

**SUMMARY of action points and agreements**  
**Physical SRWG meeting 18-19 October 2022, Amsterdam**

Recap morning session

1. Co-chairs draft a shared vision and goals to be used by all.

SR performance

2. Uploading the evidence in MyRSPO is not restricted to English.

Uptake targets

3. The Secretariat to consider to include conversion factors in predefined formulas in the volume section in ACOP 2022.
4. The Secretariat to use the factual language (i.e. target met, did not meet target, >95% uptake and did not submit ACOP) in all the communications on SR performance related to uptake targets.
5. The Secretariat to do the modelling applicable to ALL stakeholders individually (i.e. the target is common to all the P&T, 2%, but it applies individually to all P&T Ordinary members), with ambitious targets for new members and including promotion of physical volumes rather than credits in mature markets to comply with the uptake targets.

Verification process

6. SRWG agreed that we should not simply introduce too many audits, only audit the topics which are not covered in other audits. What's not covered: uptake target/volumes, focus on members without their volumes covered in palmtrace. Self-reporting with stronger assurance, by using outcomes of other assessments. Burden of proof is on members.
7. There is a need for more guidance for each sector on how to implement the SR requirements. SRWG will give input and will consult with their sector. The Secretariat will provide a template, keeping in mind endorsed requirements.
8. SRWG agreed on Scenario 3 as verification process: Step 1: Secretariat monitors SR performance (ACOP and MyRSPO) which results in the SR performance shown on RSPO website) Step 2: 3<sup>rd</sup> party audit OR public statement OR comparable system.
9. SRWG found the benchmarking study on external reporting initiatives done in Aug 2020 not exhaustive, SRWG members will provide other initiatives to include.
10. SRWG agreed on no sampling size for the verification process – all members need to comply.

Sanction mechanism

11. SRWG agreed on a 4 year sanction period for failure to report in MyRSPO (Green box in scenario 2, i.e. Y1 and Y2 – warning letter, Y3 – recommend to BoG for suspension, Y4 – recommend to BoG for termination).
12. SRWG agreed that the option of 'Declaration of Support' in MyRSPO shall only be available for new members. The Secretariat will update the language of the box in MyRSPO so it's only for new members.
13. SRWG agreed on sanction mechanism Scenario 2 (incl the green box, i.e. 1) Failure to submit ACOP → follows ACOP mechanism, 2) Failure to report in ACOP → 4 years approach (see point 11), and 3) Failure to meet Verification Step 2, i.e external audit OR public statement OR comparable external system, → member's performance publish in RSPO website)

Incentive mechanism

14. SRWG agreed on Scenario 1 for incentive mechanisms (capacity building for granted as RSPO Secretariat will do so anyway).

Next steps

15. There is a need to create a mechanism to link stakeholder with growers who need financial support with RaCP.
16. SRWG and SR unit have 6 months to prepare guidance before meeting with P&C TF meeting in person in June/July 2023. Use drafted guidance as the basis to discuss which requirements should be updated.
17. The Secretariat will think of ways SRWG members can better communicate to their caucus.

**Attendance:**

<p><b>Members and Alternates</b></p> <ol style="list-style-type: none"><li>1. Kamal Seth (KS, WWF International)</li><li>2. Girish Deshpande (GD, P&amp;G)</li><li>3. Joshua Lim (JL, Wilmar)</li><li>4. Lim Sian Choo (Bumitama Agri Ltd)</li><li>5. Catarina Vivalva (CV, BNP Paribas)</li><li>6. Ben Vreeburg (BV, Bunge)</li><li>7. Julian Walker-Palin (JWP, RPOG)</li><li>8. Brian Lariche (Humana Child Aid Society, Sabah)</li><li>9. Surina Binti Ismail (Sbl, MPOA)</li><li>10. Mariama Diallo (MD, SIAT SA)</li></ol> <p><b>Absent</b></p> <ol style="list-style-type: none"><li>1. Harjinder Kler (HK, HUTAN)</li><li>2. Ben Waring (BW, Signature Brands, LLC)</li><li>3. Nursanna Marpaung (NM, HUKATAN)</li></ol>	<p><b>RSPO Secretariat</b></p> <ol style="list-style-type: none"><li>1. Joseph D'Cruz (JD)</li><li>2. Inke van der Sluijs (IS)</li><li>3. Lilian Garcia Lledo (LGL)</li><li>4. Joyce van Wijk (JW)</li></ol>
--	--

**DAY 1 - 17 November, 2022**

**Topic: SR and SRWG expectations.**

During the first morning session with the external Lego facilitator the SRWG members had to express and materialise their views on 1) what is SR for you, 2) what do you expect from this SRWG and 3) what is your role in achieving other's expectations.

Lot of progress in understanding each other and bringing common ground was done as everyone was able to express themselves, some with outstanding skills in lego constructions. Precious learning is taken from this session that set up the correct atmosphere for the SR content discussions to come. Secretariat can only thank everyone for the creativity efforts and honesty shown during this activity.

**Topic: Recap of morning session - shared vision of SRWG.**

Regardless of the initial objective that members had when joining the SRWG, it is discussed and agreed that is the duty of the SRWG members to bring clarity on SR and come to a consensus, so everyone will put the "sector hat" off and put the "SRWG hat" on.

ACTION - Co-chairs draft shared vision and goals to be used by all.

**Topic: SR performance**

Secretariat presented the overall reporting rate in MyRSPO and per requirement. Secretariat explained the current set up of the SR section in My RSPO. It was initiated in March 2021 and for now it only covers a subset of the SR requirements.

Members can report in MyRSPO through the submission of the implementation evidence of the SR requirement available, or declare the support to the SR requirement. 20% of the members reported their SR performance in MyRSPO in 2022, doubling the number compared to 2021.

AGREEMENT- Uploading the evidence is not restricted to English.

### **Topic: Uptake targets**

Secretariat presented the CSPO and CSPKO uptake target performance.

P&T- concern that the uptake numbers are not correct. Concern on stearin volumes, doubting if the back calculation is correct. Proposal of including a default formula in ACOP so it is ensured that all members report volumes correctly. If this is done perhaps the gap between supply and uptake is narrower.

Also, when buying credits a company may be buying less credits than it should.

Secretariat - ACOP guidelines include the explanation and ACOP team resolves members doubts on this and perform webinars. Also a triangulation between PalmTrace and ACOP data is done to get an indicative figure which is enough to indicate the trend.

During the next SCC Standard revision, it may be necessary to strengthen the rule of credits purchase to ensure the buyer covers the real CSPO volume used and not the correspondent to the fraction. The current 3.8 clause of the SCC Standard states the following: *RSPO members can purchase RSPO Credits to cover the use of uncertified/conventional oil palm products, excluding oleochemicals and its derivatives, based on a one-to-one ratio (e.g. 1 credit of CSPO covers 1 ton of palm stearin). For oleochemicals and derivatives, please use the ratios explained in the RSPO Rules for Oleochemicals and Its Derivatives (Annex 6).*

ACTION - Secretariat to consider to include conversion factors in predefined formula in the volume section in ACOP 2022

Discussion regarding the increase of uptake will generate an increase in prices.

JD- RSPO does not set the price. Driving demand is not violating the RSPO mandate.

Discussion concerning that the uptake targets shall be covered by physical volumes and not credits.

eNGO- move away from mills credits.

Secretariat - certain markets are not ready to move to physical.

eNGO- Proposal to move out from credits in mature markets.

Secretariat- regional analysis does not work because the member subsidiaries are the ones who buy the credits but the credits bought are registered as the headquarters, so the country that appears to be 'buying' the credits is the country of registration of the HQ and not the country that 'buys' the credits.

P&T - another proposal on forbidding the mills to sell credits based on location.

Secretariat- The fact is that there are a total of 1.5 million credits.

AGREEMENT- promote transition from credits to physical volumes.

Discussion on availability of supply.

There is a potential supply increase, i.e. if existing growers get 100% certified, the share increases from 19% to 40% of global palm oil certified by RSPO. These existing growers may face compensation issues and make them reluctant from getting RSPO certified.

eNGO- RSPO to pitch these members, check their compensation status and check who is willing to buy from them.

Secretariat - proposal to do a projects database connecting growers and supply chain actors willing to support in the compensation. - (discussed more in detail in the Next Step session)

Discussion on CSPO performance 20 vs 21.  
Secretariat shows the performance per stakeholder category.

There is a statement indicating that if someone overperform or lag behind there might be an effect up in the supply chain, i.e. P&T uptake may be affected by CGM uptake.

P&T - There is a need to stimulate uptake from CGM in two ways, does that not meet their target and those that chose credits to cover their uptake targets.

Discussion on CSPKO performance.  
Secretariat recognise that the compliance of some members is at the expense of others as there is a price war. Therefore there was the recommendation (already for 2022 targets) to remove CSPKO target to avoid encouraging the current situation.

Exercise on communication language.  
AGREEMENT - When communicating the uptake performance of members, the SRWG agreed in the communication language being factual (including the caveats)

ACTION - The Secretariat to use the factual language (i.e. target met, did not meet target, >95% uptake and did not submit ACOP) in all the communications on SR performance related to uptake targets.

Discussion on Uptake Volumes Year 4.  
Secretariat explained the evolution of CSPO uptake over the years, differentiating physical and credits.

P&T- some regional differences: North America has no fractionation capacity, it is a MB market , now NASPON switches to SG expectation. Europe in a SG market.

eNGO - fully support to MB if facing out mills credits.

Secretariat - RSPO has four supply chain models as we are neutral, it is for members to create infrastructure incentivizing the moving from credits to MB. The position of RSPO is to move progressively.

Growers - some markets need credits as there are inefficiencies.

AGREEMENT - minimise the role of credits, set up uptake targets that differentiate which % can be covered by physical and by credits.

Secretariat indicated that the SRTF set up the need for a target for 3 years and now it is possible to rethink the methodology and the way of setting up the targets. Two possible methodologies, A and B, are explained.

P&T- propose to remove the uptake target for P&T. Or if so a group (i.e. P&T constituency) not as individual members.

The above is challenged asking how P&T met their target, being just the response to the demand, which is not transforming the markets. And how P&T can move the RSPO Agenda forward.

P&T proposes to act by pushing the SG supply chain in NA, for example. Infrastructure investment.

P&T challenge that if a member does not comply with targets they can be terminated and how that helps the RSPO in general. They also promote RSPO SG but often the reply is 'too expensive'. There are cases when RSPO members are not buying RSPO certified but NDPE/traceable oil which is 'cheaper'.

It is concluded that 1) ALL relevant supply chain categories shall have an uptake volume, 2) new members will have ambitious targets, 3) preference to promote physical rather than credits to comply with uptake targets.

Secretariat will work on the above, thinking on how to do the monitoring, the different scenarios and potential risk and gaps.

**ACTION** - The Secretariat to do the modelling applicable to ALL stakeholders individually (i.e. the target is common to all the P&T, 2%, but it applies individually to all P&T Ordinary members), with ambitious targets for new members and including promotion of physical volumes rather than credits in mature markets to comply with the uptake targets.

The final scenarios will be presented to the SRWG as soon as possible.

## **DAY 2 - 18 November, 2022**

### **Topic: Verification process**

Secretariat presented the 3 proposed scenarios for verification:

Scenario 1 – step 1 (Secretariat monitors SR performance (ACOP and MyRSPO) and results in the SR performance shown on RSPO website)+ SR performance on website

Scenario 2 – step 1 + 3<sup>rd</sup> party audit OR public statement on the website

Scenario 3 – step 1 + 3<sup>rd</sup> party audit OR public statement on the website OR comparable external systems

Growers - Risk with scenario 2: high- and low-profile members should be treated the same. Even after certification we are under scrutiny. Everyone's treated equally needs to be verified. Not an audit like growers, but there should be 3<sup>rd</sup> party verification.

JD - Adding more verification/audits will not resolve this issue. We should look into other ways to resolve this issue. But equalises will not be the solution.

P&T – need a combination of things.

Grower – all stakeholders already have many checks so in the supply chain some form of assurance is already there. Just an additional level of RSPO which is not covered in these assessments is needed.

JD – Penalty should be much higher when you do self-reporting, responsibility and burden is on member.

Growers – no need to have CBs which are accredited for P&C and SCC. ASI authorized is enough, but not P&C or SCC. Some form of assurance is enough.

P&T – it feels because we have this burden, all others should have too. Many members also report GRI/SEDEX etc, we cannot make empty claims. There are already a lot of audits.

AGREEMENT – SRWG agreed that we should not simply introduce too many audits, only audit the topics which are not covered in other audits. What's not covered: uptake target/volumes, focus on members without their volumes covered in palmtrace. Self-reporting with stronger assurance, by using outcomes of other assessments. Burden of proof is on members.

sNGO – who owns it? Individual company or RSPO?

CEO – it's up to the members to disclose this assessment equals SR?

P&T - Stock listed companies are not the issue, but we need guidance for the smaller companies.

CGM – do we report back to the RSPO of the outcome of these assessments?

B&I – we don't understand how SR requirements apply to us. Push back on publishing a statement on the website.

Secretariat – agreed we need guidance for each sector.

ACTION– There is a need for more guidance for each sector on how to implement the SR requirements. SRWG will give input and will consult with their sector. The Secretariat will provide a template, keeping in mind endorsed requirements.

Ret – FPIC: scale is very different between Ret and NGOs. Retailers open hundreds of stores on a yearly basis. Challenge is large vs small. Large companies have all systems in place, but small companies' wont.

eNGO - Keep as it is in scenario 3 (OR statements).

Grower – communication should be very clear. Responsibility back to the individual member.

AGREEMENT - SRWG agreed on Scenario 3 as verification process: Step 1: Secretariat monitors SR performance (ACOP and MyRSPO) which results in the SR performance shown on RSPO website) Step 2: 3<sup>rd</sup> party audit OR public statement OR comparable system.

ACTION - SRWG found the benchmarking study on external reporting initiatives done in Aug 2020 not exhaustive, SRWG members will provide other initiatives to include.

AGREEMENT - SRWG agreed on no sampling size for the verification process – all members need to comply.

### **Topic: Sanctions**

NEEDS CONFIRMATION FROM B&Is

P&T – what's the point in suspending, suspending the company who buys X MT which you will disincentivize to buy RSPO materials.. Suspension is too harsh.

Grower - SR audit needs to happen prior ACOP date.

Grower – match ACOP sanction mechanism of 3 years.

P&T – you need an extra year for the secretariat to explain how members should report etc.

AGREEMENT - .SRWG agreed on a 4 year sanction period for failure to report in MyRSPO (Green box in scenario 2, i.e. Y1 and Y2 – warning letter, Y3 – recommend to BoG for suspension, Y4 – recommend to BoG for termination).

Rt: share best practice of having certain policies in place to help other companies who don't.

P&T – concern that focus is not on uptake, a lot of admin with focus on social and environment.

AGREEMENT - SRWG agreed that the option of 'Declaration of Support' in MyRSPO shall only be available for new members. The Secretariat will update the language of the box in MyRSPO so it's only for new members.

AGREEMENT - SRWG agreed on sanction mechanism Scenario 2 (incl the green box, i.e. 1) Failure to submit ACOP → follows ACOP mechanism, 2) Failure to report in ACOP → 4 years approach (see point 11), and 3) Failure to meet Verification Step 2, i.e external audit OR public statement OR comparable external system, → member's performance publish in RSPO website)

**Topic: Incentives**

NEEDS CONFIRMATION FROM B&Is

AGREEMENT - SRWG agreed on Scenario 1 for incentive mechanism (capacity building for granted as RSPO Secretariat will do so anyway).

**Topic: What's on the horizon**

P&T – supporting SH: by buying RSPO SG, part will go to the SSH fund, another way to support SH is by buying ISS credits. Resourcing: make it explicit – this area needs to be certified and will need this amount of money (compensation to growers). Many NGOs already have certain platforms

AGREEMENT - There is a need to create a mechanism to make visible which plantation areas need support to become certified, to be able to grow from 20% to 40% production with current RSPO growers. Support with RaCP to increase supply. Need rules and criteria (similar to RSFF) to determine which plantation gets support. Governance is very important. Question is who to support (not big growers who have access to finance). RSPO only matchmaker service, not the fund holder. Taking away conflict of interest, RSPO not in the decision making process who funds who. RaCP is both social and environmental (as it is). Needs new WG/TF. Function as clearing house, instead of fund.

P&T - Overview of uncertified areas of RSPO growers? There is the need to investigate how downstream members can support existing (or new) RSPO growers that face RaCP (compensation) challenges. Current RSPO grower members hold significant areas of uncertified land that faces RaCP challenges. It also stops RSPO grower members from buying existing plantations as well as non RSPO grower members to join RSPO

RT – link to existing schemes? Need to be linked to consumers to unlock funding. There has to be an outcome.

**Topic: Review of SR requirements**

CGM – too soon as it's just implemented and seeing impact.

Grower – deforestation and anti-palm issues to look at.

P&T – change to simplify and clarify.

ACTION - SRWG and SR unit have 6 months to prepare guidance before meeting with P&C TF meeting in person in June/July 2023. Use drafted guidance as the basis to discuss which requirements should be updated.

ACTION - The Secretariat will think of ways SRWG members can better communicate to their caucus.