

Summary of Sixth Technical SRWG Meeting

The sixth Shared Responsibility Working Group (SRWG) technical meeting (seventh teleconference meeting) was opened at 6PM (MYT), January 21, 2020 by the SRWG co-chair and was attended by the SRWG members, Secretariat staff and Technical Facilitators. The representative from the bank and investors sector sent her apology, all other sectors were represented. The main objective of the call was to agree on recommendations for the percentage volume uptake targets for CSPO and CSPKO to take to BoG in their upcoming February meeting, as per the SRWG mandate.

The revised Year 1 timeline (April 2020 - March 2021) was presented to the SRWG, as well as the update on the Secretariat's new SR unit. It was announced that Miss Lilian Garcia Lledo (current RSPO Assurance Manager Europe) will be the new Head of SR Unit effective January 2021. The Secretariat's SR unit will consist of 3 staff members and recruitment is still in progress.

The percentage uptake volumes subgroup had conducted three subgroup meetings since the full SRWG meeting in November 2020, refining the data modelling based on 2019 ACOP data. To better understand the models and assumptions, the Secretariat's Data Scientist presented again the necessary 3-year percentage uptake targets in order to balance the supply from growers with the downstream demand from P&T, CGM and RT, including different scenarios. The role of Credits among CGM/ RT was highlighted and how they impact the P&T in achieving their CSPO targets. Thus, conditional targets were proposed by the P&T to manage the market realities. There is a notable supply of CSPO not being sold as certified, and the challenge is meeting this with demand. A similar model was also designed for CSPKO targets. On the contrary, the downstream market for CSPKO is tight and the challenge is to raise CSPKO supply. Currently, there is a significant amount of CSPKO sold as conventional whereas there is high demand for CSPKO.

It was agreed that there will be no incentives and sanctions in Year 2 for any of the SR requirements, including percentage uptake targets. It was also agreed that the targets for CSPO and CSPKO will be separate to reflect the different market realities. The assumption of a 15% market inefficiency and continued use of Credits are built into the model. CSPO sold into ISCC markets will be excluded in setting the targets.

Each sector presented their views to the SRWG. The SRWG agreed to check in with their respective constituencies straight after the meeting to finalise the percentage targets. They did not reach a consensus during the meeting on whether the targets should be defined as "conditional" i.e., dependent on other sectors meeting their targets. Several expressed the need to set targets and move on as the focus of the SRWG energy has been too much on quantity and not enough on quality - to look at the other 28 requirements. With the aim to reach consensus before the BoG meeting, the SRWG agreed to review revised language, reach out to their respective constituencies, and provide their final recommendation by January 25, 2021 to take to the SRWG oversight body - the Standards Standing Committee (SSC) meeting on January 27, 2021. Otherwise, the SSC has the mandate to address any deadlock before passing on the recommendation on Year 2 percentage uptake targets to the BoG by February 2, 2021. The BoG takes on any recommendations but is ultimately responsible for endorsing the annual percentage uptake targets.

The SRWG meeting agendas in February and March will resume the discussion on the implementation manual, verifiers, workplan for Year 2 and M&E. The dates of the meetings will be confirmed via emails. The co-chair encouraged the SRWG to find a common ground. He thanked everyone for attending the meeting and looks forward to seeing everyone next month. The meeting was closed at 8.00 PM (MYT).

MINUTES OF MEETING OF RSPO RSPO Shared Responsibility Working Group (SRWG) 6th Technical Meeting

Date: January 21, 2020 (Thursday)

Time: 6 PM to 8 PM (MYT)

Venue: Video Conference (RSPO ZOOM 6)

Attendance:

<p>Members and Alternates</p> <ol style="list-style-type: none">1. Girish Deshpande (GD, P&G)2. Natasha Schwarzbach (NS, PepsiCo)3. Ilka Peterson (IP, WWF International)4. Harjinder Kler (HK, HUTAN)5. Lim Sian Choo (LSC, Bumitama)6. Mariama Diallo (MD, SIAT SA)7. Ian Orell (IO, Sime Darby/ NBPOL)8. Joshua Lim (JL, Wilmar)9. Ben Vreeburg (BV, Bunge)10. Julian Walker-Palin (JWP, RPOG)11. Miho Yamazaki (MY, AEON)12. James Whitehead (JW, FPP)13. Nursanna Marpaung (NM, HUKATAN) <p>Absent with Apologies</p> <ol style="list-style-type: none">1. Catarina Vivalva (CV, BNP Paribas)2. Lee Kuan Yee (LKY, KLK)	<p>Technical Facilitators</p> <ol style="list-style-type: none">1. Bilge Daldeniz (BD, Proforest)2. Aimee Russillo (AR, LiSeed Consulting) <p>RSPO Secretariat</p> <ol style="list-style-type: none">1. Inke van der Sluijs (IVDS)2. Chung Yee Ling (CYL)3. Imam Marzuq (IM)4. Yen Hun Sung (HS)5. Lilian Garcia Lledo (LGL)
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No	Description	Action Points
1.0	<p><u>Welcome Note</u> The SRWG co-chair welcomed the SRWG members to the meeting. The SRWG members acknowledged the anti-trust statement prior to the meeting.</p> <p>The objectives of the meeting were presented to the SRWG members:</p> <ol style="list-style-type: none"> 1. Getting on the same page since the last call - updates, timelines 2. Agree recommendations proposal on targets for CSPO and CSPKO to take to BoG <p>The agenda of the meeting includes:</p> <ol style="list-style-type: none"> 1. Welcome and updates since the last SRWG meeting 2. Revised workplan, timeline and next steps for SRWG 3. Recap subgroup percentage uptake target: <ul style="list-style-type: none"> o Updated models including additional assumptions built in o Key questions discussed by subgroup o Sectors' positions 4. The main discussion of the meeting include: <ul style="list-style-type: none"> o Agree percentage uptake targets recommendation to be put to board for: <ol style="list-style-type: none"> i. CSPO and CSPKO ii. CGM, RT and P&T sectors iii. Wrap up and next steps 	
2.0	<p><u>Update from Secretariat</u> The RSPO Liaison announced that Miss Lilian Garcia Lledo will be the new Head of SR effective January 2021. Lilian introduced herself briefly to the SRWG. The Secretariat's SR Unit will consist of 3 staff members, and recruitment is still in progress.</p>	<ol style="list-style-type: none"> 1. Miss Lilian Garcia Lledo is the new Head of SR Unit effective January 2021.
3.0	<p><u>Critical Reminders</u> Critical reminders on SR and the SRWG objectives were presented briefly to the SRWG members</p>	

	<p><u>Revised SRWG Process 2020/21</u></p> <p>Three meetings were conducted by the percentage uptake subgroup since November 2020, plus several one-on-one meetings with the Secretariat and liaison within their constituencies.</p> <p>The SRWG has to report the recommended uptake targets to the SSC, in time for the SSC meeting on January 27th, in order for the SCC to send these for BoG endorsement in their meeting on February 25, 2021.</p> <p>The Technical Facilitators have been working on the Implementation Manual alignment with the Secretariat. The next SRWG meetings in February and March will focus on the manual and verifiers, Year 1 Review and Year 2 Workplan.</p> <p>Credits statements that are not part of the subgroup discussion:</p> <ul style="list-style-type: none"> ○ BoG decision is credits will remain acceptable for one more year ○ In-depth analysis across the membership and geographies to take a position ○ SRWG and members can provide input to this process ○ SRWG can include in the recommendations to the BoG that discontinuing credits is critical to reach uptake targets 	
4.0	<p><u>Updated Models and Additional Assumptions</u></p> <p>The Secretariat's Data Scientist presented a summary of the subgroup discussions on the CSPO targets to the SRWG. To ensure a better understanding of the model and assumptions, he presented again how the supply from growers will match with the downstream demand from P&T, CGM and RT under different scenarios (optimistic, realistic and conservative).</p> <p>The supply volumes go into different markets:</p> <ol style="list-style-type: none"> A. RSPO Physical B. RSPO Physical (with 15% supply chain inefficiency) C. RSPO Credits D. ISCC (also certified as RSPO) E. RSPO sold as conventional 	

	<p>Different demand scenarios were reviewed looking at combinations of uptake of these different markets.</p> <p>Credits play a role for CGM/ RT, but it will impact the P&T targets because Credits bypass P&Ts. Thus, conditional targets were proposed by the P&T sector when the ability of a membership constituency's targets is dependent on the action of another membership constituency. With the difference in the markets of each constituency, conditionality and flexible targets were proposed by the P&T to manage the market realities.</p> <p>A further projection model was designed for the CSPKO targets. The subgroup recognises that the CSPKO market dynamics are different from the CSPO markets. There is a notable supply of CSPO, and the challenge is increasing demand. On the other hand, the CSPKO market has unmet demand and only a minor oversupply of 2%. Thus, it is an opposite challenge of raising CSPKO supply. Currently, there is a significant amount of CSPK sold as conventional.</p> <p>ISCC is factored into the presented model. However, a grower member commented that not every company is ISCC certified, and considerations must be given to them. It was suggested adding this concern to the upcoming SRWG agenda. The inefficiency of the CSPKO market seems to be on par with the supply, yet there is a gap of 25% that has gone into the conventional markets. The Technical Facilitator explained that leakages and barriers were identified during earlier calls and will be looked at during the discussion for the Year 2 recommendations.</p> <p>With regards to the 25% sold as conventional, a CGM representative commented that a lot of CGM have increased their demand for CSPKO in 2020 due to 2020 commitments. There was lower demand in 2019. It is expected that the gap will be smaller in the upcoming ACOP 2020 data.</p>	
<p>5.0</p>	<p><u>Key Elements Agreed</u></p> <ol style="list-style-type: none"> 1. No incentives and sanctions in Year 2 - for any SR requirements 2. Separate CSPO and CSPKO targets 3. New assumptions built into the model: 	<ol style="list-style-type: none"> 1. No incentives and sanctions for Year 2 2. Concept of separate CSPO and CSPKO targets is agreed 3. New assumptions built into the model

	<ul style="list-style-type: none"> ○ Market inefficiency of 15% ○ Continued use of credits for Year 2 (BoG decision) <p>Exclude ISCC volumes in setting targets</p>	<p>4. Agreement to exclude ISCC volumes</p>
<p>6.0</p>	<p><u>Sectors Perspectives</u> The facilitators asked each sector to share their views with the SRWG, to ensure everyone has a better understanding of each other's positions:</p> <ol style="list-style-type: none"> 1. The CGMs proposed to go for the base (realistic) scenario, recommended 12% target for CSPO, and 7% target for CSPKO. 2. The Retailers acknowledged that the same targets as CGMs would make sense, and that there is a need to pull demand. They underlined that they need to talk to their constituencies first in order to confirm the percentage targets. The Retailer representatives pointed out that the reality is region specific. For instance, many players in the EU have already close to 100% physical sourcing so 12% increase makes little sense. But this is very different in other markets. The SRWG agreed that in Year 2 the plan is to look at regional targets and mapping exercises. Some markets have encountered challenges to access physical material, and the Retailers have concerns for when credits are being taken away. 3. The P&Ts reported that they have bought more CSPO (1 million tons) than they can sell. Unlike CGM and Retailers, the P&Ts rely on their uptakes being covered by physical products as they cannot cover their targets with credits. Therefore, a conditional proposal was brought up, where the P&Ts will meet the 2% target but it's conditional upon CGM/ Retailers also meeting their targets with physical products only. If CGM/ Retailers do not meet their target with physical products only (and source credits instead) or do not meet their target at all, the performance of the P&Ts will be reviewed in light of the CGM/ Retailers not meeting their target and penalties will not be applicable to P&Ts. 4. The Growers are required to certify their operations by 2023, or within 5 years of becoming a member. Credits play a significant role in some developing markets and smallholders, as it is the only way to monetise their certification at the moment, as the physical chain is not yet in place. The Growers also recognise that the solution is not to push the problem downstream to the P&T, and SR is the responsibility of all actors. They disagreed with the aggregated target concept and conditionality for P&T. The Growers would like to maintain the same targets as 	<ol style="list-style-type: none"> 1. CMG sector agrees targets of 12% for CSPO and 7% for CSPKO 2. Retailers will propose same targets as CGM to their constituency and confirm

	<p>last year (2% and 15%) but would agree to the 12% targets proposed by the CGM/RT if based on the latest ACOP data modelling.</p> <p>5. The NGOs are confident in the data as the ACOP data is improving in recent years. They felt that the 2% is a minimum target, it should not be an aggregated target for the whole P&T sector. Companies should stop relying on Credits and start to shift them towards physical. The NGOs felt that there is no need for conditionalities, because the growers have a precedent commitment to achieve 100% certification by 2023 or within 5 years after obtaining RSPO membership without conditionalities. The NGOs are also looking forward to focusing on other important aspects of Shared Responsibility very soon.</p> <p>6. The Banks and Investors were not present on the call.</p>	
<p>7.0</p>	<p><u>Feedback from the SRWG</u></p> <p>Each SRWG shared their concerns and the reason behind their views. The difference in market dynamics was raised by several sectors and some felt that regional support on the ground is crucial especially for emerging markets. The Retailers suggested conducting rapid research to better understand the regional difference and barriers. The NGOs felt that it will be unlikely to reach 100% Credits as part of the SR include promoting physical uptake. They agreed to have another year of trial and error to find more solutions. Due to the market dynamics across sectors, the P&T felt there should be conditionality to reflect market dependencies.</p> <p>There was a suggestion for transition plans to replace Credits. Some SRWG members have felt that the discussion on targets is longer than they expected, and they are keen to work collectively and to move on.</p> <p>Hoping to reach consensus, the SRWG agreed to reach out to their respective constituency and provide their final sector agreement by January 25, 2021.</p>	<p>1. SRWG to consult with their constituencies and provide sector agreement by January 25th, 2021</p>
<p>8.0</p>	<p><u>Next steps</u></p> <ol style="list-style-type: none"> 1. The SRWG members will email their final sector agreement by January 25, 2021. 2. The SSC will be informed on January 26 of the proposals and will discuss during the SSC 	<ol style="list-style-type: none"> 1. The SRWG will email their final collation by January 25, 2021.

	<p>meeting on January 27.</p> <ol style="list-style-type: none"> 3. The ultimate recommendation regarding annual percentage uptake targets will be passed on to the BoG by February 2. 4. The meeting agenda in February will include the discussion on implementation manual draft and verifiers and draft Year 1 review including M&E. 5. The meeting agenda in March will include the drafting of the workplan for next year and final Year 1 review. 	<ol style="list-style-type: none"> 2. The SSC will be informed on January 26 of the proposals and will discuss during the SSC meeting on January 27. 3. The ultimate recommendation regarding annual percentage uptake targets will be passed on to the BoG by February 2. 4. The meeting agenda in February will include the discussion on implementation manual draft and verifiers and draft Year 1 review including M&E. 5. The meeting agenda in March will include the drafting of the workplan for next year and final Year 1 review.
<p>9.0</p>	<p><u>Closing Remarks</u></p> <p>The SRWG hoped to reach consensus and agreed to reach out to their constituency again. They will get back to the Technical Facilitators by January 25, 2021 if they have further changes. The co-chair encouraged the SRWG sectors to find a middle ground through bilateral conversations and suggested to schedule bilateral calls where needed.</p> <p>The co-chair thanked everyone for attending the meeting and look forward to seeing everyone again next month.</p>	