresee this credit dynamics in the future and will schedule interviews with a few companies.</p> <p>On EUDR, the technical division is working on a gap analysis and an impact assessment to assess potential gaps between the independent smallholders standard versus the EUDR requirements. The EUDR too had actually requested operators to support smallholders. Therefore, this would be an opportunity for the Secretariat to promote independent smallholder credits.</p> <p>The assessment of the performance of members in terms of meeting the shared responsibility requirements is also currently being conducted. Should we convey that the four supply chain models create the same impact on the ground because the certification is the same or is it up to the companies to decide how they want to buy their certified sustainable palm oil or palm kernel oil?</p> <p>On concerns about the carry-over of unsold credits, if these are allowed to be carried over it will give smallholder groups more time to sell their unsold volumes. The interpretation of the certification systems documents endorsed in 2020 states that it is not allowed for smallholders in the eligibility phase or milestone A but nothing is mentioned on Milestone B. Therefore, Inke assumes that the carry-over is still possible but interpretation by the certification team is that it is not allowed.</p>	
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	<p>On concerns about credits being traceable or otherwise, when companies buy credits, they receive this information from the seller. The information is the name of the group or the name of the mill selling the credits, their membership number and their GPS coordinates in the country where they're based. In terms of traceability, companies do receive the information when they make a match with the credit sellers.</p> <p>Inke pointed out that there is a need to align internally and since she has not seen any communication that the exemption for the smallholders has been removed, she would assume that this is still possible. However, Inke said if the new certification document overrules the exemption, then they will have to ask for approval again from one of the committees.</p> <p>Francisco clarified that the smallholder unit has commissioned a gap analysis study between the EUDR and the independent smallholders to find the areas of alignment between the EUDR regulation and the Independent Smallholder Standard. There would also be an impact assessment to identify the potential impact, the shift in the demand, and the independent smallholder credits.</p> <p>The preliminary result, the impact assessment and the gap analysis from the study are expected to be ready for RT in which the panelists in the RT are going to present some of the preliminary results.</p> <p>Francisco also highlighted the need to revisit the communication strategy around credits as it is seen as the lowest quality of RSPO certification, which is not the case. For independent smallholder groups it is extremely important to have the possibility to get the credit, some kind of recognition and financial support.</p> <p>JD informed that Francisco will follow up with the certification team on credits not showing up on PalmTrace although these smallholders have sold their physical certified FFBs.</p> <p>On rebranding for smallholders especially on credit and for giving them support, JD informed that this will be followed up by Guntur.</p>	
7.5	<p>Assurance SC</p> <p>On the Socapalm Socfin case, PW questioned whether the Secretariat has the ability and mandate to take action if there are serious allegations being made which are not translated in a specific complaint. He also asked how RSPO can strengthen its own investigative capacity in various fields, and to have the ability to quickly field experts, if need be, to verify what the allegations are, and the risks, especially when it touches on the credibility of RSPO</p> <p>He also asked why are concerns not being detected and addressed by certifying bodies in the first place? And what's the ability of ASI to oversee the auditing system so that such incidents can be avoided in the first place?</p>	

	<p>PW called for a game plan on how to address this issue so that it may be revisited or whether the ASC can be tasked to take this further.</p> <p>AR believed that it is better to move forward via ASC.</p> <p>KS noted that to take it forward they can look at what are the alternatives to ASI, the pros and cons, and whether they are doing the job they're supposed to be doing as well as evaluating how they continually miss these things?</p> <p>KS concurred that this can be taken up in the ASC to see how a thorough review of ASI itself can be done, adding that it is time to evaluate whether they are helping to fulfil RSPO's mission or causing reputational risk.</p> <p>MC believed that this needs to be urgently looked into instead of just handing it back to the ASC.</p> <p>MH believed that there is a need for something to be put in place in respect of detection or monitoring that is supplementary to the assurance process to ensure that they're ahead of and create a position where organisations know that they are being watched if they are RSPO certified.</p> <p>KS noted that it is of paramount importance to commission the study which has been approved in the ASC which is analysing the risk based approach to auditing. Secondly, to review ASI.</p> <p>AN noted that Earthworm could choose to raise this as a complaint, or that a supposed second more detailed Earthworm report could be a trigger for a complaint that would be a precursor to an action plan for restitution of these issues or addressing of these issues. The Secretariat too might speak with Earthworm to get more information.</p> <p>AR requested for the Board to get an update not necessarily specifically on Socapalm, but also on the approach to this for the next Board meeting as well, adding that the next update can be more action oriented on what needs support from the Board versus what is more just an information.</p> <p>Given that issues like this pose reputational risk to RSPO, SVE urged the Board to pressure the Secretariat to look into the root causes of this recurring grievance and come up with corrective and preventive actions for this particular case and future other cases through strategic approaches like risk based audits that allow deeper dives into key issues like human and labor rights.</p> <p>SB believed that the RSPO system is prepared to respond to cases such as this, but there is a need for urgency that should be a short term response. As such, there is no need for a long wait for a systemic change.</p> <p>JD clarified that one independent verification commissioned by the Secretariat has already been completed and if another verification is being commissioned it might be a double jeopardy and further challenges the system that is currently in place.</p>	
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	<p>JD noted that if the Board decides that they want to commission another investigation of Socapalm then he is happy to take it in but warned that it is not right to be constantly intervening when they are unhappy with the situation on the ground based on allegations as this will undermine the certification system that is in place.</p> <p>JD also clarified that Earthworm was commissioned by Socfin after RSPO's investigation as part of their response and was not an independent action by Earthworm. He noted that if the Secretariat undertakes further action wouldn't they disincentivise growers from acknowledging issues like this and taking action themselves?</p> <p>JD informed the Board that the Assurance director Aryo Gustomo will follow up with ASC co-chairs on specific actions that ASC would like to take on the Socfin issue.</p>	
7.6	<p>Shared Responsibility WG</p> <p>The 2023 uptake targets were endorsed. KS reminded Board members to ensure that their myRSPO section is fully updated to reflect the true picture of their organisation before the website goes live.</p>	
7.7	<p>Grievance / Complaints / CP</p> <p>JD noted that the review of the grievance system is still underway in which the third draft of the recommendations have been circulated to the Steering Group.</p>	
8.0	<p>Governance Review Committee</p> <p>AN provided the Board with a review of the Governance Review process explaining that the primary objective is to make sure that they're enhancing effectiveness, efficiency, transparency, and accountability of Board operations aligning with best practices and helping RSPO achieve its strategic objectives.</p> <p>Catherine has been appointed to work on this, but committee members have also identified some other external experts that they can draw on as a sounding board if it is required. Regular updates will also be provided on the progress of the review to ensure that there's sufficient consultation engagement with relevant stakeholders in terms of the scope.</p> <p>Catherine will speak to the people involved in the organisation and those who've been engaged in the past to get a full picture of the governance processes. Further updates on the governance process will be provided at GA. Recommendations are expected to be ready by January 2024. Catherine urged members of the Board to make time to speak with her when requested.</p>	
9.0	<p>Any Other Business</p>	

1. Jurisdictional Approach

SVE noted that the Jurisdiction Approach Working Group (JAWG) report has been endorsed. JAWG was set up by the Board and reports to the Standard Standing Committee.

The JAWG has suggested establishing a new membership category so that progress in the pilots that are currently recognised can continue and could pave the way towards a model that could be operationalised.

This membership would be a separate category from the ordinary category and it would have no voting rights, board seats and no membership fees to begin with.

The proposition will be tabled to the Standard Standing Committee and undergo a process of consultation. After a month of consultation and a further review by the Standards Committee there will be a presentation to the Board of Governors.

LKC said the membership rule is critical in enabling the creation of JE, thus, there is a need for there to be an urgency in working towards this. He urged backing for the pilots to facilitate their progress, adding that this expectation extends from not just the pilot members, but also from the Government.

KS shared that the challenges that emerged from the three JA pilots in Sabah, Indonesia and Ecuador is financing and resourcing by hiring the necessary people for them to accelerate further. KS also called for recognition for the pilot groups at RT for completing step one, adding these pilot groups are unable to go back to the Government unless the recognition is made by the RSPO for the governments to take it seriously.

KS also asked whether it is possible to create a Jurisdiction Approach Fund within the RSPO budget highlighting that in the past there was the RSSF fund.

KS requested for JA to become a standing item for Board meetings. AR concurred for this to be done too.

SVE proposed to hold perhaps a special general assembly if they fail to meet this year's GA deadline. But pointed out that it would be bad if they have to wait for another year if they missed this year's GA.

SB agreed that it is of importance to recognise the progress of the pilots so far. He also said this situation can be taken as a strategy for RSPO to connect with other strategies, including legalising independent smallholders, farmers that address the EUDR challenges.

AR called for there to be continuous updates on the concrete next steps such as on resourcing and others.

	<p><u>2. Call for the set up of an Independent Smallholder Caucus</u></p> <p>RR called for the setting up of an independent smallholder caucus.</p> <p>She pointed out that there needs to be a regeneration for the next BoG as LATAM smallholders did not know that they can be or can participate in the BoG as an independent smallholder representative.</p> <p>As such, she said there is a need for the RSPO to facilitate the caucus for the smallholders and through this caucus they can discuss their next steps and bring forward the voices from global smallholders. She also urged for the facilitation from RSPO for translation services as there are language barriers especially in areas from Latin America and Thailand.</p> <p>JD noted that they will be following up on this request.</p>	
	<p><u>3. Others</u></p> <p>PW reminded Board members to request their constituencies to advertise and invite a volunteer for the still vacant co-chair seat for the Dispute Settlement Advisory Group.</p> <p>MH requested for the list of standing committees and working groups and the list of vacant positions to be circulated to the Board.</p>	
	<p>Meeting Adjourned at 5.30 pm</p>	