

**MINUTES OF MEETING**  
**RSPO Oleo Task Force Meeting**

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**Time** : 1600 - 1734 (MYT)  
**Date** : Thursday, 24/03/2022  
**Venue** : Conference Call/Google Meet

**Attendees:**

Name	Initial	Organisation	Representative Category
Alexandre Rossi	AR	Barry Callebaut	Processors and/or Traders
Agathe Laville	AL	Barry Callebaut	Processors and/or Traders
Girish Deshpande	GD	P&G	Consumer Goods Manufacturer
Helen Scholey	HS	Shell	Processors and/or Traders
Mark Wong	MW	Sime Darby Oils	Palm Oil Growers
Marieke Leegwater	ML	Solidaridad	sNGO
Martin Huxtable	MH	Unilever	Processors and/or Traders
Rina Rahayu	RR	IOI Group	Processors and/or Traders
Paula Kasprzyk	PK	Avon, Bodyshop & Natura	Consumer Goods Manufacturer
Tobias Zobel	TZ	BASF	Processors and/or Traders
Inke van der Sluijs	IS	RSPO Secretariat	Director, Market Transformation
Ahmad Amirul Ariff	AAA	RSPO Secretariat	Certification Manager
Christine Joan Spykerman	CJS	RSPO Secretariat	Malaysia office
Hanib Bin Libon	HBL	RSPO Secretariat	Senior Executive, Supply Chain
Muhammad Shazaley Abdullah	MSA	RSPO Secretariat	Head of Certification
Mohd Shafiqul Syaznil	MSS	RSPO Secretariat	Executive, Certification
Nur Amanina Zahir	AZ	RSPO Secretariat	Senior Executive, Supply Chain
Ruzita Abd Gani	RAG	RSPO Secretariat	Supply Chain Manager
Yen Hun Sung	YHS	RSPO Secretariat	Senior Data Scientist

**Absent with apologies:**

Name	Initial	Organisation	Representative Category
Choong Wai Tuck	CWT	IOI Oleochemical Ind.	Processors and/or Traders
Joshua Lim	JL	Wilmar Trading	Processors and/or Traders
Teun Eigenraam	TE	IOI Group	Processors and/or Traders

**Invited but not in attendance:**

Name	Initial	Organisation	Representative Category
Diana Foong	DF	KLK Oleo	Palm Oil Growers (no response)
Peter Becker	PB	Evonik	Processors and/or Traders
Robert Kessels	RK	Sipef Group	Palm Oil Growers
Sietse Buisman	SB	Cargill	Processors and/or Traders
Siti Rosemina Bux	SR	Emery	Processors and/or Traders (no response)

**Agenda:**

Time	Topic	
16.00 - 16.01	1.0 Antitrust Statement Reading	Secretariat
16.01 - 16.02	2.0 Approval of Agenda	Secretariat
16.02 - 16.05	3.0 RSPO Secretariat Updates	Secretariat
16.05 - 16.42	4.0 Approval of Draft Minutes of Meeting (27 January 2022) 4.1 Minutes 4.2 Pending Actions	Secretariat
16.42 - 17.27	5.0 Rebalancing the Market	Barry Callebaut
17.26- 17.30	6.0 Review of the Conversion Rules	All
17.30-17.33	7.0 Report to the BoG - Proposed short term solutions	Secretariat
17.34	8.0 AOB - Next Meeting	Secretariat

**Pending Actions:**

No.	Description
1.	RSPO Secretariat will Chair the OTF unless there is a Nomination for the Chair position
2.	Present graphs to the SCT WG for publication on the Website: Pending
3.	OTF to review the current Conversion Rules for CSPK/CSPO: Agenda #6
4.	Certification Team to conduct a study on Mills which are not selling their Certified PK. (Next Slide)
5.	OTF Members to decide about the communication to the BoG: Agenda #7

**DISCUSSION:**

No.	Description	Action Points (PIC)
<b>1.0 Antitrust Statement Reading</b>		
1.0	IS welcomed members to the Oleo Task Force (“OTF”) and read the Antitrust Statement.	
1.1	<p><b>Antitrust Statement</b></p> <p>The Oleo Task Force (“OTF”) refers to the RSPO’s Antitrust Guidelines for the conduct of our meetings and conference calls. They can be found at <a href="http://www.rspo.org/file/RSPO_Antitrust_Guidelines.pdf">http://www.rspo.org/file/RSPO_Antitrust_Guidelines.pdf</a>.</p> <p>There shall be no discussion of specific selling or buying of materials, pricing or any joint venture, future or collusive actions, such as excluding or choosing a supplier. All commentary is limited to current or historical activity. Any decision you reach from the information from the Oleo Task Force (OTF) materials or discussed in the meeting is an individual decision based on your own investigation and judgement.</p>	
<b>2.0 Approval of Agenda</b>		
2.0	IS presented the draft Agenda and informed that she has made a slight addition to the Agenda by adding item no 5 “Rebalancing the Market” as per Barry Callebaut’s request after the last meeting. The Agenda was approved by the members without any objections or amendments.	
<b>3.0 RSPO Secretariat Updates</b>		
IS announced the following updates for the Secretariat :		
3.1	<b>New CEO:</b> RSPO has a new CEO - Joseph D’cruz (JD) who started on 15 March 2022.	
3.2	<b>RT/GA2022:</b> RT and GA dates have been decided. It will be held on the week of 29 November 2022 hopefully with “in person” meetings and with designs of hybrid elements. The committee is still looking for venues, possibly either in Kuala Lumpur, Malaysia or Bali, Indonesia.	
3.3	<b>Situation in Ukraine:</b> RSPO is monitoring the situation in Ukraine which is a disaster in itself and highly disruptive for the vegetable oil market and we are speaking with the members of what the impacts are and also reaching out to companies that	

have Membership or Certified facilities in Ukraine and we are monitoring the situation but there is nothing much that RSPO can do except being available for questions from Members in the affected countries. We hear the concerns in the market that the trade is disrupted because of the sunflower oil shortages. The Secretariat has published a [practical statement](#) on our website which went live yesterday on practical guides for companies that want to switch from sunflower to palm encouraging them to do that in a sustainable manner. But for some companies they need to go through membership application and certification before they can actually make a claim about sustainable palm.

AL inquired if the companies need to go through supply chain certification, does RSPO plan to have an accelerated certification process given the situation? IS replied that RSPO has discussed that but we cannot fast track certification. Companies that need a supply chain certificate have to follow the normal process. They have to contact the certification bodies and hopefully they can schedule an audit very soon. Membership can be obtained within four weeks but supply chain certification is dependent on the availability of the auditors.

**ACOP Reporting :**

The ACOP reporting is approaching. It starts on the 28 March 2022. IS encouraged the OTF Members to submit their ACOP as soon as it opens as the Members may have questions and the Secretariat usually received a large number of questions at the last week of the reporting period. Hence IS encouraged the Members to submit their ACOP Report as soon as possible so that they can reinstall their account and contact information as well as fill in the questionnaire.

3.4

**4.0 Approval of Draft Minutes of Meeting**

- 4.1 Minutes**  
The meeting minutes from the previous OTF Meeting (27 January 2022) were presented. The minutes were accepted with no amendments and/or objections but with some pending action points which will be discussed in the meeting.
- 4.2 Action Points from the last meeting:**
- 4.2.1 RSPO Secretariat will Chair the OTF** unless there is a Nomination for the Chair position. IS informed that Members are still welcome to take up the Chair position.
- 4.2.2 Present graphs to the Supply Chain Traceability Working Group (“SCT WG”) for publication on the Website.** IS informed that this item is actually pending. The SCT WG is the oversight working group for OTF and they have not approved the new graphs yet, so the new graphs are not published on the website yet.
- 4.2.3 OTF to review the current Conversion Rules for CSPK/CSPO:** IS informed that this is on Agenda no. 6 today.
- 4.2.4 Certification Team to conduct a study on Mills which are not selling their Certified PK.** IS informed that this will be in the next slide.
- 4.2.5 OTF Members to decide about the communication to the BoG** - which will be on Agenda no. 7 today.
- MSA presented the following pending actions from the last meeting to the OTF Members:
- (i) **Identify Number of Mills which sold CSPK less than 10% of their CSPK Certified Volume.**
- Data extracted from PalmTrace platform:**  
In total there are 73 Mills which sell less than 10 % of their Certified Volume.
- Input Discussion during CB Forum (P&C):**
- Extraction Rate-Mill Performance (varies from Region to Region).
  - No Access, information or connection to nearby Certified KCP in their locality and/or regions.
- Targeted Discussion with some RSPO Members:**
- Business Direction by the companies which doesn’t look into selling their CSPK as certified but continue selling their product as conventional;
  - Minimum Price Difference (benefit-cost ratio analysis) between Certified Palm Kernel and conventional Palm Kernel in order for them to reach the certified KCP it will require higher costs based on their benefit-cost ratio analysis is not really worth it.

	<ul style="list-style-type: none"> <li>Members indicated that they don't have direct Access to the Certified KCP.</li> </ul> <p><b>Conclusion/Discussion:</b></p> <ul style="list-style-type: none"> <li>Increase the number of certified KCP in order to increase the access for the Palm oil Mill to sell their Certified Palm Kernels; and</li> <li>Seek Direction by TF/BoG on the way moving forward.</li> </ul> <p>The OTF members ask whether the mills with unsold CSPK volumes are geographically spread or clustered. The RSPO secretariat has not plotted the information on a map yet. The OTF members ask whether mill information can be made public. The RSPO secretariat will look into this and explore whether an additional feature can be built into PalmTrace where mills accept to share their details.</p> <p><b>(ii) Comparison of Certified Volume and Actual Sold Volume - CSPK (Year 2020)</b> MSA commented that there was a request in the previous meeting to indicate the comparison of the Certified Volume and Actual Sold Volume per country. Most of the Members are selling their CSPK as Certified and on average it can be seen that they are selling at least 68.7% of their Certified Volume into the marketplace. This is based on the data that was obtained and extracted from the PalmTrace platform. For Certified Volume, we have to prorate the volume based on the months January to December but the Sold Volume is actual.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li><i>* The presented data for CV is based on the average Certified Volume per month for year 2020.</i></li> <li><i>* The presented data of Sold Volume is based on the actual transaction volume for year 2020.</i></li> <li><i>* Please note that some graph may indicated the Sold Volume is higher compared to the Certified Volume for some particular year due to the difference in the timeframe (e.g. Data Reporting is based on Jan-Dec, and data point is based on averaging of License Period)</i></li> <li><i>* Average CSPK CV vs AS (globally) in 2020: 68.70%</i></li> </ul> <p><b>(iii) Comparison of Certified Volume and Actual Sold Volume - CSPK (Year 2021)</b> The Volume that is sold by the Mills are 64.58% of their Certified Volume. This is the average volume that is being put into the marketplace by the Members.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> <li><i>* The presented data for CV is based on the average Certified Volume per month for year 2021.</i></li> <li><i>* The presented data of Sold Volume is based on the actual transaction volume for year 2021.</i></li> <li><i>* Please note that some graph may indicated the Sold Volume is higher compared to the Certified Volume for some particular year due to the difference in the timeframe (e.g. Data Reporting is based on Jan-Dec, and data point is based on averaging of License Period)</i></li> <li><i>* Average CSPK CV vs AS (globally) in 2021: 65.58%</i></li> </ul>	<p>RSPO secretariat to</p> <ol style="list-style-type: none"> <li>map the mills with unsold volumes to see the geographical spread.</li> <li>check which information about the mills that have unsold CSPK can be shared publicly (certification team)</li> </ol>
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<p>(iv) <b>CSPK Sales Performance by Country (2021) - list of 10 Countries (Lowest)</b> We have listed down the countries with the lowest volume sold. We can see the Certified Volume for Madagascar 314 but they are not selling anything from their Certified Volume into the marketplace. Similarly for Sri Lanka and Sierra Leone but we can see Malaysia is doing quite well as up to 63% of their Certified Volume has been put into the marketplace. So this is for the CSPK and we have listed down the top to countries with the lowest selling volumes.</p> <p>(v) <b>CSPKO Sales Performance by Country (2021) - list of 10 Countries (Lowest)</b> Similarly we ran the exercise to list the 10 countries which do not utilise their actual production of CSPKO. There are two countries which did not utilise Certified Volume which are Cameroon and Mexico but both have very small certified volumes. The OTF members ask the data to be presented in volumes rather than percentages.</p> <p>(vi) <b>Estimated CSPKO Certified Volume, Actual Production (AP) (mt) and Sale.</b> MSA commented that this is one of the requests from the last SCT WG just to have an idea of what is the estimated CSPKO Certified Volume because CSPKO doesn't have any actual Certified Volume. We are working on the CSPKO Certified Volume based on the 45% conversion of whatever Certified Volume for CSPK. In the First Bar, it's the estimated CSPKO Certified Volume based on the 45% calculation. The Second Bar is the Actual Production of the CSPKO which was converted within the KCP environment; and the Third Bar is showing the information of the Sold CSPKO volume by the KCP to the marketplace.</p> <p>The members of the OTF asked clarifying questions about the mismatch in estimated CSPKO volumes due to conversions. MSA replied that the estimated CSPKO volume, what we did was we take the Certified Volume of CSPK that was assigned to the Palm Oil Mill for all the Members globally and multiply the Certified CSPK Certified Volume with 45% of the conversion factor. That's where we can get the estimated CSPKO Certified Volume. Assuming that every CSPK produced by the Mill based on their Certified Volume and every Mills or KCP will achieve the 45% Kernel Oil Extraction Rate so this is the Volume. The actual CSPK production by mills and CSPKO volumes of KCP should be recorded in PalmTrace and the audit reports to have more accurate reporting.</p>	<p>CSPKO sales performance data per country to be presented in actual volumes (certification team)</p>
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**5.0 Rebalancing the Market**

<p>AL presented on rebalancing the market linking to what was discussed before.</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>PKO RSPO S&amp;D (ACOP &amp; RSPO Data) In 2019 still 29% of RSPO PKO mills do not find buyers?</p> <p>2018 CSPK sold Mass Balance ("MB") 24.32% (231,288) CSPK sold Segregated ("SG") 7.08% (67,338)</p> </div>	
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CSPK sold Identity Preserved (“IP”) 20.15% (191,604)  
CSPK sold Conventional 48.31% (459,441)  
CSPK sold under other Certification 0.14% (1,317)  
Total: 0.95MT PKO

2019

CSPK sold Mass Balance (“MB”) 35.59% (535,715)  
CSPK sold Segregated (“SG”) 11.82% (172,936)  
CSPK sold Identity Preserved (“IP”) 23.61% (355,417)  
CSPK sold Conventional 28.96% (435,894)  
CSPK sold under other Certification 0.03% (443)  
Total: 1.5MT PKO

- How much is due to the lack of RSPO Crushers?
- Will RSPO propose a solution?

***Is the supply imbalance due to fundamentals or concentration of the actors?***

- *PKO supply is either concentrated or completely scattered*
- *Is the supply imbalance due to fundamentals or concentration of the actors?*

Credit demand is sensitive to price, this year is extreme.

- How to explain to the client/consumer such an increase in premium that does not guarantee impact on the ground?
- Growing discussion on sustainable alternatives to RSPO. Does RSPO have any initiative?

How do we ensure that the CSPKO shortage in the market is met by more supply? Is the premium paid to the KCP transferred to the Mills and does this encourage more Mills to be certified so that certified volumes increase?

*Lack of continuity, logic and accuracy in RSPO figures  
How do you guarantee a minimum of stability and accuracy in your figures as the industry needs to rely on this to take direction?*

Four (4) Core Questions:

- Understand: Is the supply imbalance due to fundamentals or concentration of the actors?
- How to explain to the client/consumer such an increase in premium that does not guarantee impact on the ground?
- Growing discussion on sustainable alternatives to RSPO. Does RSPO



- have any initiative?
- How do you guarantee a minimum of mobility and accuracy in your figures as the industry needs to rely on this to make decisions?

AL explains that they want to understand the supply imbalance, because they need to justify it to their clients and their clients need to justify it to the Retailers. Retailers need to believe that there is a market.

IS thanked AL for her analysis and commented that in one of the slides that was presented where we see the gap between sales more than supply, we are correcting that graph and we haven't been able to publish the new one because it needs approval from the oversight committee, SCT WG, that has not agreed to it yet but that graph should not be in used but it's unfortunate that we are unable to publish the new data.

The reason for starting this Task Force is exactly what you are addressing - shortages in the market and it took us a while to fully understand the data but this will never be 100% perfect. We have a better understanding of where the gaps are. These Task Force meetings have resulted in better data and also resulted in identification of Mills that are not selling. That is where we can reach out to our members. Committed buyers may move away because there is shortage of supply but at the same time, we have to maintain our credibility and we cannot simply create supply but we can encourage members to optimise the supply chains. Other than that, increasing CSPO demand would incentivise more Growers to become RSPO certified.

PK shared the perspective of a Cosmetics company which is in transition to using only physically certified derivatives. They have a 100% commitment by 2025 and they are really working hard to get there but then during the transition they are also using Credits as a short solution until the supply of CSPKO (derivatives) catches up. Ideally, the company would buy Independent Smallholder Credits but if these are not available, they buy regular Credits.

YHS offered his thoughts, looking at it from a theoretical point of view. The sky high prices in PKO Credits is due to high demand and limited supply. We know that the upper limit for CSPKO consumption is a lot higher than what the market can currently supply physically. CSPKO Credit availability has been going down. So we have a situation of lower supply, high demand because the physical market is saturated and therefore, those buyers that can't find physical, are being pushed into the Credits market. That's why you are seeing the volatility, which implies that your short term solutions here are to potentially increase the supply of CSPKO credits.

In the last year, we welcomed a lot of the smallholder groups into the RSPO. A lot from Thailand, Sierra Leone and there are one or two from Colombia coming in. They may be selling CSPKO Credits. Another idea from the Task force was for Mills that do not have access to Certified Crushers within their vicinity and therefore have to sell their certified CSPK as Conventional, could

be given the option to sell that volume as CSPKO Credits on a case by case exception basis. That will create a situation of increasing the availability of Credits and therefore taming down the price.

Independent Smallholder groups in Thailand tend to sell physical and that is because of the nature of the market in Southern Thailand, is that these smallholder groups already have pre-existing relationships with independent Mills that don't have or have very little supply basis of their own. Through outreach, we can encourage them to sell IS-CSPKO Credits and thereby increase the amount of CSPKO Credits in the market.

The option for a limited commission for Mills that can prove that they don't have access to Certified Crushers within the vicinity could be allowed, at least on a temporary basis, to sell that remaining volume as Credits until a sufficient number of Certified Crushers within the vicinity can be certified to transition them to physical.

ML recommended to grant exceptions on Mill level and not RSPO member level because we should be really careful and if we do this it should be on Mill level only when they are really isolated. YHS agreed that there should be very strict criteria for determining this and it should be that way because again this is a communication and PR risk, if we want to take this option.

TZ pointed out that this exception doesn't help the actors in the middle of the supply chain that work towards physical supply. These actors do not work with Credits and shouldn't be working with Credits even for matching commitments because that is just doubling or tripling the uptake.

PK commented that the risk may actually be lower than we think because obviously the Brands and Retailers have commitment in sourcing physical certified materials, so we are not interested in our supplier offering us Book and Claim solutions.

MW commented that we are thinking of a quick fix whereas we need to look at what will have a more fundamental impact. How do we improve the visibility of who is still around looking for a market? YHS commented that to ensure that if we take the short term solution, and ensure that the remuneration goes back to it, we have a lot more independent Smallholders groups coming in, they have a choice whether to sell Physical or Credits.

RR commented that the sector is facing logistical challenges that she has not seen in the past 20 years. Palm Kernel lorries weren't able to go into the Mill for two weeks.

ML suggested to be very explicit to new Smallholders who are getting certified about the option to sell IS-CSPKO credits.

TZ asked the RSPO secretariat to bring awareness to Palm Kernel Crushers about the benefits of RSPO supply chain certification. RSPO is expecting an

Inform new Independent Smallholder Groups about the option to sell IS-CSPKO Credits (RSPO secretariat, Smallholder Unit)

increase in certified area because of the mandatory Time Bound Plan for growers but there may be barriers to certification, like liabilities and land titles. He warns that the market moves fast and if the availability doesn't improve, actors may move away. IS commented that she hoped that the current palm prices and premiums leads to more growers seeing the benefits of becoming certified.

Explain benefits of RSPO supply chain certification to Palm Kernel Crushers (RSPO Secretariat)

**6.0 Review of the Conversion Rules**

Reflection of why the Conversion Rules were introduced RSPO Supply Chain Certification Standard 2011:  
 "Facilities can now purchase a certain volume of segregated sustainable palm and palm kernel products and use it to match the sales of equal volumes of palm product derivatives that then carry a Mass Balance claim without requiring a physical or chemical link between the acquired segregated product and the derivative that is sold under mass balance".

Reason imbalance in demand for RSPO certified sustainable products.  
 For example: EU Market demanding stearin (20%) and no market for olein (80%).

**Supply Chain Certification Standard (SCCS) - MB Model**  
**Requirements C.5 Conversion Ratios**

Requirements C.5.3  
 Sites can purchase a certain volume or weight of Identity Preserved (IP) or Segregated (SG) RSPO certified palm oil and palm kernel products and use it to match the sales of equal volumes of palm product derivatives that then carry a Mass Balance (MB) claim without requiring a physical or chemical link between the acquired IP or SG product and the derivative that is sold under MB (Figure 1). The conversion from IP or SG products to MB is allowed upwards, sideways and downwards in the same product tree.

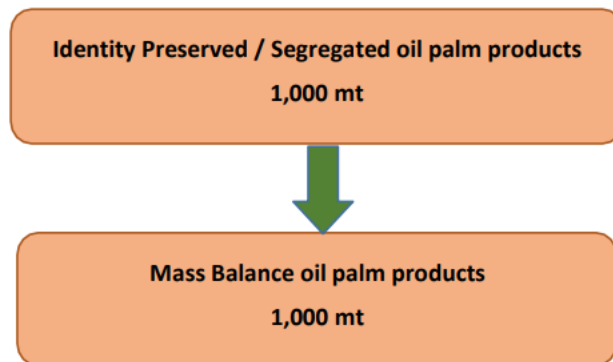


Figure 1: Conversion 1 to 1 IP/SG to MB

<u>Scenario</u>	<u>Interpretation and Application of Conversion 1 to 1 IP/SG to MB</u>
<p>A Supply Chain Certified Kernel Crushing Plant (KCP) would like to apply for conversion 1 to 1 SG to MB</p> <p><b>KCP stock in PalmTrace and physical.</b></p> <p>i) 1000MT CSPK SG = 1000MT CSPKO MB</p> <p>ii) 1000MT CSPK SG = 450MT CSPKO SG + 550MT CSPKE SG</p> <p>By using 1 to 1 rules as per point 1 above, KCP will sort about 550MT PKO (Physical).</p> <p><b>KCP approach will be:</b></p> <p><b>Option 1,</b> <i>Buy 550MT PKO conventional and claim it as CSPKO MB; or</i></p> <p><b>Option 2,</b> <i>Buy 1,222MT PK conventional, crush it in KCP to produce 550MT PKO and claim it as csPKO MB; or</i></p> <p><b>Option 3,</b> <i>Trade the sort balance 550MT PKO MB as "Credit, B&amp;C".</i></p>	<p>1000MT CSPK SG = 1000MT CSPKO MB</p> <p>1000MT CSPK SG = 450MT CSPKO SG + 550MT CSPKE SG</p> <p>Conversion 1 to 1 rule applies as follows:</p> <p><b>Step 1:</b> 1000MT CSPK SG Convert to 45% CSPKO SG (450MT) and 55% CSPKE SG (550MT) (refer Annex 1 of SCC Standard)</p> <p><b>Step 2:</b> Choose rule 1 to 1, 550MT CSPKE SG to 550MT CSPKO MB</p> <p><b>Step 3:</b> There are two (2) options:</p> <p><b>Option 1:</b> Downgrade 450MT CSPKO SG to 450MT CSPKO MB; or</p> <p><b>Option 2:</b> Maintain 450MT CSPKO SG</p> <p>Based on <b>Step 2 above</b>, 550MT CSPKO MB (physical)</p> <p><b>Option 1:</b> Buy 550MT PKO conventional and claim it as CSPKO MB</p> <p><b>Answer: Acceptable</b></p> <p><b>Option 2:</b> Buy 1,222MT PK conventional, crush it in KCP to produce 550MT PKO and claim it as CSPKO MB</p> <p><b>Answer: Acceptable</b></p> <p><b>Option 3:</b> Trade the sort balance 550MT PKO MB as "credit, B&amp;C"</p> <p><b>Answer: Not acceptable</b></p>

<u>Scenario</u>	<u>Interpretation and Application of Conversion 1 to 1 IP/SG to MB</u>
<p>A Supply Chain Certified Kernel Crushing Plant (KCP) would like to apply conversion 1 to 1 SG to MB.</p> <p>Please confirm the following steps are correct:</p> <p><b>Step 1.</b> KCP converted 7,780MT CSPK SG to 45% CSPKO SG (3,501MT) and 55% (4,279MT) CSPKE SG</p> <p><b>Step 2.</b> KCP has total volume of CSPKE SG (4,279MT + 73,466.9MT remaining balance carry forward from previous year due to no buyer for CSPKE SG). Total CSPKE SG balance stock = 77,745.39MT. Does it mean KCP can convert all 77,745.39MT CSPKE SG to CSPKO MB?</p> <p><b>Step 3.</b>  <i>Option 1: KCP can downgrade 3,501MT csPKO SG to 3,501MT CSPKO MB.</i>  <i>Option 2: KCP can maintain CSPKO SG 3,501MT and sell it as CSPKO as usual?</i></p>	<p>The application of the 1 to 1 rule is only applicable for facilities holding the MB supply chain model and given appropriate processing rights by the CB in PalmTrace. The book keeping volume and stock in PalmTrace shall tally.</p> <p>The interpretation as follows:            Step 1: KCP converted 7,780MT CSPK SG to 45% CSPKO SG (3,501MT) and 55% (4,279MT) CSPKE SG.  <b>Answer: Correct</b></p> <p>Step 2. KCP has total volume of CSPKE SG (4,279MT + 73,466.9MT remaining balance carry forward from previous year due to no buyer for CSPKE SG). Total CSPKE SG balance stock + 77,745.39MT. Does this mean KCP can convert all 77,745.39MT CSPKE SG to cSPKO MB?  <b>Answer: Based on the Rule 1 to 1, you have a choice to convert all or certain volume of CSPKE SG to CSPKO MB subject to comment above.</b></p> <p>Step 3.            Option 1: KCP can downgrade 3,501MT CSPKO SG to 3,501MT CSPKO MB. <b>Answer: Yes</b></p> <p>Option 2:            KCP can maintain CSPKO SG 3,501MT and sell it as CSPKO SG as usual? <b>Answer: Yes</b></p>

**Interpretation and application of conversion 1 to 1 IP/SG to MB**

In summary, if the KCP choses to apply conversion 1 to 1 and decides to convert **ALL** 77,745.39MT CSPKE SG to CSPKO MB. The volume 77,745.39MT CSPKO MB will be included in the trading and stock PalmTrace account. In

order to produce CSPKO MB they need to purchase about 172,767.53MT conventional PK.

**Overview of Existing Conversion Rules**

*Actual Conversion happening within PalmTrace Platform (CSPO):*  
- Example: Conversion of Palm Based Products (other than CSPO) converted back to CSPO (upwards conversion in the product tree).

MSA explained that this is the situation found in the PalmTrace platform, whereby the Members, the Supply Chain actors convert their products back to CSPO because of the 1 to 1 Rule. Their IP and SG products which have been processed and produced, we can see in 2017, double frac oleIn has been converted back to CSPO using the 1 to 1 Rule. And we can also see there are several types of products that are available in our records. These are about 8 products which have been converted back to CSPO by using the 1 to 1 Conversion rules. This is quite a huge volume that leads to the sales of CSPO.

*Confirm conversion of other products (i.e. Crude PK Olein, Crude PK Stearin, CSPKE, PKFAD, Refined CSPKO, Refined PK Olein, Refined PK Stearin) to CSPKO - (upwards conversion in the product tree).*

Here, we can see that the market actor is converting back whatever palm kernel based product being converted back to CSPKO as MB and this is the actual situation.

**Review of the Conversion Rules**

- Possible to reach consensus about removing conversions from PalmTrace as interpretation without affecting the RSPO Supply Chain Certification Standard?
- Significant changes should be undergoing document review.
- Keep the status quo?

IS commented that we have spoken about Conversion Rules but not really in detail. So we have the different options in which we can review what the conversions are in PalmTrace and make interpretations with it without changing Standards. We can also propose to have a complete document review and make significant changes in the conversions. Or keep the Rules as they are and ensure everyone understands the Conversion Rules on an equal basis.

ML commented that we shouldn't make this decision at the end of the meeting as this is something which needs an in depth discussion to think it through. I understand that we are under urgent pressure but we still need to think this through.

To describe the conversion rules in the Supply Chain Certification Standard, the conversions currently possible in PalmTrace and the consequences /

	<p>IS agreed and proposed that we produce a one-pager to explain the Conversion Rules and share it one week before the next meeting so everyone can review and take up position whether they want to change the rules or not and discuss that during the next meeting. The OTF members ask whether the consequences or impact of changing the rules can be included.</p>	<p>impact of changing the rules (certification team)</p>
<p><b>7.0 Reporting to the BoG</b></p>		
<p><b>7.1</b></p>	<p><b>Proposed short term solution:</b></p> <ul style="list-style-type: none"> <li>- Increase number of certified palm kernel crushers</li> <li>- Raise awareness with th mills that sell CSPK as conventional PK</li> </ul>	<p>The Secretariat to report progress to the BoG</p>
<p><b>7.2</b></p>	<p><b>Outcome conversion discussion</b></p> <p>IS informed that we are not ready to report to the Board, so we will work on the Conversion one-pager and we will work on a comprehensive paper to discuss the short term and long term solutions which we have touched on today and ensure that we get the inputs for the next meeting.</p>	
<p><b>8.0 AOB</b></p>		
	<p><b>Next Meeting:</b> The next meeting will be in April 2022.</p>	<p>The Secretariat to send out a Doodle Poll for the next meeting date.</p>