

## Minutes for BOARD OF GOVERNORS Meeting 03-17

**Date:** 14<sup>th</sup> June 2017

**Start Time:** 9.00am-5.10pm BST

**Venue:** Royal Institute of British Architect (RIBA), London.

<b>Attendance</b>	
<b>BoG Members and Alternates</b>	
<b>In Attendance:</b>	
<b>Substantive Members</b>	<b>Alternate Members</b>
MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair	FELDA – Izham Mustaffa (IM)
AAK – Tim Stephenson (TS)	HSBC – John Laidlow (JL) (representing Ian Hay)
WWF – Stephen Watson (SW)	
AGROCARIBE – José Roberto Montenegro (JM)	MPOA – Chew Jit Seng (CJS)
BOTHENDS - Paul Wolvekamp (PW)	MONDELEZ – Karimah Hudda (KH)
FELDA – Tn. Hj Ab Ghani Mohd Ali (AG) **	IOI – Dr. Surina Ismail (SI)
IOI – Ben Vreeburg (BV)	RABOBANK – José den Toom (JT) (representing Geraldine Lim)
MARKS & SPENCER – Fiona Wheatley (FW)	OXFAM – Taufiquel Mujib (TM)
MONDELEZ – Jonathan Horrell (JH)	ZSL – Izabela Delabre (ID)
MUSIM MAS – Dr. Gan Lian Tiong (GLT)	
RPOG – Belinda Howell (BH)	
OXFAM – Johan Verburg (JV)	
WRI – Anne Rosenbarger (AR)	
<b>In Attendance:</b>	
<b>Guest</b>	
Bilge Daldeniz (BD) - Proforest	
Henry Barlow (HB) - Chair, Complaints Panel	
Lim Sian Choo (LSC) - Member, Complaints Panel	
Gary Paoli (GP) – Daemeter	
Ian Bretman (IB) – Consultant (Governance Review)	
** <i>Left after lunch time</i>	
	<b>Absent with Apologies</b>
	<b>Substantive Members</b>
	UNILEVER – Biswaranjan Sen (BW) – Co-Chair
	RABOBANK – Geraldine Lim (GL)
	HSBC – Ian Hay (IH)
	<b>Alternate Members</b>
	AHOLD – Hugo Byrnes (HB)
	FAUNA & FLORA INTERNATIONAL – Cahyo Nugroho (CN)
	SIPEF – Olivier Tichit (OT)
	OLAM – Audrey Lee (AL)
	UNILEVER – Cherie Tan (CT)
	UNIVANICH – John Clendon (JC)
	VERITE ASIA – Daryll Delgado (DD)
	<b>In Attendance:</b>
	<b>Advisors</b>
	MR Chandran (MRC)
	Prof. Bungaran Saragih (BS)
	<b>Secretariat Staff</b>
	Datuk Darrel Webber (DW)
	Bakhtiar Talhah (BT)
	Patrick Chia (PC)
	Stefano Savi (SS)
	Tiur Rumondang (TR)
	Yohanes Ryan (YR)
	Oi Soo Chin (OSC)
	Cheri Woo (CW)
	Julia Majail (JM)
	<b>Absent with Apologies</b>
	Salahudin Yaacob (SY)

Item	Description	Focal Point
1.0	<p><b>Introduction</b></p> <p>1.1 RSPO Antitrust Laws There will be no discussion on any commercial aspect of the trade in palm oil on premiums, volumes, individual suppliers, individual customers, etc.</p> <p>1.2 RSPO BoG consensus based decision making The BoG was reminded that they try to reach/make decision by consensus which is the absence of sustained objection.</p> <p>1.3 Approval of Minutes - BOG 02-17 Minutes approved.</p>	
2.0	<p><b>Technical Department</b></p> <p>2.1 <b>Nigeria National Interpretation (Endorsement)</b></p> <p>The final draft of the NI and process report for Nigeria was made available for endorsement by the BoG.</p> <p><b>Decision:</b> The Nigeria NI was endorsed by the BoG.</p>	FYI
2.2	<p><b>Revised RSPO Standard Setting Procedure (Endorsement)</b></p> <p>This document was submitted to the BoG for online endorsement in February 2017, but was not passed. Instead the BoG requested for further consultation to be made.</p> <p>The draft document incorporating comments received from the face-to-face consultation and 30-day online public consultation was resubmitted for BoG endorsement. The BoG was informed that comments received during these consultations have not been published, but will be once the document is published online. This is the standard practice for RSPO.</p> <p>Paper submitted by CJS to review and/or amend sections/clauses of this document was also discussed, and all points were addressed at the sideline meetings as requested by the BoG.</p> <p><b>Decision:</b> The revised RSPO Standard Setting Procedure document was endorsed by the BoG.</p>	FYI
2.3	<p><b>Revised RSPO Certification System document (Endorsement)</b></p> <p>2.3.1 The draft has been subjected to a thorough review by the CBs, experts in specific fields, as well as the Accreditation Body (AB) prior to the public consultation, during which the draft document was circulated to all working groups and task forces established under RSPO. It is now submitted for the BoG endorsement.</p>	FYI

	<p>Paper submitted by GLT to defer the endorsement of this document was also discussed, and all points were addressed at the sideline meetings as requested by the BoG.</p> <p><b>Decision:</b> The revised RSPO Certification System document was endorsed by the BoG.</p>	
2.4	<p><b>i.) Revised Supply Chain Certification Standard document (Endorsement)</b></p> <p>The Trade and Traceability Standing Committee (T&amp;T SC) has discussed and submitted the draft RSPO Supply Chain Certification Standard document (Version 2, November 2016) for the BOG endorsement.</p> <p>Paper submitted by CJS to review and/or amend sections/clauses of this document was also discussed, and all points were addressed at the sideline meetings as requested by the BoG.</p> <p><b>Decision:</b> The revised Supply Chain Certification Standard document was endorsed.</p>	FYI
2.5	<p><b>ii.) Revised Supply Chain Certification System document (Endorsement)</b></p> <p>The Trade and Traceability Standing Committee (T&amp;T SC) has discussed and submitted the draft RSPO Supply Chain Certification System document (Version 2, November 2016) for BOG endorsement.</p> <p>Paper submitted by CJS to review and/or amend sections/clauses of this document was also discussed, and all points were addressed at the sideline meetings as requested by the BoG.</p> <p><b>Decision:</b> The revised Supply Chain Certification System document was endorsed.</p>	FYI
3.0	<p><b>Outreach &amp; Engagement Department</b></p>	
3.1	<p>SS briefed the Board members on the latest activities in Europe and Asia and for the past 6 months (Nov 2016 to May 2017) and their next steps forward towards the next 6 months (June 2017 to Nov 2017).</p>	FYI
3.2	<p>SS delivered the ACOP status update where 70% of those required to submit their ACOP reports have submitted compared to the previous years. There are 255 voluntary submissions, mostly from Supply Chain associates and this portrays that the membership closer to the consumer group, have become closer to the network.</p> <p>FW stated that the CGMs would like to work with the Secretariat to explore in promoting brand positioning through things like product label</p>	SS

<p>3.3</p> <p>3.4</p>	<p>use and also develop the verifications or a verification system to confirm that the claims that they make are robust in promoting support and use for core brand proposition.</p> <p>CBN proposed the following to be tracked and monitored closely, to ensure that RSPO is moving in the right direction.</p> <ul style="list-style-type: none"> <li>i) CSPO uptake</li> <li>ii) The Grower membership growth and the number of growers being certified particularly in Indonesia, Malaysia and Thailand (as it is a concern that the growers' membership numbers are relatively small in comparison to other sectors). In this context it would also be good to receive an account at every meeting of the total number of growers who are members of the RSPO and the proportion of these grower members who have obtained RSPO certification over the last 12 months so we can track the total number of grower members and the total number of grower members who are and who are not RSPO certified.</li> <li>iii) The Smallholders membership growth and the number of smallholders being certified in relation to the total area under smallholder farming today.</li> </ul>	<p>SS</p> <p>SS</p>
<p>4.0</p> <p>4.1</p> <p>4.2</p> <p>4.3</p>	<p><b>P&amp;C Review</b></p> <p>BD briefed the following to BoG:</p> <ul style="list-style-type: none"> <li>i) Process participants [composition of facilitators, Steering Committee (SG) and Task Force (TF)]</li> <li>ii) Process and timeline</li> <li>iii) Activities to date which comprise of the SG briefing in April 2017, Proforest preparatory report and the first TF meeting.</li> <li>iv) Next Steps</li> </ul> <p>CJS enquired whether comments given by the grower representation were considered. BD then clarified that there were some areas of convergence and that all comments have been considered.</p> <p>The BoG have requested the team to simplify the process without diluting the standards and ensure that no party is being side-lined especially with particular reference to smallholders.</p>	<p>FYI</p>
<p>5.0</p> <p>5.1</p>	<p><b>Impacts &amp; Evaluation Department</b></p> <p><b>RSPO Theory of Change (ToC)</b> OSC provided a progress update on the Theory of Change.</p>	<p>FYI</p>

	<p>The diagram illustrates a three-stage process:</p> <ul style="list-style-type: none"> <li><b>Listen &amp; learn phase (Jan – Mar 2017):</b> Includes an interview with the Secretariat, Working Groups, Standing Committees, Task Forces, and Complaints Panel. The output is a Draft TOC strawman and a listen and learn report.</li> <li><b>Workshops (April – June 2017):</b> Includes BoG &amp; Secretariat workshops and EURT TOC workshops. Outputs are workshop summary reports for BoG &amp; Sect, and a narrative report to unpack the RSPO vision.</li> <li><b>NEXT? (June – July 2017):</b> Includes an RSPO TOC TF meeting to unpack vision and work on a revised TOC at EURT, and TOC completion by the end of July 2017.</li> </ul>	
5.1.1		
5.1.2	<p>There was a sub-group (consisting of BH, CJS, JV, JH, JDT, SW, SI and TS) formed to unpack the RSPO vision on 12 June 2017.</p> <p>Discussion on commensurate effort concluded that it was important for all stakeholders to contribute to the RSPO vision and mission. Furthermore, it is important to understand the role and contribution each member/sector makes to the intended impacts and creating shared value.</p>	
5.1.3	<p>All the agreed concepts (i.e. Market, Sustainable, Norm and Commensurate Effort) were endorsed by the BoG.</p>	
5.2	<p>The first draft of the ToC will be shared with all board members by end of July for endorsement purposes.</p>	OSC
	<p><b>RSPO Complaints &amp; Appeals Procedures (Endorsement)</b>  This revised <b>RSPO Complaints and Appeal Procedures (Final, ver.1)</b> aims to promote and realise constructive resolution of disputes by ensuring that any alleged breaches of standards and procedures in RSPO key documents are handled and resolved in a fair, impartial and transparent manner.</p> <p>Paper submitted by CJS to withdraw the endorsement of this document was also discussed.</p> <p><b>Decision:</b>  The BoG endorsed the document pending the Secretariat showing all comments have been considered and MPOA to revert within a week.</p> <p><b>Update:</b>  <i>The feedback/comments analysis with responses from the Complaints Panel and Secretariat for the Complaints and Appeal Procedures was shared with MPOA (CBN and CJS) on 21st June 2017 exactly one week after the Board meeting, held in London. MPOA agreed to provide comments by end of June 2017. A follow-up email was sent to MPOA on 4th July 2017 and MPOA confirmed that there was no further clarification required. The procedures and its associated documentation were uploaded on RSPO website as recommended by MPOA.</i></p>	OSC
6.0 6.1	<p><b>Finance &amp; Administration</b>  <b>Financial Update for Q3 FY 2017</b></p>	

	<p>PC presented on the financial update for the 9 month period ended 31 March 2017.</p> <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>● Net surplus before Forex Gain of RM6.4 mil. Forex gain at period end was RM3.4 mil.</li> <li>● Cash balances of RM50.9 mil including foreign currency balances equivalent to RM30 mil</li> <li>● Net Assets at RM52.8 mil represented by Members' Fund of RM24.9 mil, Smallholders Fund of RM12 mil, Special Projects of RM15.8 mil</li> </ul>	PC
6.1.1	<p><b>Results for the period ended 31 Mar 2017</b></p> <p>PC reported on the results for Q3 FY 2017 with the following key highlights:</p> <ol style="list-style-type: none"> <li>i) Significantly lower surplus compared to YoY (Mar'16: 11.7 mil) and last financial year (FY16: 12.6 mil) with operating surplus after forex gain at RM9.8 mil for the period with income amounting to RM30 mil against operating costs of RM11.3 mil and total departmental and discrete project costs of RM12.3 mil. Both actual income and expenditure are lower compared to budget.</li> <li>ii) Income for the period include Subscription Fees amounting to RM10.5 mil and contribution from CSPO trade of RM19.3 mil. Contribution from both physical and credit trade are lower compared to budget.</li> <li>iii) Contribution from credit trading for the period was RM7mil and included in this amount is RM27,000 related to RSPO Credit. There are recent increases in in RSPO Credit trading which is projected to reach approx. RM900k by this financial year end, giving an estimated contribution from B&amp;C of RM8.5mil for the year. Contribution for physical trade expected to reach RM17.5mil for the financial year.</li> <li>iv) Operating costs for the period amounted to RM7.9 mil consisting mainly of staff costs amounting to RM6.3 mil. Project costs increased to RM12.3 mil (Mar 2016: RM10.7 mil) approximately 52% of 9 month budget.</li> <li>v) Subscription due as at the period end was at RM4.87mil, which is an increase to last financial year end. The increase of outstanding membership fees due is attributed to lack of personnel to effectively oversee debtor management. The following actions have been taken by the Secretariat: <ol style="list-style-type: none"> <li>(a) Put in a place additional resource in Finance and Membership divisions to increase efforts in debt recovery exercise.</li> <li>(b) Improve payment reminder delivery system to implement a more effective system.</li> <li>(c) Leverage on MyRSPO members portal to ensure real time update of members contact details.</li> </ol> </li> </ol>	FYI

	<p>vi) Included in Other receivables are balances due from UTZ of RM3.3 mil and B&amp;C of RM1.6mil, both of which have been paid to date.</p> <p>vii) Disbursement as at the period end for Smallholder Fund and Special Projects Fund amounted to RM1.7 mil and RM2.0 mil respectively. Included in Smallholder Fund commitments of RM5.1 mil are contracts relating to Smallholder certification projects of RM3.2 mil and RM1.9 mill for Smallholder Academy project. Special projects commitments include payments to ELSAM of RM770K and SEnSOR Ph2 of RM2 mil.</p>	
6.1.2	<p>TS informed that RSPO will be inviting the external auditors (PwC) to present the audited accounts for the current financial year and to brief the BoG on the any relevant issues relating to RSPO's internal controls and financial affairs. We expect the above meeting to be held early October 2017.</p>	TS
6.1.3	<p><b>Proposed Budget for FY2018 (Endorsement)</b>  PC highlighted the key overviews of the budget to the board members based on the Proposed Budget for the financial year 2017. The budget for FY2017 assumed a more conservative projection for income with a budgeted total income of RM42.5 mil and a surplus after tax of RM3.3 mil.</p> <p>Total budgeted department operating costs is projected to be at RM13.5 mil and discrete projects of RM7.6 mil.</p> <p><b>Decision:</b>  The Proposed Budget for 2018 was endorsed.</p>	PC
6.2	<p><b>Group Membership – Proposed action on non-compliance (Endorsement)</b>  PC explained the challenges that the Secretariat faces on non-compliance matters arising from the Group Membership, hence initiating an endorsement from the BoG to manage these group membership matters.</p> <p><b>Decision:</b>  The proposed action on non-compliance document for Group Membership was endorsed.</p>	PC
7.0	<p><b>Progress Report on GA Resolutions</b></p>	
7.1	<p>Resolution 6g GA10 – e-map for Indonesia  TR provided an update that the Secretariat had conducted several meetings with the Minister of Agrarian or VPN with BS. The Indonesian government had pointed out that there is no legal requirement preventing RSPO to collect the shape file from its own members.</p> <p>The RSPO acknowledges that the Indonesian Government is not authorized to share concession map information including the shapefile, however, the RSPO member companies who provide consent, are free to</p>	FYI

	<p>share the files with the RSPO Secretariat.</p> <p><b>Decision:</b> The BoG endorsed the proposal to collect all maps (excluding land holdings in Peninsular Malaysia and Sarawak) will be submitted by 31st August 2017.</p> <p>The Secretariat was requested to send a communiqué to the Indonesian members which documents the process and steps taken.</p>	<p>Secretariat</p> <p>TR</p>
7.2	<p><b>Resolution 6f GA12 – Smallholder strategy and action plan</b> (Endorsement)</p> <p>GP presented the smallholder strategy and action plan to the board members. He explained the timeline, key activities and objectives underlying implementation, effective governance and progress.</p> <p><b>Decision:</b> The RSPO Strategy for Smallholder Inclusion, May 2017 document was endorsed.</p> <p>Secretariat to produce financial proposal for potential collaboration with MSPO / ISPO.</p>	<p>FYI</p>
8.0	<p><b>Board Governance Review</b></p>	
8.1	<p>IB provided a report on the governance review workshop held in Kuala Lumpur on 27 April 2017.</p> <p><b>Conclusion.</b> The Steering Group was tasked to review the document put forward by IB and report back to the BoG with their recommendation on what to adopt in order for the BoG to become more effective and streamlined.</p> <p>IB was also requested to assist in drafting the Terms of Reference (ToR).</p>	<p>Steering Group</p> <p>IB</p>
9.0	<p><b>AOB</b></p>	
9.1	<p><b>Declaration of CSPO</b> The BoG decided that it is mandatory for all members (i.e. growers and downstream) to declare how much CSPO volumes (produced, traded and/or bought) are channelled via RSPO and other sustainability schemes. This will be recorded via the Annual Communication on Progress (ACOP).</p>	<p>Secretariat</p>
9.2	<p><b>Enhancing Decision Paper Format</b> Secretariat to provide summary/analysis on potential issues on decision papers that are relevant and useful for the BoG decision making.</p> <p>In addition, presentation materials should be distributed as pre-reads</p>	<p>Secretariat</p>



	together with decision papers.	
9.2.1	Secretariat to send list of minuted agreements and action points (with skeleton overview of deadlines and owners) to BoG 7 days after each BoG meeting.	
9.3	<p><b>Musim Mas (Change of Membership Category)</b>  GLT informed the board that Musim Mas will be registered as Processor /Trader category under the Corporate membership registration. With this change he has to relinquish his representation as Alternate BoG member (now as Substantive Member in Pak Edi's absence) when the registration materialized. GLT informed the meeting that the IGC has requested that MM be allowed to represent the Indonesian Growers in the BoG till November 2017 (in Pak Edi's absence) and requested the BoG agreement on this." "GLT also informed that this will also affect MM's representation in the WGs</p>	FYI
9.4	<p><b>BoG Physical Meetings</b>  CBN proposed to have four physical meetings per annum. This will be discussed in the next BoG meeting. The next physical meeting is scheduled to take place in September 2017.</p>	Secretariat
9.4.1	<p><b>Traveling Cost</b>  The Chair proposed the reimbursement of travelling cost (return economy class air ticket) and accommodation cost (standard room) for all board members in respect of specifically attending the BoG physical meetings. This was agreed by the BoG. For some BoG members, the "reimbursement of air-travel and accommodation" would not apply as their company policy may insist on paying for such travels independently.</p>	FYI
9.4.2	<p>DW had no objection to the above (item 9.3.1) but wished the BoG to make a conscious decision with regard to cost. The Secretariat conservatively estimated costs to be MYR 700k per year if RSPO were to reimburse accommodation and economy class tickets.</p> <p><b>Decision:</b> The Chair recommended that we try it out for the upcoming physical meeting in September 2017 and gauge the cost implications.</p>	Secretariat
	Meeting adjourned at 5.10pm.	