

Minutes for BOARD OF GOVERNORS Meeting 05-19

Date: 5th September 2019

Start Time: 8.00am-5.30pm

Venue: Pullman Central Park, Jakarta, Indonesia

Attendance

BoG Members and Alternates

In Attendance

Substantive Members

MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair

WRI – Anne Rosenbarger (AR) – Co Chair

AAK – Tim Stephenson (TS)

AGROCARIBE – José Roberto Montenegro (JRM)

AEON – Kahori Miyake (KM)

BOTHENDS - Paul Wolvekamp (PW)

GOLDEN AGRI

RESOURCES – Agus Purnomo (AP)

HSBC – Ian Hay (IH)

P&G – Lee Kuan-Chun (LKC)

RABOBANK – Geraldine Lim

RPOG – Belinda Howell (BH)
* dialed-in after lunch

WWF – Elizabeth Clarke (EC)

WILMAR – Daphne Hameeteman (DH)

OXFAM – Madeleine Brasser

In Attendance

Guests

Co-Chairs COMPLAINTS

PANEL – Dato' Henry Barlow (DHB) & Lim Sian Choo (LSC)

RABOBANK - Johan Verburg (JV)

SECRETARIAT - Ashwin Selvaraj (AS)

PROFOREST - Bilge Daldeniz (BD)

RPOG – Julian Walker-Palin (JWP) * dialed-in after lunch

Alternate Members

AEON – Yumie Kawashima (YK)

AHOLD DELHAIZE – Hugo Byrnes (HB) *
dialed-in after lunch

ASIAN AGRI – Dr. Mohamad Fadhil

Hasan (FH)

FELDA – Izham Mustaffa (IM) **
representing Mahadzir Mustafa

HUTAN – Harjinder Kler (HK)

MPOA – Lee Kuan Yee (LKY)

UNILEVER – Martin Huxtable (MH) **
representing Petronella Meekers

MUSIMMAS – Olivier Tichit (OT)

OLAM – Audrey Lee (AL)

ZSL – Michael Guindon (MG)

Absent with Apologies:

Substantive Members

FELDA – Mahadzir Mustafa (MM)

(GL)UNILEVER – Petronella Meekers (PM)

Alternate Members

AAK – Caroline Westerik-Sikking (CWS)

HSBC – John Laidlow (JL)

P&G – Girish Deshpande (GD)

Rabobank – Martin Van Vaals (MVV)

SIPEF – Sander Van den Ende (SVE)

UNIVANICH – John Clendon (JC)

Advisors

In Attendance

Prof. Bungaran Saragih (BS)

Advisors

Absent with Apologies:

MR Chandran (MRC)

Secretariat Staff

In Attendance:

Datuk Darrel Webber (DW)	Tiur Rumondang (TR)
Bakhtiar Talhah (BT)	Patrick Chia (PC)
Salahudin Yaacob (SY)	Dan Stretchay (DS)
Javin Tan (JT)	Julia Majail (JM)
Cheri Woo (CW)	Oi Soo Chin (OSC)
	Ravikumar Krishnan (RK)
	Francisco Naranjo (FN)

Guest

In Attendance, cont.

KEDGE BUSINESS SCHOOL – Simona d Antone (SA) and Breeda Comyns (BC)

Item	Description	Focal Point
1.0	Introduction	
1.1	<p>RSPO Antitrust Laws</p> <p>There will be no discussion on any commercial aspect of the trade in palm oil on premiums, volumes, individual suppliers, individual customers, etc.</p>	
1.2	<p>RSPO BoG consensus based decision making</p> <p>The BoG was reminded that they try to reach/make decisions by consensus, which is the absence of sustained objection.</p>	
1.3	<p>Approval of Minutes - BoG 02-19 and BoG 03-19</p> <p>Minutes of both meetings were approved.</p>	
1.4	<p>Approval of designation of interim member of the RSPO BoG</p>	
1.4.1	<p>Mahadzir Mustafa was designated as the representative of Substantive Member - FELDA - by the RSPO BoG representing the Growers (Smallholders) sector, which had become vacant following the resignation of Dato' Othman Omar.</p> <p>MM declared to accept his designation representing FELDA as a member of the BoG of RSPO.</p>	
1.4.2	<p>Julian Walker-Palin will be designated as the representative of Substantive Member - Retailers Palm Oil Group (RPOG) - by the RSPO BoG representing the Retailers sector, which will become vacant following the resignation of Belinda Howell from the date of GA 6 November 2019.</p> <p>JWP declared to accept his designation representing RPOG as a member of the BoG of RSPO from 6 November 2019.</p>	
1.5	<p>Approval of designation of alternate member of the RSPO BoG</p>	
1.5.1	<p>Sander Van den Ende was designated as the Alternate Member to Jose Montenegro representing SIPEF in the Grower (ROW) sector. He replaces Fanny Roussel from SIPEF, who was nominated earlier.</p> <p>SVE declared to accept his designation representing SIPEF as an Alternate Member of the BoG of RSPO.</p> <p>SIPEF was designated as the Alternate Member to AGROCARIBE representing the Growers (ROW) sector.</p>	

<p>2.0</p> <p>2.1</p> <p>2.2</p>	<p>Action Tracker</p> <p>BT highlighted outstanding items from the action tracker from the previous BoG meetings. Several items discussed were as follows:</p> <p>Membership Application OSC updated the BoG on challenges pertaining to the processing of membership applications, Subsequent to discussions with BoG representatives of s-NGOs, the Secretariat is developing a risk matrix to evaluate membership applicants, which will strengthen the membership application process.</p> <p>Action: The BoG requests that the Risk Matrix be presented at the BoG meeting in November 2019.</p> <p>Production and Uptake Data - CSPKO The BoG was informed that the CSPKO TF deliberated on this matter, and the Market Development Standing Committee (MDSC) had requested the CSPKO TF to revert with recommendations to the MDSC.</p> <p>Action: The BoG requested for an update at the next Board Meeting.</p>	
<p>3.0</p> <p>3.1</p>	<p>CEO's Report</p> <p>RSPO-RED requirements for compliance with the EU Renewable Energy Directive</p> <p>DW presented issues surrounding RSPO-RED, and to seek BoG's direction on the way forward.</p> <p>Action: The BoG requested the Secretariat to revert with a proposal to explore the market opportunities for low iLUC feedstocks for the biofuels market (RSPO Red 2) and to estimate the pros and cons of this for the BoG to decide.</p>	
<p>4.0</p> <p>4.1</p> <p>4.2</p>	<p>Governance Review</p> <p>BT gave an update to BoG on the restructuring of SCs, WGs and TFs. The SC Chairs and Board Links are scheduled to meet on Sep 6 to align the way forward.</p> <p>BT highlighted that the various sub-committees comprise of mostly the same members, which results in inefficiencies and burn out.</p> <p>Action: The BoG urged the SCs to streamline the current structures to ensure synergies and effectiveness.</p>	
<p>5.0</p> <p>5.1</p>	<p>Organisational Risk Register</p> <p>As decided at the previous BoG meeting, the revised Organisational Risk</p>	

5.2	<p>Register focusses on 4 areas i.e. Legal, Financial, Reputational and Membership. The other Risks have been delegated to the respective Standing Committees.</p> <p>Decline in Membership Growth</p> <p>Low membership growth especially amongst the Grower and s-NGO sectors was identified as a risk, and requires strategic intervention by the BoG and the Secretariat. CBN on behalf of the grower fraternity expressed the need for the BoG to address the growing “push back” against the RSPO scheme by the grower fraternity as the revised P&Cs adopted in November 2018 were now deemed to be so strict that they effectively would cut off 70-75% of all growers from ever becoming certified under the RSPO.</p> <p>In this connection CBN on behalf of the IGC and ROW growers outlined the need for the RSPO and the BoG to take the issues relating to the Decent Living Wage (DLW) discussions seriously and that the representatives including the NI working group on the DLW study addresses this and for the Secretariat to oversee that there is full engagement with representatives from the MPOA, IGC and ROW.</p>	DW/BT
6.0	<p>Financial matter</p> <p>6.1 TS updated the Board on the financial position for the year 30 June 2019:</p> <ul style="list-style-type: none"> ➤ A surplus is expected for this year of RM8.4 mil. The audit is in progress and there will be adjustments arising which may reduce the surplus down to around RM7.5 mil. ➤ TS reminded the Board that in the previous meeting we have agreed not to look at making changes to fees for trading or membership fees as it is not justified based on the current results. We also do not have, for instance a 3 years plan on spending going forward and any fee increases would require us to understand what the specific cost increases will be. ➤ Subscription fees have not increased as expected partly due to consolidation of memberships under group membership. The major change is in contribution from credit trade which we have seen a significant increase for the year. ➤ Our balance sheet remains strong. The aged debts are looking much better with net Subscriptions due at RM1.7mil (FY2018: RM2.8mil). We can still do better with the aging and the aim is to bring it down to 90 days. ➤ Changes in Equity shows that the commitments relating to Smallholders Fund and Special Project Funds will eventually bring the funds to full utilisation. ➤ Currency Translations Reserve will fluctuate from time to time due the gains or loss from translations of assets and liabilities held in different currencies. ➤ TS informed that meetings are schedule with the auditors on the 	

6.2	<p>17 Sep with the Finance Committee and on 30 Sept with the BoG to present the final accounts for approval.</p> <p>The Chair expressed his appreciation for the good work done by the Finance Committee.</p> <p>DW added that one of the key reasons for RSPO’s positive financial position is that it operates in a low-cost region. However, with the growing number of members, RSPO must strengthen its Finance & Administration department, with the increase in Associate Members, which contribute a small amount compared to the administrative burden. The opening of new offices in countries such as China and Colombia have been administratively difficult, and continued expansion into other regions will become increasingly difficult. DW records his thanks to the team for doing well in this respect.</p>	
7.0 7.1 7.2	<p>Status of Past Resolutions BT gave an overview of past Resolutions and the progress status.</p> <p>Resolution 6d GA15 – Discouraging RSPO members subject to complaints from avoiding their obligations by divestment or withdrawing their membership</p> <p>BT highlighted the challenges of implementing this Resolution, including the formation of the Task Force and acquiring legal expertise.</p> <p>Subsequent to the first set of recommendations from the legal experts and review by the Task Force, the Secretariat proposed to get sufficient feedback from the membership before proceeding with deliberation by the BoG.</p> <p>Decision: The Secretariat was tasked to have a discussion with the proponents, then reach an agreement in line with the said proposal.</p> <p>Public Report on the Resolution Status At present, all resolutions are being tracked by the Secretariat through a Resolution tracker but not made publicly available.</p> <p>HSBC requested that (as well as the public tracking of resolutions) the BoG need to have a mechanism/procedure in place for deciding when resolutions were complete and can be closed.</p> <p>Conclusion: The BoG requested the Secretariat to identify a public reporting mechanism on Resolution status, and inform the BoG in Nov 2019.</p>	
9.0 9.1	<p>Updates on Jurisdictional Approach</p> <p>JT updated the BoG on the status of the work done by JWG.</p> <p>Conclusion: The framework was not supported by the BoG, as there is a need to actively engage with especially NGOs and Growers as only 3 growers had been a part</p>	

	of the engagement in Sabah, namely KLK, Sawit Kinabalu and IJM (a non RSPO member). The BoG also highlighted the need for the JA document to be aligned with all other relevant key documents.	
10.0	Updates from Latin America	
10.1	<p>FN gave an update to the BoG on the latest development and challenges in Latin America.</p> <p>The BoG thanked FN for the informative presentation, and requested the Secretariat to schedule a presentation on RSPO’s activities and strategy in Africa at the BoG meeting in Nov 2019.</p>	
11.0	Updates from the Outreach & Engagement (O&E) Department	
	DS presented the BoG the department’s recent developments and revised communication strategy.	
11.1	<p>RT17</p> <p>This year’s RT theme is ‘A Shared Responsibility: Converting Commitments into Action’ and a new feature is the RSPO Excellence Awards to recognise Members for their significant contributions towards making sustainable palm oil the norm.</p>	
11.2	<p>Improve Image of Credit and Mass Balance</p> <p>The BoG requested the Secretariat to enhance efforts to promote Credit and Mass Balance as it will positively impact uptake of CSPO.</p>	
11.3	Similarly, the BoG requested the Secretariat to promote Smallholder credit, in line with the upcoming Independent Smallholder Standards and stepwise approach to include more independent smallholders in the RSPO fold.	
11.4	<p>Enhance efforts in China, India and Indonesia</p> <p>The BoG highlighted the need for RSPO to increase its efforts in Indonesia with regard to CSPO recognition and usage, as Indonesia remains one of the world’s largest palm oil markets. Similarly, the BoG reiterated the importance of strengthening outreach and engagement activities in China and India.</p>	
12.0	Complaints & Appeals	
12.1	HB and LSC, on behalf of the Complaints Panel, provided the latest statistics and updates on the Complaints & Appeals activities at the RSPO.	
12.2	HB highlighted the need for more members to volunteer to be part of the Complaints Panel, specifically representation particularly amongst the Growers sector, and especially from Indonesia and emerging regions i.e. Latin America and Africa.	
12.3	AP raised the concern on the increased number of complaints in Indonesia, many of which relate to labour disputes and some handled by the national	

<p>12.4</p> <p>12.5</p>	<p>courts. To this effect, HB and LSC highlighted to the BoG on the recent findings by an independent reviewer submitted to the Select Committee tasked to specifically analyse the Indonesian scenario - key finding is that the RSPO grievance mechanism is perceived to be highly credible, hence contributing to more complaints registered in the system.</p> <p>HB and LSC informed the BoG of the concern with the Complaints Panel on the performance of the Accreditation Body (AB) and Certification Bodies (CBs), which it also shared with the new co-Chair of the Assurance Standing Committee (ASC). The Complaints Panel suggested that the AB should have its performance evaluated by the Secretariat annually.</p> <p>HB also stated that the RSPO was in the process of strangling itself by tightening the standards too much thereby eliminating up to 80% of all growers from ever becoming RSPO members.</p> <p>Expanding Group Membership Eligibility</p> <p>PC informed the BoG the basis of this proposal and sought feedback before submitting it at the next Board meeting for endorsement.</p> <p>The Secretariat noted the feedback provided by the BoG, and clarified that the BoG can provide further comments until the end of Sep 2019.</p> <p>The BoG requested the Secretariat to share the supplementary notes from the Complaint Panel’s review noting areas that require scrutiny.</p>	
<p>13.0</p>	<p>Annual Communication of Progress (ACOP)</p> <p>OSC presented the analysis of the ACOP data, and on behalf of the ACOP sub-group, called for more participation among Board Members from other sectors [apart from the P&T and Social NGO], in the sub-group.</p> <p>The BoG highlighted concerns regarding RSPO Members who chose to redact volume information, with CBN urging all RSPO Members to the spirit of Shared Responsibility.</p> <p>The BoG gave the ACOP sub-group and the Secretariat its full support in their work on ACOP, acknowledging that ACOP is integral to achieve RSPO's mission to make sustainable palm oil the norm.</p>	
<p>14.0</p>	<p>Shared Responsibility Task Force (SRTF)</p> <p>OSC, AR and BD highlighted the key points in the proposed “Shared Responsibility” document to the BoG and requested for endorsement of this document.</p> <p>Decision:</p> <p>Five members of the BoG could not endorse the Shared Responsibility document at this meeting, and requested that the following steps be taken before the BoG re-convenes to endorse:</p> <ol style="list-style-type: none"> 1. The BoG is given 1 week to provide further input to the document. 2. The Secretariat will collate all the input, and pass it to the Oversight 	

	<p>Committee for perusal.</p> <ol style="list-style-type: none"> 3. The Oversight Committee will share the revised document with the Shared Responsibility Task Force (SRTF) for its review. 4. Subsequently, there will be a 2-week public consultation period. 5. The BoG agreed that the final deliberation by the BoG shall only involve endorsement of the due process and not content, unless it is a strategic concern. <p>CBN on behalf of the IGC and ROW as well as several other BoG members expressed his disappointment that the Shared Responsibility (SR) document could not be endorsed as the process leading up to the SR document had been through a proper and time consuming consultation process lasting over 6 months that involved multiple engagements with various parties that had been given the mandate to act on behalf of their companies and whom had agreed on the SR document presented in the BoG paper.</p>	
<p>15.0</p> <p>15.1</p>	<p>Smallholder Interim Group (SHIG) Proposed Resolution on Independent Smallholders Standards</p> <p>JV briefed the BoG on the process undertaken by SHIG to finalise the proposed Independent Smallholder Standards. Some of the issues raised by the Board NGOs were as follows:</p> <ol style="list-style-type: none"> 1. Definition and applicability as they relate to P&C 2018 2. Mid-size Growers in the context of RSPO standards. <p>Decision: The BoG decided to give the document conditional approval, and for SHIG to evaluate potential solutions, which will be provided by the Board NGO representatives proposal by 8 Sep to SHIG.</p> <p>Subsequently, SHIG is requested by the BoG to re-submit the document for the BoG’s endorsement on Sep 30.</p>	
<p>16.0</p> <p>16.1</p>	<p>Proposed Resolution by the BoG</p> <p>Resolution 6f GA14 – Balanced Representation in the GA</p> <p>This Resolution calls for the RSPO to review its GA voting format to be based on a proportional approach such that the various membership categories have equal weighting regardless of total membership numbers.</p> <p>The consultants engaged to work on this proposed three options, which were discussed by the BoG.</p> <p>Decision The BoG gave their feedback on the various options, endorsed Option 2 (‘Focusing on Balance’) and requested that the proponents of Resolution 6f GA14 proceed to submit a new Resolution to GA17.</p> <p>In addition to the above, the BoG requested the Secretariat to review the broader GA functioning by June 2020, which shall include the frequency of the GA, processing of submitted Resolutions etc.</p>	

16.2	<p>Assuring Effective Usage of RSPO Complaints System in Resolving Conflicts</p> <p>MPOA has decided to withdraw this Resolution, but requested the Secretariat and the Complaints Panel to address the four issues highlighted in the draft Resolution.</p> <ol style="list-style-type: none"> 1) That RSPO should, strictly comply with clause 5 stated in the RSPO Complaints and Appeal Procedures 2017 (RSPO CAP), first make an initial diagnosis of the complaint by determining whether the allegation of fact made by the Complainant in the complaint if proven to be true will constitute a breach of one or more of the provisions of the RSPO key documents (as defined under clause 4.2 of RSPO CAP) in order to ensure only legitimate complaints are being pursued under the Complaints System. 2) That the initial diagnosis process shall not take longer than 20 working days as the delay could lead to serious reputation risk to the member especially public listed company member who has an obligation to inform their stakeholders of such complaint. 3) If the Complainant is not able to provide any additional information as to the subject of the complaint until the period given by RSPO has elapsed, information provided thereafter without justification does not add any value to the complaint and should be rejected. 4) That RSPO should first check with the RSPO member involved whether the Complainant has first engaged with them regarding the said complaint before submitting the complaint to RSPO Complaints System (called Complaints and Appeals Procedures) and encourage the Complainant to do so in order for the complaints to be resolved bilaterally and quickly rather than through the RSPO Complaints System. For those members who do not have yet to have their own complaint system in place, the Complainant may submit via RSPO Complaints System. <p>Action: The Secretariat and the Complaints Panel will deliberate on the above and update the MPOA BoG representatives accordingly.</p>	
17.0	<p>AOB</p>	
17.1	<p>Indonesian HGU as certification requirement (endorsement)</p> <p>The last decision made by the BoG was in March 2018, was as follows:</p> <ul style="list-style-type: none"> ● RSPO grower members that are not certified and want to apply for RSPO new certification must show evidence of possession of a legitimate HGU and IUP for the intended unit(s) of certification. ● RSPO grower members that are currently RSPO certified but are yet to obtain the HGU, their certification will continue, and they can 	

proceed to recertification (during the period of interim decision applied).

As we are drawing near the timeline, TR presented two options alongside with its associated risks, to the Board, to decide on the way forward on this matter.

Secretariat asked by HSBC to provide summary of the scale of impacted members of the HGU issue. How many members, certified mills and volume of CSPO is potentially impacted by this decision.

Decision:

No decision was made and the BoG requested that the discussion be brought forward to the BoG meeting in Nov 2019.

Other related updates:

Publication of Malaysian Maps

BT provided an update on the publication of concession maps in Peninsular Malaysia and Sarawak. Whilst there are indications that the Government of Malaysia has in principle approved the publication of these maps, the various related government agencies are still reviewing their internal policies and procedures prior to implementation.

17.2 **Retailers Palm Oil Group (RPOG)**

The RPOG announced that Julian Walker-Palin will be appointed as its new representative, replacing Belinda Howell from 6 November. The succession would be effective from the GA on 6 November following the introduction of JWP to the BoG.

17.3 **Update on the progress of Dispute Settlement Facility (DSF)**

PW updated the BoG on the status of the newly formed DSF Advisory Group. The DSF looks forward to resolving cases particularly pertaining to land and labour disputes.

17.4 **Resolution from the NGOs**

PW informed the BoG that the Board NGO caucus is submitting a Resolution to strengthen outreach to and/or capacity building of local communities, local NGOs and labour unions. PW called for support from the BoG, and will share the draft Resolution accordingly.

17.5 **Financial Institution Consultative Group**

IH informed the BoG that the Financial Institution Task Force has been renamed the 'Financial Institution Consultative Group', in line with the new governance structure of the RSPO.

In addition, IH informed the BoG that HSBC is retiring from the RSPO BoG and will be stepping down in Nov 2019. The BoG thanked IH for his commitment and service to the RSPO BoG and the Finance Committee.

17.6 **IGC - High Forest Cover Landscape Matter**

	<p>AP highlighted that there was an unresolved issue which relates to the High Forest Cover Landscape (HFCL) highlighted by the IGC. This matter will be brought forward to the BoG meeting in Nov 2019 for deliberation.</p>	
17.7	<p>Uptake of RSPO Certified Material</p> <p>DH requested the Secretariat to investigate on unsold CSPO and CSPKO. Additionally, engagement with the NGOs to clarify Mass Balance (MB) is needed. This issue will be deliberated by the MDSC and the O&E department.</p>	
17.8	<p>On a related note, LKC requested the analysis of CSPKO supply/demand, and for the Secretariat to present to the BoG in Nov 2019.</p>	
	<p>Meeting adjourned at 5.30pm.</p>	