

Terms of Reference

RSPO FFB Legality and Traceability Task Force (FLTTF)

1. Introduction

In response to the urgent and pressing global call for sustainably produced palm oil, the Roundtable on Sustainable Palm Oil (RSPO) was formed in 2004 with the objective of promoting the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders.

Today, the total CSPO available in market is 11.6 million tons (Dec, 2014) or about 18% of the total CPO global production.

This paper will outline the Terms of Reference of the Taskforce.

1.1 Background

Within a relative short period, RSPO has been successful to deliver sustainable palm oil in the market place and demonstrate that sustainability is possible as well as feasible for the global palm oil value chain. Given its versatility in use, palm oil as a commodity has remarkable comparative advantages, including its productivity and price competitiveness, than other edible oils in the world. Worth noted, on the supply side Indonesia and Malaysia are the two countries holding the majority of the global market share.

Along the facts that the two countries, both government and private sector, have paid tremendous efforts to meet the demands in fulfilling sustainability requirements, fundamental challenges on the grounds remain. One of crucial challenges is that the plantation expansion by the growers, particularly by individuals or independent smallholders, has entered areas which legally are not zoned for agricultural cultivation. These areas include –but not limited to - national park, reserve forest and production forest; hence putting the FFB from these questioned areas likely or potentially to have ‘legality and traceability’ issue.

Furthermore, a number of processing facilities owned by RSPO members, direct or indirectly, have also involved in processing these FFBs. This situation has been exacerbated by the disparity of the own-plantation with the scale of processing facilities. There is situation when the supply from own-plantation is not sufficient to feed the installed capacity of the already running facilities (millers, crushers and/or refineries). In some cases this lead to some expansion by the outgrowers to fill the excess demand from the processors.

On the trading side, RSPO system currently acknowledges a number of schemes: identity preserved (IP), segregation (SG), mass balance (MB) and book & claim. The processors are being allowed to trade mix palm oil originated from either certified sustainable palm oil or the uncertified one through these trading systems. The mass balance is highly potential to pose a credibility risk, when, the uncertified palm oil portion derived from palm trees planted in high conservation value forest or inside protected areas.

The current RSPO supply chain audit to trace palm oil fruits produced from the nucleus and plasma scheme plantation. There is no system yet in place to trace the oil palm fruits derived from external suppliers (outgrowers). The traceability and legality of external suppliers are still in question mark.

This issue has affected the credibility of certified mills and RSPO members, who are supposed to uphold their sustainability standard. In order to seal the possible leakages of the RSPO standard, the external suppliers of either certified mills or RSPO producer members shall also be traceable and its legality can be proven. It is to ensure that the

certified mills and RSPO producer members are in full compliance to the sustainability standard, as clearly defined in RSPO standard.

An appropriate approach should be taken into account to overcome this issue.

Under the RSPO P&C 2013, Indicator 4.1.4 states clearly the need for clear and consistent implementation and monitoring of 3rd Party sourced FFB.

In order to maintain its credibility, RSPO is now calling for the establishment of the FFB Legality and Traceability Taskforce (FLTTF) to further improve the standard of palm oil supply chain system.

1.2 Objective

Under the auspices of RSPO, this FLTTF shall hold a mandate to produce an improved supply chain standard in assuring robust traceability which taking into account all legality requirements applicable in countries where RSPO members operate.

Focus of the Taskforce would be to ensure traceability and legality of external suppliers sourcing system.

2. Mandate of the Taskforce

The mandate of the FLTTF will be:

- To provide recommendation on legal and traceable FFB sourcing, be it in terms of policy, mechanism, approach(s), tools etc;
- Support and monitor trials of the application of the controlled mechanism for FFB sourcing;
- Provide recommendation to the Secretariat/Standing Committee/ BoG for approval of policies/ project(s)/ funding as per the Taskforce requirement.

3. Membership

3.1 Composition

3.1.1 The composition of the Taskforce is envisaged as follow:

| Category | Division |
|---|---|
| Growers <i>(Malaysia , Indonesia, ROW)</i> | 6 <i>(Malaysia [2], Indonesia [2], RoW [2])</i> |
| Social NGO | 2 |
| Environmental NGO | 2 |
| Supply Chain <i>(Manufacture, Bank/Finance, Retailer, Processor & Traders)</i> | 4 <i>(Manufacturer[1], Bank/Finance[1], Retailer [1], Processor & Traders [1])</i> |
| Smallholders | 3 <i>Malaysia Indonesia RoW - Thailand</i> |

3.1.2 The composition of the task force will be considered final if even after active consultation and engagement there are no available candidate from the list above.

3.1.3 The Taskforce may also be inviting representation from the expert(s) and/ or government officials as deemed necessary. Members in this category will have no rights to vote shall there be any needs to practice it.

3.2 Criteria for Membership

- 3.2.1 The key criteria for membership are that members are willing and capable to contribute ideas and time so as to achieve the objective and mission of the Taskforce. Members are expected to allocate sufficient time and resources to achieving the mission of the Taskforce.
- 3.2.2 The estimated level of effort for members is to participate twice a year in a physical meeting and to be available on average one hour per week for providing input via email or telephone.

3.3 Termination of Member of the Taskforce

- 3.3.1 The FLTTF can exercise the right to terminate the membership of its member. However the decision must be made by consensus of the Taskforce (excluding the affected party).
- 3.3.2 The reasons (not exhaustive) for the Taskforce to consider termination of a member is:
- I. Absence from Taskforce meetings for three consecutive meetings without proposing an alternate to attend these meetings.
 - II. Persistent refusal to furnish information requested by the Taskforce. Information requested, if deemed beneficial to the objectives of the Taskforce, shall not be unreasonably withheld except for those which are commercially sensitive and/or prohibited by law for dissemination.
- 3.3.3 Termination of membership will be informed in writing by the Co-Chairs of the FLTTF, copied in to the Secretary General and the Board of Governors of the RSPO.
- 3.3.4 The Co-Chairs of the FLTTF will invite the constituents of the affected sectorial and/or geographical stakeholder group to nominate a new representative to the Taskforce.

4. Management

4.1 Appointment of Co-Chairs

- 4.1.1 The FLTTF will be chaired by two Co-Chairs. The Co-Chairs, together with the representatives from the Secretariat are responsible to ensure for the overall cohesion, coordination and facilitation of the Taskforce.
- 4.1.2 Co-Chairs must have different background, representing different constituencies. Co-Chairs must be RSPO Members. The Co-Chairs cannot be from the same RSPO member category.
- 4.1.3 The primary roles of the Chairs are, with support from the RSPO Secretariat, to coordinate the Taskforce and to facilitate its meetings. A co-chair is the presiding officer of the FLTTF. The Co-Chairs are responsible for achieving consensus on an issue as well as responsible for the orderly and efficient conduct of the meetings and execution of the work that the FLTTF does.
- 4.1.4 Co-Chairs must assume an impartial role in its coordination and facilitation. It is their responsibility to ensure that all RSPO stakeholder groups' interests are guaranteed.
- 4.1.5 The Co-chairs will serve FLTTF for 2 years period.

4.2 Secretariat

- 3.4.1 The day-to-day activities of the Taskforce will be executed by the RSPO Secretariat.

4.3 Planning

- 4.2.1 In order to fulfill these tasks and meet RSPO objectives, it will be necessary to establish a yearly work program including a series of targets or deliverables and budget. The work plan and budget will be submitted to the BoG for approval.

END.