

Minutes for BOARD OF GOVERNORS Meeting 07-16

Date: 7th Nov 2016

Start Time: 9.00am-6.00pm (7/11) MYT

Venue: Shangri-La, Bangkok

Attendance	
BoG Members and Alternates	With Apologies
UNILEVER – Biswaranjan Sen (BW) – Co-Chair	AHOLD – Hugo Byrnes (HB)
MPOA - Carl Bek Nielsen (CBN) – Co Chair	AAK – Martin Craven (MC)
AGROPALMA – Marcello Brito (MB)	HSBC – John Laidlow (JL)
AAK – Tim Stephenson (TS)	IOI – Dr. Surina Ismail (SI)
Both ENDS - Paul Wolvekamp (PW)	MONDELEZ – Jonathan Horrell (JH)
FELDA – Tn. Hj Ab Ghani Mohd Ali (AG)	RABOBANK – José den Toom (JT)
FELDA GLOBAL VENTURES HOLDINGS BHD – Denys Munang (DM)	<u>Advisors</u>
GOODHOPE – Edi Suhardi (ES)	MR Chandran (MRC)
HSBC – Ian Hay (IH)	Prof. Bungaran Saragih (BS)
MARKS & SPENCER – Fiona Wheatley (FW)	<u>Secretariat Staff</u>
MONDELEZ – Sridhar Vishwanath (SV)	Datuk Darrel Webber (DW)
MPOA – Dr. Ruslan Abdullah (RA)	Patrick Chia (PC)
MUSIM MAS – Dr. Gan Lian Tiong (GLT)	Salahudin Yaacob (SY)
SIPEF – Olivier Tichit (OT)	Stefano Savi (SS)
UNIVANICH – John Clendon (JC)	Yohanes Ryan (YR)
VERITE ASIA – Daryll Delgado (DD)	Tiur Rumondang (TR)
WRI – Anne Rosenbarger (AR)	Oi Soo Chin (OSC)
WWF – Adam Harrison (AH)	Cheri Woo (CW)
OLAM – Audrey Lee (AL)	<u>Other Invited Guest</u>
IOI – Ben Vreeburg (BV)	MONDELEZ – Karimah Hudda (KH)
RABOBANK – Geraldine Lim (GL)	
RPOG – Belinda Howell (BH)	
OXFAM – Johan Verburg (JV)	
OXFAM – Taufiqul Mujib (TM)	
WRI – Anne Rosenbarger (AR)	
ZSL – Leonie Lawrence (LL)	

Item	Description	Focal Point
1.0	<p>Introduction</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 opposition.</p> <p>1.3 Approval of Minutes of previous meeting BoG 04-16, BoG 05-16 and BoG 06-16. Minutes have been approved.</p>	
2.0	<p>FGV membership</p> <p>2.1 DM had delivered a presentation on FELDA providing the Board of Governors an update of a chronological of activities that occurred since their last update in Milan and their certification issues where they need the BoG's decision for them to work out their next step on their certification journey.</p> <p>DM speaks of actions taken relating to social compliances, release of group sustainable policy addressing key concerns on social, developing a social compliance management system, conducting independent evaluation, engagement with NGOs and other focus areas.</p> <p>DM then updated on their certification progress and informed that 16 complexes are now ready for audit and have appointed a certification body (CB), CUC. However, CUC informed that FGV could not be certified under the existing membership of FELDA, as FELDA does not have majority shareholding in FGV or management control, since FGV public listing in 2012 which reduced ownership has reduced to only 30.4%.</p> <p>2.2 This issue was later discussed with the Secretariat and it was agreed that this be brought to the Board to decide on whether FGV may be granted separate membership to allow it to move forward with their certification audit. Based on the current statutory filings, FELDA's shareholding in FGV both direct and indirect now stands at 31.25%.</p> <p>2.3 DM further clarified that with two separate memberships, they have drawn up a 3 years' time bound plan for certification of FGV's commercial plantations and FELDA's scheme and independent smallholders.</p> <p>2.4 AH/MRC commented on concerns on how the certification of associated smallholders will be managed should there be a split in membership.</p> <p>TS commented that the Board should consider the facts and that since there is clearly no majority shareholding and no management control, then should be eligible to have two memberships. TS reminded that since there will be a discussion in the agenda on group membership, it is up to the</p>	

<p>2.5</p> <p>2.6</p>	<p>Board to establish the principles which can then be applied to this case.</p> <p>ES supported the request for FELDA’s split membership as RSPO was made known of FELDA’s transparency and commitment along with their strive in managing their existing challenges.</p> <p>BW suggested that RSPO should assist FELDA/FGV in ways for it to achieve its certification objective either agreeing on the split membership or providing guidance to the Certification Bodies. BW further suggest that a decision should only be made once discussion on the group membership agenda item has completed and that the decision of the Board should also be made in consideration of FGV’s request to help accelerate its certification plans.</p> <p>For decision on this item, please refer to Minutes 08-16 dated 11 Nov 2016 under item 9.0</p>	
<p>3.0</p> <p>3.1</p> <p>3.2</p> <p>3.3</p> <p>3.4</p>	<p>Proposed Amendment to Membership Rule to Require the Registration of Corporate Groups Under One Membership</p> <p>PC began by explaining the above proposed membership requirement would mean that:</p> <ul style="list-style-type: none"> ● Corporate groups must apply for RSPO membership under the parent company of the group. ● A company that legally exist as a subsidiary within a corporate group must apply for membership under its parent company. <p>The main reasons for group membership requirement were described as follows:</p> <ul style="list-style-type: none"> ● Accountability on non-compliance of RSPO standards, processes, reporting etc. is directed at the parent company ● Declaration of subsidiaries ensures effective compliance of RSPO requirements on all holdings in the palm oil sectors ● Removes ambiguity in processing new membership and in maintaining existing membership ● Ensures that certifications and eTrace licences are correctly issued for subsidiaries under the parent membership <p>A flowchart was presented explaining the eligibility of membership under a parent company which looks to test each company within a corporate group,</p> <ul style="list-style-type: none"> ● by considering the potential relationships with those of its related companies, whether they are parent company, direct and indirect subsidiaries or sister companies. ● only palm oil related companies within the group are to be considered. ● Members are to make self-declaration of its group composition. <p>In determining group membership, the principle of management control between companies should also be considered when a company’s shareholders have:</p> <ol style="list-style-type: none"> i. Ability to exert significant influence over action of the company through: <ul style="list-style-type: none"> ● Owning a proportionately significant shareholding in relation 	<p>PC</p>

	<p>to total voting shares</p> <ul style="list-style-type: none"> ● Significant representation on the board of directors of the company <p>ii. Existence of a contractual or operating agreement between two non-related companies e.g. management of assets and/or activities.</p>	
3.5	<p>Amendment to the RSPO Statutes was proposed by inserting the following article:</p> <p><i>6. Admission of RSPO Members</i></p> <p><i>(f) An organisation that legally exists as a subsidiary within a corporate group must apply for membership under its parent organisation that has the ultimate accountability towards legal and reputational risk of the group. This requirement shall also apply to any company that is not a subsidiary but having its management controlled by its parent organisation.</i></p>	
3.6	<p>Membership Rules and Guidelines is to be developed to include the above proposed changes and incorporating all other membership rules and procedures currently in existence including those already defined in RSPO Statutes to provide detailed guidance to members as well as a reference for standard operating procedures for membership administration.</p>	
3.7	<p>ES suggested that group membership should also take into consideration of NGO organisations, although not necessary exist as corporate groups but shares the same name or visions.</p>	ES
3.8	<p>OT raised a concern with regards to the implication on the compensation mechanism with regards to the proposal to allow a new parent company member to choose its effective membership date to follow that of any one of its existing subsidiary. This will create difficulty</p> <p>OT proposed that the group membership sector should be determined by the palm oil sector that is the most onerous to the group e.g. a member who is a processor and trader with plantation, should join as a Grower.</p>	OT
3.9	<p>BV proposed that there should also be clear guidelines on sanctions for non-compliance.</p>	BV
3.10	<p>TS reminded that the fundamental of RSPO membership is not to allow members to pick and choose, from within a corporate group, which company or subsidiary to certify and/or join as member and in many cases having separate membership.</p>	TS
3.11	<p>CBN pointed out that FELDA was a special case and there was justification for dual membership.</p>	CBN
3.12	<p>BW/CBN confirmed that though the decision to develop the guideline as required has been agreed upon, it was suggested that this Decision Paper be revised and revisited at a later part of the meeting after incorporating the following points:</p> <p>i) Amending the requirement of that a parent company joining as a new member should have its effective membership date to follow that of the earliest date of any existing subsidiary membership.</p>	BW/CBN

3.13	<p>ii) Describe the definition of management control and include as criteria for group membership.</p> <p>iii) The test on related companies within a corporate group involved in palm sectors should also include parent company as suggested by BV</p> <p>BV suggested that the decision on split membership of FELDA and FGV should only be made after considering the revised Decision Paper.</p> <p>In summary, the intent of the above discussion is to drive accountability with clear rights, privileges and sanction. Majority share is also defined in section 4.2.4 (of the RSPO Certification System document) as the largest shareholder (NOT necessarily 50+%) or management control.</p>	BV																								
4.0 4.1	<p>Resolution GA12-6F : Resolution for a Comprehensive Smallholder Strategy</p> <p>The smallholders group have conducted regional workshops in South East Asia, Latin America, Africa and in the Netherlands.</p> <table border="1" data-bbox="279 887 1235 2083"> <thead> <tr> <th>PROCESS</th> <th>DATE</th> <th>PURPOSES</th> <th>OUTPUT</th> </tr> </thead> <tbody> <tr> <td>Proponent & Secretariat Workshop</td> <td>8 March 2016</td> <td>To understand the aims of the resolution from proponent view</td> <td>Smallholder Strategy Framework – 3 Strategic Directions</td> </tr> <tr> <td>Consultation from WG/TF for the framework</td> <td>26 April – 20 May 2016</td> <td>To get input and enrich the framework from working group and task force</td> <td>12 feedback to strengthened and improved the framework</td> </tr> <tr> <td>Southeast Asia Workshop – Jakarta</td> <td>27 – 28 July 2016</td> <td rowspan="3">To consult and get regional perspective and feedback on the framework and develop specific regional action plan</td> <td rowspan="3">Regional perspectives on smallholder strategy and action plan</td> </tr> <tr> <td>Latin America Workshop – Honduras</td> <td>17 – 18 August 2016</td> </tr> <tr> <td>Africa Workhsop - Accra</td> <td>8 – 9 Sept 2016</td> </tr> <tr> <td>Market Perspective Workshop -</td> <td>3 October 2016</td> <td>To consult and get feedback/buy-in from market of the</td> <td>Market perspectives on smallholder</td> </tr> </tbody> </table>	PROCESS	DATE	PURPOSES	OUTPUT	Proponent & Secretariat Workshop	8 March 2016	To understand the aims of the resolution from proponent view	Smallholder Strategy Framework – 3 Strategic Directions	Consultation from WG/TF for the framework	26 April – 20 May 2016	To get input and enrich the framework from working group and task force	12 feedback to strengthened and improved the framework	Southeast Asia Workshop – Jakarta	27 – 28 July 2016	To consult and get regional perspective and feedback on the framework and develop specific regional action plan	Regional perspectives on smallholder strategy and action plan	Latin America Workshop – Honduras	17 – 18 August 2016	Africa Workhsop - Accra	8 – 9 Sept 2016	Market Perspective Workshop -	3 October 2016	To consult and get feedback/buy-in from market of the	Market perspectives on smallholder	YR
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Amsterdam		result previous workshop	strategy and key of influence to speed up smallholder program
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4.2 **CHALLENGES FOR SMALLHOLDER**

4.2.1 The smallholders working group have identified locales specifically South East Asia, Latin America and Africa, that requires distinct assistance as shown in the table below.

	SOUTH EAST ASIA	LATIN AMERICA	AFRICA
Technical assistant		Low productivity	Land tenure/legality
Capacity		Financial support	Resources – financial
Incentive & productivity		Social – organization	Training & technical support
Legality		Legality	Market access
Market		Adaptability to RSPO standard	Support & infrastructure
Cost – technical support			Organization
			Representative in RSPO

4.2.3 YR had highlighted the under mentioned key challenges faced by smallholders:

- Land tenure, titles and rights
- Complexity of regulations and low responsiveness from regulators
- Cost of certification and lack of funding to meet requirements

- Weak or limited smallholder organisation and associations
- Lack of technical assistance/knowledge leading to low productivity
- Weak technical assistance on chemicals usage, crop protection and Occupational Health and Safety (OHS).
- Issues with illegal or informal labour
- Limited support from government, supply chain and banks, weak business case and access to market
- Low awareness of RSPO

4.3 Comprehensive Smallholder Strategy

The smallholders working group has further developed 7 strategies into three directions:

Direction 1	Direction 2	Direction 3
Linking smallholders to the market	Linking smallholder with jurisdictional / landscape approach	Identify and reduce entry barriers for smallholder certification
Strategic target 1: Economic incentives for certification purposes being strengthened	Strategic target 3: Legal compliance being simplified for smallholders	Strategic target 5: Technical assistance is readily available for smallholders
Strategic target 2: Smallholders are engaged in the RSPO system and linked to supply chains.	Strategic target 4: A system of flexible, enforceable, economically viable and nationally adaptable land legal registration for smallholders is established.	Strategic target 6: Reduced cost of certification for smallholders
Strategic target 7: Strong & empowered smallholder organisation and alliances established		

4.4	<p>Timeline For Action Plan and Indicator Development</p> <table border="1" data-bbox="280 181 1238 533"> <tr> <td data-bbox="280 181 464 412">Board of Governors Approval</td> <td data-bbox="464 181 671 412">Action plan development by respective body</td> <td data-bbox="671 181 860 412">Action plan & budget approved by Board of Governors</td> <td data-bbox="860 181 1054 412">Implementation</td> <td data-bbox="1054 181 1238 412">Impact monitoring & evaluation</td> </tr> <tr> <td data-bbox="280 412 464 533">Quarter 1</td> <td data-bbox="464 412 671 533">Quarter 1 to Quarter 2</td> <td data-bbox="671 412 860 533">Quarter 2</td> <td data-bbox="860 412 1054 533">Quarter 3</td> <td data-bbox="1054 412 1238 533">Quarter 4</td> </tr> </table> <p>4.4.1 YR proposed that all the above strategies to be managed by a Steering Committee and working groups.</p> <p>4.5 BW further recommend to form only one working group to overlook the seven strategies where the members of this working group would comprise of the same representative from the YR's earlier proposal i.e. representatives from the Steering committee and the working groups.</p> <p>4.6 AH believe that this would be an opportunity for millers to take responsibility to play a part in solving the smallholders' drawback.</p> <p>4.7 OT points out that all procedures related to Smallholders had to be reviewed, to remove barriers for certification of the Independent Smallholders in particular.</p> <p>4.8 BW requested the working group to develop a simplified toolkit with good governance for smallholders without diluting the standard, only simplified. The results of this focus simplified administrative framework will then be tested out with parties whom closely interact with smallholders like JC & OT. This subject matter would be a regular part of the concall to update the board on the progress.</p>				Board of Governors Approval	Action plan development by respective body	Action plan & budget approved by Board of Governors	Implementation	Impact monitoring & evaluation	Quarter 1	Quarter 1 to Quarter 2	Quarter 2	Quarter 3	Quarter 4			
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5.0	<p>Resolution GA10-6G: Resolution on Transparency in Plantation Concession Boundaries - Indonesia</p> <p>5.1 <u>Indonesia</u></p> <p>5.1.1 TR provided an update on the current situation of collection of shapefiles and publication of maps in Indonesia whereas DW provided an update of the same subject matter in Malaysia.</p> <p>5.1.2 Maps Submission data</p> <table border="1" data-bbox="280 1805 1158 2083"> <thead> <tr> <th data-bbox="280 1805 464 1995">Country</th> <th data-bbox="464 1805 635 1995">No of members who</th> <th data-bbox="635 1805 919 1995">No. of members who submitted in the correct format</th> <th data-bbox="919 1805 1158 1995">No. of members submitted in the incorrect format</th> </tr> </thead> <tbody> <tr> <td data-bbox="280 1995 464 2069">Indonesia</td> <td data-bbox="464 1995 635 2069">42</td> <td data-bbox="635 1995 919 2069">32</td> <td data-bbox="919 1995 1158 2069">10</td> </tr> <tr> <td data-bbox="280 2069 464 2083">Malaysia</td> <td data-bbox="464 2069 635 2083">20</td> <td data-bbox="635 2069 919 2083">11</td> <td data-bbox="919 2069 1158 2083">9</td> </tr> </tbody> </table>				Country	No of members who	No. of members who submitted in the correct format	No. of members submitted in the incorrect format	Indonesia	42	32	10	Malaysia	20	11	9	TR
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	Rest of the World	48	36	12	
5.1.3	TR have made engagements to meet with the respective Indonesian government officials (mainly from the Chief Minister of Agrarian and Spatial Affairs and also the Chief Staff from the President's office, sometime in Nov & Dec 2016, to further discuss and seek clarification in this matter.				
5.2	<p><u>Malaysia</u></p> <p>The Sabah Government had provided a written consent in stating that the State of Sabah do not have any objection of the Secretariat publishing the maps in Sabah provided we use our members' own maps and it is done voluntarily. In addition to that, the Sabah Government already have the maps publicly available.</p>				
5.2.1	DW was informed by the Department of Mapping that the land issues were under the State's jurisdiction before 2007 in Malaysia and after 2007, the authority was transferred to the Federal Government. RA will approach the respective authority to get a written consent, for further clarification.				
5.2.2	DW further clarified that Peninsular Malaysia, Sabah and Sarawak have three different codes. Peninsular Malaysia falls under the Federal since 2007 whilst Sabah & Sarawak still retains their Supreme Authority.				
5.2.3	BV proposed that we need to establish a platform to engage the government to discuss on the issues that we face.				
5.3	JC notified the board that there are still some confusion in the land title issues particularly in Thailand. Some members do not dare to submit the maps in fear of contempt of court.				
5.4	The Secretariat will approach state by state for consent and clarification of this matter.				
6.0	Resolution GA12-6h: Ensuring quality, oversight and credibility of RSPO assessments				
6.1	<p>The resolutions request for quality outside credibility RSPO assessments and also expected to undertake the exercise in close communication engagement with the RSPO membership. The resolution was a signal in response to a wide array of issues as undermentioned:</p> <ul style="list-style-type: none"> ● land grab ● deforestation, ● ensuring that there are sufficient mandatory guidelines for all assessors ● Free Prior Informed Consent (FPIC) review to be incorporated into the New Planting assessments. ● Being able to monitor to quality, performance and independence of the auditors involved and ● other labour related issues 				
6.2	A Task Force is formed to overlook these matters but have not				

	implemented a lot of activities yet.	
6.3	The Secretariat needs to take more responsibility in managing the Task Force and structure things to be done in a distinctive approach.	
6.4	PW further requested to have a period of 6 to 8 months to speed up the process to address all issues.	
6.5	<p>There is a need to have a discussion with ASI on how to form a firewall between the certification bodies and client growers without any kind of undue influence.</p> <p>Auditors' first loyalty should be to RSPO. To mitigate risks of the Market based system commissioning audits, it was suggested that RSPO should provide guidance about number of days that make a quality audit.</p> <p>Report from ASI – based on compliance audits - highlights under-performance of CBs on majors, certain capacity issues for CBs. Weaknesses in social auditing were acknowledged.</p>	
6.6	A consultant was engaged to conduct a study to examine the current system and also deploy effective lesson(s) learnt from other schemes.	
6.7	<p>Competency of assessors and certification bodies.</p> <p>The RSPO feels responsible to have an element of outreach to the growers community specifically to provide aid to those growers in need of assistance and guidance on how to address the complexity of the RSPO P&C. Therefore, RSPO should do a systematic outreach to the growers with an objective of fostering increase guidance. This would not only benefit the growers' community but would also extend a great help to the certification bodies. The fate of the certification bodies cannot be isolated from the ability of the grower to meet the P&C requirements. BW reiterates that we ought to keep a distinct role of an evaluator and the role of a coach/guide. The evaluator cannot be the coach.</p>	
6.8	OT stresses that we need a credible standard but not one which appears to be overly stringent which makes it too difficult to achieve with rapid increasing audit man days.	
6.9	PW states that we will standby ASI since we have approach them to audit against the RSPO requirements. We will be strict and yet supportive.	PW/SY
6.10	<p>Capacity, Competency and Manpower</p> <p>The secretariat had approached several network of universities offering a certificate course for new auditors to emerge and be available out in the market.</p>	
6.11	SY had informed the board that the secretariat now is working with endorsed trainers' in developing a syllabus where all auditors will now be required to undergo an e learning course and later take an examination, before they go down to the field. In short, it would be obligatory for all auditors to go through a process and have mandatory qualification of different level of proficiency and capability i.e. from trainee auditor,	

	<p>auditor to lead auditor.</p> <p>Conclusion: The Chairman had requested PW to produce a roll out plan within two months displaying all challenges and the timeline for all activities required to address these challenges.</p>	
7.0	<p>No Palm Oil Labelling</p> <p>7.1 CBN brought up his concerns on behalf of the growers in South East Asia (Malaysian, Indonesia and Thailand) relating to certain RSPO members whom are still using the “no palm oil labelling” to market their products. He elaborated that there were today 489 products originating from RSPO members with the “no palm oil” label which growers felt were undermining the spirit of the RSPO which was to promote the production and uptake of RSPO certified palm oil. On behalf of the growers he wished to see this being addressed more affirmatively and urged the consumer goods manufacturers and retailer representatives to influence their hinterland to fully live up to the spirit of the RSPO and to take more ownership of the problem.</p> <p>7.2 JC commented that we have not made enough effort to communicate the virtues of sustainable palm oil. Our communications must be much stronger from this point. He further urged the retailers and the consumer goods manufacturer to do more to promote sustainable palm oil.</p> <p>7.3 MRC further queried on the supportive actions being taken by our PR firm (Hill & Knowlton) in addressing these matter as they have offices worldwide.</p> <p>7.4 BW suggest to align force in creating the right image and approach with government(s) to promote palm oil.</p> <p>7.5 DW highlighted the fact that the secretariat did not act on this matter because there was no resolution for this discussion as the Secretariat will only work base on what had been submitted in the General Assembly and could not act beyond that.</p>	
8.0	<p>Finance and Administration</p> <p>8.1 Financials for the year ended 30 June 2016 TS presented on the financials for the year ended 30 June 2016 and highlighted as follows:</p> <ul style="list-style-type: none"> ● Income was high compared to last year and budget at RM41.6 million. The increase in income was mainly due to higher contribution from CSPO physical trade and slight increase in membership subscription. ● Operating costs was at RM14.8 million and close to budget, and a significant improvement in project costs compare to last year although still below budget at RM14 million. The income statement is still subject to significant movements in foreign exchange differences. ● Operating surplus for the financial year amounts to RM13 million 	TS

	<p>before allocation to Smallholders Fund. As of the year end transfers of RM2.9 million and RM10 million were made to the Smallholders Fund and Special Projects Fund respective.</p> <ul style="list-style-type: none"> ● During the year RM2.3 million was paid out from Smallholder Fund and RM2.2 million to Special projects. ● TS explained that of the total cash balances at the year end was RM48.6 million, of which RM15 million retained as reserves, RM18 million was allocated to Special Projects Fund and RM13.7 million in Smallholder Fund, with quite a large increase in the amount committed of RM7 million. <p>The budget for FY 2017 as approved by the Board will be presented as follows:</p> <ul style="list-style-type: none"> ● Budgeted income is projected to be flat as we expect reduced supply. We chose to be conservative with income estimates which proved to be as reflected in the income from contribution in the first quarter this financial year. ● We expect a slight increase in operating costs but the main increase in costs are due to project spending, split into two parts, departmental operating costs of RM19 million and discrete projects of 12.4 million. ● Discrete projects are discretionary and will be spent only when there is sufficient fund. ● As usual the annual allocation of 10% of total contribution equivalent to RM3 million have been budgeted for transfer to Smallholders Fund. ● Surplus after allocation to Smallholder Fund but before discrete projects, separately shown after the budgeted surplus, is RM6.5 million. 	
<p>8.2</p> <p>8.2.1</p>	<p>Financial Updates for the Q1 FY 2016</p> <p>PC reported on the financials for Q1 FY2016 on the following:</p> <p>(i) An overview of the financials was given as follows:</p> <ul style="list-style-type: none"> ● Net surplus for the period ending 30 Sep 2016 of RM4.1 mil. ● Cash balances of RM49 mil including foreign currency balances equivalent to RM32.6 mil ● Reported Net Assets as at 30 Sep 2016 of RM50.7 mil ● Represented by Members' Fund of RM19.3 mil, Smallholders Fund of RM13.6 mil, Special Projects of RM17.8 mil <p>(ii) Based on year over year (YoY) comparative the results were as follow:</p> <ul style="list-style-type: none"> ● Operating surplus for the period was RM4.1 million with income amounting to RM9.7 million against total operating cost at RM3.4 m and total project costs of RM3 million. ● Income from subscription fees increased YoY at RM3.3 million and contribution from sustainable palm oil trade reduced YoY at RM6.3 million. The lower contribution for the period was due to significantly lower volume for credit trade, although physical volume was higher YoY without any significant effect from foreign exchange difference. 	<p>PC</p>

	<ul style="list-style-type: none"> Operating cost for the period amounting to RM3.4 million and total project costs without the split on departmental operating or discrete projects amounted to RM3 million for the period and far behind budget. <p>(iii) The highlighted on the balance sheet as at 30 September 2016 are:</p> <ul style="list-style-type: none"> Subscriptions due increased to RM3.4 million compared balances as at the last financial year end, due to increase in membership renewals during the period with corresponding increase in deferred subscription income to RM6.5 million. Cash balances was at RM49 million and other receivables at RM7.4 million included receivables for RT14 and amounts paid to RT14 costs not yet recognised as expense. There were very little movements in the Smallholders Fund and Special Projects Fund during the period. All committed funds for smallholder and special projects are expected to be contracted by December this year. 	
8.2.2	MRC inquired on the outlook of RT14 financially. PC explained that we are expecting losses for this RT given that we did not managed to secure as much sponsorship compared to last year but registration is on track compared to last year. CBN further asked how much the RT will cost. PC explained that RT14 was budgeted for a break even and that the total costs expected is approximately RM2 million.	MRC/CB N/PC
8.2.3	TS concluded that in summary the finances are still strong and that the income model works, and is a lot better than some comparative models of other organisation. TS further add that we can very confident going forward with our current financial position.	TS
9.0	CSPO growth	
9.1	<p>CBN emphasised that there is a need to focus more on creating awareness on the demand side on the uptake of certified palm oil. This would be an enticement for more growers to join in and become RSPO members. He further explained two main reasons on why growers are not attracted to become RSPO members:</p> <ol style="list-style-type: none"> Poor Uptake No Palm Oil Labelling <p>CBN stated that it was naïve to believe that we would be able to transform the market making RSPO palm oil the norm as long as the spirit of commensurate effort was not being upheld which was a function of not all parties living up to the undertaking of the RSPO. CBN urged for timelines and deadlines to be enforced with regards to uptake.</p>	
9.2	BW have tasked the Secretariat to contact Dr. James Fry to conduct an economic analysis in reconciling the numbers.	
9.3	BV suggested consider a time bound plan and obligation for retailers and food manufacturer (similar to those of the growers) that once they become a member they have two years to buy the credits and another two years to	

	get fully physical.	
9.4	SS recalls that there was a guideline way back in 2012 with the same requirements of time bound plan for stakeholder sector like retailers and food manufacturer.	
9.5	AH recalled that there was guideline as mentioned by SS. It was the 2012 guideline documents with time bound plan on when to get one's supply chain certified and when to get one's product certified.	
9.6	<p>BW have identified two key observations:</p> <ol style="list-style-type: none"> 1) We are tracking the facilities being certified rather than number of members enrolling. This is also a good indication of progress as at the end of the day offtake has to happen and facilities need to get certified especially in destination market. We should closely monitor the trend of this matrix. 2) Increase of hectarage /acreage of the number of mills getting certified 3) BW advocated that we put in our resolution on the time bound plan compliance for consumer goods companies to map out conversion to 100% CSPO. This was supported by FW, the Co-Chair of the CGF working group. 	
9.7	The Secretariat will write formally to the Consumer Goods Forum (CGF) requesting for their commitment.	
10.0	Standard and Certification Standing Committee/Technical Department (SCSC)	
10.1	INA NI endorsement	
	Two task forces will be establish to look into the identified issues.	
10.2	OT enquired about the status of SCSC's setup as AH was regarded as its sole member. AH responded that SCSC comprises of Board members representing Growers (Malaysia, Indonesia and ROW), Social NGOs as well as the Secretariat. AH is confident that the Secretariat has capacity to manage the endorsement process of NI.	
10.3	<p>With AH stepping down of the SCSC, the question regarding the status of the SCSC at board level was discussed. It was acknowledged that chairing this committee is taxing. It encompasses, among others, assurance of good quality NI. Active involvement of board members (with growers and NGO representatives on the BoG being members of SCSC) has proven its value – for example with regards to the NI- Indonesia process. This role needs to be enhanced rather than weakened, in view of the fact that the BoG is formally endorsing (and not rubberstamp) the NI's. The option of in-sourcing a SCSC chair was mentioned (a possibly viable way of filling this vacancy; something which, however, requires adjustment of the RSPO rules regarding standing committees).</p> <p>Decision : The INA NI was endorsed.</p>	
11.0	Proposed interim measure for Independent Smallholder Group in	

	<p>relation to Compensation and Remediation Procedures and certification.</p> <p>11.1 The RSPO Remediation and Compensation Procedures Related to Land Clearance without Prior HCV Assessment (RaCP) is only applicable to companies and smallholders associated to mills. It does not apply to independent smallholders. However, independent smallholders are subjected to Principle 7, Criteria 7.3 of the RSPO P&C and will be audited against the Criteria if they have cleared land for oil palm plantation since Nov 2005 without prior HCV assessment in place.</p> <p>11.2 A special Task Force comprised of members from the BHCVWG and SHWG was assigned to develop specific RaCP for independent smallholders. Activities conducted include collecting land clearing data from independent smallholders and conduct LUCA for smallholders group from different regions to better understand on the ground situation for smallholders. The development of specific RaCP for independent smallholders at the moment is in its preliminary stage.</p> <p>Based on the strong recommendation from the SHWG and BHCVWG, the Secretariat is hereby proposing the following as interim measure that would be applicable to independent smallholder Group:</p> <p>Independent smallholders who have developed land between November 2005 and 2016 will be allowed to proceed with certification, with reference to C 7.3, and these areas will be certifiable, recognizing as well other requirements in the Principle and Criteria.</p> <p>For certification to proceed independent smallholders will have to:</p> <ul style="list-style-type: none"> ● Disclose the extent of land cleared without a prior HCV assessment since November 2005 ● With the assistance of the RSPO conduct a full LUCA ● Agree a social and environmental liability assessment with the RSPO ● Remediate the land <p>Decision:</p> <p>The Board requested the BHCVWG and the Secretariat to reformulate the proposed wording to incorporate a similar approach to the NPP for independent smallholders. The BHCVWG and the Secretariat should approach the proposers of the NPP smallholder resolutions to see if they are willing to participate in this work.</p> <p>To be tabled to the BoG by the February 2017 concall.</p>	
<p>12.0</p> <p>12.1</p>	<p>Proposed formation of Task Force for the Development of Guidance and/or Appropriate Standard for Outgrowers to Achieve RSPO Certification</p> <p>RSPO Group Certification Standard (2015) was endorsed by the RSPO BoG in March 2015 to facilitate certification of any FFB producers without mill, through a Group Manager. These includes both smallholders (those own lands up to 50ha) as well as outgrowers (own lands more than 50 ha) without mill.</p> <p>A threshold was set that the current Group Certification Document, with</p>	

12.2	<p>specific reference to the Section 3, will only applicable for smallholders. The outgrower (who individually owns more than 50 ha of land) can be grouped together using the same mechanism described in Section 2 of the document, but must demonstrate compliance to the full P&C requirement. In endorsing the Group Standard, the RSPO BoG has requested RSPO Secretariat to study on the requirements made on the outgrowers, specifically to assess the level of capacity and resources of these categories in meeting the P&C requirements.</p> <p>The outgrower may have challenges in meeting the full P&C requirement and at the same time may pose potential loophole for allowing medium grower (grower with 50-500 ha size plantation) to use the same requirement as the smallholders.</p> <p>As a result of internal discussions, a recommendation is made a formation of a task force to study the challenges being faced specifically to assess the level of capacity and resources of the outgrowers in getting certified under the RSPO scheme.</p> <p>Decision: The formation of the Task Force is approved but need to complete and submit the Outgrower's guidance by June 2017 (Euro RT)</p>	
13.0	<p>RSPO NEXT</p> <p>YR presented a progress update on RSPO NEXT.</p>	YR
13.1	<p>Guidance Document</p> <p>The guidance document is now completed and available on the website.</p>	
13.2	<p>Outreach</p> <p>Outreach activities were conducted in the following locations:</p> <ul style="list-style-type: none"> ● Jakarta, Indonesia in September 2016 ● Sandakan, Malaysia in October 2016 	YR/SS
14.0	<p>AOB</p>	
14.1	<p>Recruitment of COO</p> <p>The Secretariat have identified a suitable candidate to fit in the position of the COO. His name is Bakhtiar Talha, a Malaysian and he will join the RSPO in Jan 2017.</p>	DW
14.2	<p>RSPO Sustainability College</p> <p>YR informed the board of the launch of RSPO's E College which is our first on line training resource material for difficult topic in an easy to understand manner in various languages. The first module launched is FPIC available in both English and Bahasa Indonesia.</p>	YR
14.3	<p>HCS Convergence</p> <p>DW explained that it is a convergence between the two studies on high carbon stock matter and no deforestation. Although this convergence does</p>	DW

<p>14.4</p> <p>14.5</p> <p>14.6</p>	<p>not impact the RSPO standards today, but it may have impact to the RSPO when we discuss about the review of the standards next year and the voluntary add on in RSPO NEXT. Moreover, it also does not solve our problem on criteria no. 7.8</p> <p>Update from Consumer Goods Forum Social Steering Group</p> <p>FW provided an update in relation to the Consumer Goods Forum Social Steering Group. (CGFSG)</p> <p>The CGFSC have acknowledged the emergence of concerns relating to exploitative labour conditions. These are mainly related to forced labour (particularly more vulnerable groups like migrant workers, traffic workers and child labour) and have been highlighted by multiple reports. In light of this transparency, the CGFSG has proposed a collective resolution on forced labour with a particular focus on the palm oil and seafood industries in South East Asia.</p> <p>Following that, an action framework has been developed to address these labour issues. This commits CGF to include stronger criteria on forced labour in the CGF Palm Oil Sourcing Guidelines and to work to align external standards, including RSPO P&C, with the CGF Priority Principles on forced labour. CGF is looking to work with palm oil industry partners to pilot practical solutions to address these issues systematically. The CGFSG would like to extend a warm welcome to any organisation whom would like to be partners in developing and running these pilots on the ground with an objective to develop not only solutions but indicators as well to measure the impact of their activity.</p> <p>JV would extend an invitation to his colleague (Co-Chair of The Human rights working group) to provide a brief update to the board on Friday.</p> <p>Conclusion: MRC highlighted the need to involve governments to address regulatory inconsistencies.</p> <p>BW proclaimed that RSPO will accept the offer if CGFSG could fund the resources of a proper group (comprising of the right constituents of a grower, social NGO and retailer, etc.) that fits into the board with a set of recommendation. We can then, move forward and deliberate about it.</p> <p>Board Proceedings It was discussed and agreed that physical meetings were more beneficial than monthly calls. The co-chairs were to work with the Secretariat to increase the number of physical Board meetings in 2017, with an optimal target of four physical meetings</p> <p>MB announced that this was his last Board meeting, and that he was starting a new oil palm sustainability initiative in Brazil. The Board thanked him for his long service and contribution to the RSPO.</p>	<p>FW</p>
	<p>Meeting adjourned at 6.00 pm. END OF DAY 1, 7 NOVEMBER 2016</p>	