

Minutes for EXECUTIVE BOARD MEETING EB 03-12

EB 03-12

Date: 11th & 12th July 2012

Time: 09:00 (Brussels time)

Venue: Sofitel Hotel, Brussels, Belgium

Attendance

EB members and alternates

AAK - Tim Stephenson (TS)
Conservation Intl – Andre Guimaraes (AGM)
IOI - Hidde van Kersen (HvK)
Oxfam Intl - Johan Verburg (JV)
Rabobank – Thomas Ursem (TU)
RPOG - Belinda Howell (BH)
Unilever - Jan Kees Vis (JKV) – Chair
WWF - Adam Harrison (AH)
MPOA – Khairudin Hashim (KH)
MPOA - Simon Siburat (SS)
Felda - Mohd Noor Khailany (NK)
Indonesian Growers - Edi Suhardi (ES)
Carrefour - Agathe Grossmith (AGS)
SIAT - Gert Vandersmissen (GV)
Kraft Foods - Tony Lass (TL)
AAK - Martin Craven (MC)
Kraft Foods - Neil Lacroix (NL)
Kraft Foods – Jonathan Horrell (JH)
Royal Ahold – Hugo Byrnes (HB)

With Apologies

HSBC – Ong Eng Mun (OEM)
Rabobank - Geraldine Lim (GL)
Sawit Watch - Norman Jivan (NJ)
Indonesian Growers – Dr Gan Lian Tong (GLT)
NBPOL – Simon Lord (SL)
Carrefour – Agnes Pondaven (AP)

Advisors

Advisor - M R Chandran (MRC)
Advisor – Prof Bungaran Saragih (BS)

Secretariat Staff

Darrel Webber (DW)
Salahudin Yaacob (SY)
Anne Gabriel (AG)
Chong Wei Kwang (CWK)

Dickson retreat and another one was added on:

A: To advance production and procurement – this has been started and done for the past 6 months in 2012. The expected result is that the RSPO trademark will be widely associated.

B: Develop and implement verifiable sure and periodic review global standards. This is already ongoing. The complaints process will feature more in the coming years. This will be dumbed down and made simple.

C: Monitor and evaluate economic, environmental and social impact.

D: To engage and commit all stakeholders throughout the supply chain, including government and consumers

E: To ensure back office efficiency in delivering RSPO vision

On infrastructural requirements, DW presented a proposed new organization chart with new staff and new positions that are needed to deal with the growing needs and membership of the RSPO, including Executive Assistant, Customer Relations Manager, Key Account Manager, Web Executive, Technical Training Manager, Monitoring & Impact Manager and Supply Chain Manager. The current communications executive, will take up internal communications and Help Desk, and external communications will be a new in-house Manager position. The Secretariat has hired a consultancy to help develop a framework for improving recruitment and retaining of staff.

FYI

DW was requested to consider adding on a position of HR Manager and a Policy Officer.

DW

Also proposed are 5 other satellite offices in China, India, Europe, America (North and South) and Africa in 2013, with specific staff to focus on outreach, communications, marketing and technical aspects. These will be managed directly by the Secretariat in KL.

FYI

To check with South America one final time on who will make the decision regarding technical manager hosting and office location. JKV also suggested consulting Solidaridad in terms of running the different offices all over the world.

DW

The EB and Secretariat will discuss how to approach either McKinsey or Boston Consulting Group to see if they can help to think through different scenarios on the development of the RSPO business model i.e. revenue stream, engagement model, brand credibility.

JKV
&
DW

In order to make the transition from an executive board to a non-executive board, it is proposed that standing committees and working groups will be chaired by non-board members. The

Standing
Commit-
tees

Secretariat will make proposals and do the work, and the committees will become advisory. The terms of reference for standing committees will have to be changed/reviewed and the resolution in the next GA to change the text of the statutes regarding the standing committees that does not preclude TS from leading finance. Each of the 3 standing committees will discuss this within themselves and try to make the move.

The Secretariat asked to share the KPIs for the 4 Directors at the Secretariat to be shared with everyone at the next EB meeting so that a formal decision on the business plan can be made during that meeting.

DW

3.0 **Presentation by Royal Society**

The Royal Society presented the result of their 6 month scoping study commissioned by RSPO on how the impact of RSPO P&C can be monitored to determine whether certification improves sustainability on the ground. Dr. Glen Reynolds is leading the project. Dr. Jennifer Lucy from York University presented on what is already known as well as gaps in the current knowledge.

FYI

The Royal Society proposed a 5-year inter-disciplinary research programme would provide scientific evidence to underpin the effectiveness of the P&C to deliver sustainable palm oil, embedded with 5 topics. Each of the 5 topics will have a research team coordinated by a selected team leader who was already involved in the knowledge gap analysis and has international reputation and experience. There will also be 3 key themes cutting across all the topics and each theme will also have its own coordinator:

- The role of HCV in palm oil
- Fertilizer management
- Cost-benefit and life-cycle analysis

The research will also include looking at the compliance aspect. There will be some immediate outputs within the first 12 months of the study and throughout the subsequent years until the end. The scientists will communicate results continuously to stakeholders, with opportunities for training. The budget for the programme will be within the range of 6-12 million euros but it will seek independent funding, not from RSPO. It will focus on Southeast Asia to begin with but the geographical scope could potentially be widened if necessary e.g. to West Africa.

RSPO will consider funding the preparation of a more detailed proposal and workplan on this, which is estimated to cost RM230,000. This is on condition that the Royal Society must be

DW

	<p>clear about their deliverables. A steering committee will be formed for this including some of the grower members. Where existing data are already available from RSPO members, these will be shared. The Royal Society will then present the workplan for the study at RT10.</p> <p>RSPO will draft a letter of endorsement to the research proposal which will help in fundraising efforts.</p> <p>The Royal Society was advised to try the Walton Family Foundation and the Packard Foundation for potential funds, to make use of existing datasets wherever possible, and also to involve researchers from the University of Nottingham Malaysia campus who are working on similar issues.</p>	<p>DW</p> <p>FYI</p>
4.0	Report from Finance and Administration Standing Committee	TS
	<p>There are no EB members on the Finance Standing Committee except for TS. It is important to get 1 or 2 other people on it.</p> <p>A solution to this will be looked for as soon as possible.</p> <p>TS briefed everyone that income is increasing, cost has risen close to budget, and there is a potential tax liability. Further details:</p> <ul style="list-style-type: none"> • There is a RM1 million surplus after tax • Expected total income is RM15 million and expected to add up to RM2.2-2.3 million at the end of this financial year • Subscription has increased 25% to 5 million • Trade income has doubled to RM10 million and a 30% increase is expected • Secretariat costs are expected to be reasonably close to budget, significantly higher than the previous year and expected to increase significantly • Reno costs are slightly less than budget • Communications costs on Hill & Knowlton are slightly above budget • Other communications costs are much less than budget – budget for China, India and outreach has not been spent • Projects are higher than before – expected RM3.3 million and expected to increase significantly next year • Estimated tax announced of RM700,000 • There is a potential liability for withholding tax on payments made for services by overseas organizations carrying out work in Malaysia – estimated RM500,000 which is a possibly cumulative amount including previous years and penalties • The taskforce on the smallholder settlement dispute facility with Oxfam needs to be reassessed as it is currently entirely funded by RSPO which may be an issue • In terms of liabilities, overdue subscription payments are still high and therefore still an issue as now it is 6 months' worth of income and subscription income is expected to increase 20% in line with membership. There needs to be a Standard Operating 	<p>JKV</p> <p>FYI</p>

	<p>Procedure for overdue subscriptions.</p> <ul style="list-style-type: none"> • Total operating cost will go up to RM10 million including RM5 million in technical projects, RM2 million in communications projects, and other costs related to the Secretariat including office move, initial set-up costs for satellite offices etc. • This leaves a final surplus of around RM800,000. • The RSPO 2012/13 budget was approved by the EB. <p>DW pointed out that this budget will change again after adding on the positions of HR Manager and Policy Officers. He also raised the issue of RSPO funding to Borneo Child Aid Society (BCAS) which has been done on an ad hoc basis so far, as there needs to be a decision on whether the funding will continue or not. CWK has communicated with BCAS for more information, but the person has not gotten back to him.</p>	Decision needed on BCAS
	<p>The Secretariat will produce a report on the extensive project budget of RM8 million.</p>	CWK
	<p>The registration of the Indonesian office as a Representative Office has been rejected on the grounds that the parent company is not a corporate organization. The next plan is to use RSPO Sdn. Bhd. as the parent company and have the Indonesian office as a representative of that. If this cannot be done, the foundation route will have to be reverted to, which is more complicated.</p>	FYI
	<p>An internal control review is still on the agenda, and the new finance system is progressing. The potential for tax-exempt status should still be pursued.</p>	FYI
5.0	Report from Standards & Certification Standing Committee	AH/SY
	<p>The technical division is almost filled up with people including Technical Directors, a Biodiversity Manager, a Smallholder Manager, a Supply Chain Manager, a new P&C Certification Manager, a Technical Manager and executive personnel based in RILO, plus a new GHG Manager will join on 23 July.</p>	FYI
5.1	<p><u>Update of P&C certification</u> The following have been certified to date:</p> <ul style="list-style-type: none"> • 40 growers (36% of total 111 grower members) • 155 mills • 3 independent smallholder schemes have been audited in Thailand to produce certified FFB • 1.3 million hectares of plantation areas up till May 2012 • 39.9 million metric tonnes of FFB generating 6.4 million metric tonnes of CPO or CSPO and 1.5 million metric tonnes of CSPK • 183 companies in the supply chain 	FYI
		FYI

5.2

Update on NPP notification

Out of the 111 members, to date only 20 NPP notifications have been received from 11 companies with a total area of 253,000 hectares out of which 11,600 hectares are areas containing HCVs. EB grower members must help ensure that messages are going out to their constituencies about the requirements to submit new planting notifications. The Secretariat should also continue regularly emailing about this to clear up confusion.

FYI

5.3

Progress on P&C review

- Phase 1 was the public consultation which was end of January. ProForest is reviewing the comments received as well as other multi-stakeholder initiative standards and findings/recommendations over the years
- Phase 2 was an initial meeting in May followed by a second meeting in June to work through all the recommendations. Some good consensus was reached but not on some of the contentious issues particularly GHG so we may not be able to do the 2nd public consultation which is a requirement before RT10. Therefore we would not be able to set a complete set of proposed changes to the P&C by the next GA.
- JKV suggested that one option to overcome this is to reduce the time period of public consultation. The task force has to find a way to move forward on this in order to present something at RT10. In order to ensure there is progress on this front, a proposed EB meeting will be held on 6th September 2012 at 10.00 a.m. European time.

DW/
AH

5.4

Progress on compensation - report from CTF

The Compensation Task Force had a meeting a couple of weeks ago and they come out with further proposals and consensus within the group about how they want to deal with compensation:

- Deal with the period where the compensation is possible i.e. one period from 2005 until the new planting procedures in 2010, and a second period after the new planting procedures where a multiplier would be applied.
- Liability for clearance of land - there will be no company liability before 2010 for land that is cleared non-commercially by communities
- Requirement for historical assessment of possible HCVs – for HCVs 1-3 and environmental parts of HCV 4 to simply use remote sensing data and a co-efficient which will be developed to set an idea of what is the likely loss and therefore the likely compensation that is going to be required. For HCVs 5 & 6 and social parts of HCV 4 the companies would be required to negotiate and come forward with an acceptable proposal for compensation with those communities.
- Work on the site (to recreate values) as physical compensation *in situ* would be preferable to broader financial compensation

	<p>within the site, but if it's not possible to do anything on the site then the 3rd option is to move out of the site for <i>ex situ</i> compensation. Financial compensation would require a mechanism where a body or independent marshal would manage the fund.</p> <ul style="list-style-type: none"> • To decide what are the multipliers for different periods after 2010 and the definition of what is non-commercial clearance • To define how much compensation area is required • Try to build what has been agreed into the framework document 	FYI
5.5	<p><u>ASI accreditation</u></p> <ul style="list-style-type: none"> • Phase 1 was done in 2010 • Phase 2 was 2011-2012 where audit of all remaining Certification Body “CBs” was done. 3 CBs have been the witness audit and the rest was desk-audited and the status now is that Control Union Certification (CUC) is still under self-suspension for P&C but it will not affect the time-bound plan. ASI recommended suspension for one other CB but they are still addressing the non-conformities so we have not given an official suspension notice on these 2 CBs and another 15 CBs approved. 12 CBs were approved for supply chain certification and 12 CBs were approved for P&C certification. • Phase 3 will start the moment the agreement is signed with ASI. The RSPO lawyer has gone through the agreement and has passed the draft to ASI. ASI has since saying they need to take the agreement to their lawyers first. <p><u>Greenhouse gas/REDD project</u></p>	
5.6	<p>JKV explained that the RT REDD pilot project is in Phase 2. The GHG Manager is being hired by RSPO mainly as participation in this project and will also be paid out of this project. RSPO is getting USD 350,000 for the first 2 years.</p>	FYI
6.0	<p>Report from Trade & Traceability Standing Committee</p>	HvK
6.1	<p><u>Discussion on recent market developments</u></p> <p>The conclusion to the T&T roundtable is that there really is a need to do more on commercial business to business marketing, bringing forward a technical-oriented RSPO representative in Europe hopefully next year.</p>	FYI
6.2	<p><u>Supply chain</u></p> <p>One of the urgent issues is lowering the barriers for Small-Medium Enterprises (SMEs). One solution discussed was a module for downstream certification. This has been drafted and handed over to Joyce for the Secretariat to deliberate.</p> <p>On the issue of double accounting related to selling Green Palm oil it is recommended to adopt the definition as agreed on with ISCC that volume out does not exceed volume in, and to have this inserted into</p>	SY

	<p>the training materials for the CBs and possibly a guidance document for CBs and growers.</p> <p>The supply chain certification documents need to be benchmarked against the British Retail Consortium (BRC) Standard and the Secretariat should look into outsourcing this work to Enta Tech.</p> <p><u>RED</u> The European Union was expected to make a decision on the acceptance of RSPO RED last week but the decision was postponed again for unknown reasons. There appears to have been additional questions and additional lobbying which is causing delay.</p> <p><u>RSPO IT system</u> Work is being done with the help of HvK and TS to finalise a solid contract between RSPO and UTZ as an IT CSPO trading service provider.</p> <p>The new RSPO eTrace system will go live at the end of this month and all the data in the current system has to be migrated to the new system.</p> <p>As requested by the EB, the requirement specification has been obtained for a system similar with RTRS which is an online system both for certificate trading and tracing of physical volumes. A document on functional specifications of integrated systems will be submitted to the EB around end of October or November, and the EB will be requested to make a decision on that. Another document on market review of what systems are available will also be submitted, so the EB will also be asked for a decision about whether to make or buy a system.</p>	<p>SY</p> <p>FYI</p> <p>FYI</p> <p>FYI</p> <p>FYI</p>
7.0	Report from Communications & Claims Standing Committee	JKV/ AG
	<p>AG summarized the content of the Hill & Knowlton presentation for the 3 markets of Europe, India and China, as well as the Standing Committee's feedback on the presentation at their meeting yesterday. This year H&K have been working on a baseline retainer fee which covers their support to the Secretariat in terms of operational and administration, and also support to the Standing Committee.</p> <p>The extensive presentation on communications objectives which was made to the Standing Committee at its meeting yesterday will be shared with the rest of the members.</p> <p>AG briefed everyone on the following:</p> <ul style="list-style-type: none"> The communications division is undertaking quite a few macro 	<p>FYI</p> <p>AG</p> <p>FYI</p>

campaigns which include redesigning communication materials to make them clearer and cleaner in presentation.

- The website has been revamped and is now moving to phase 2 involving optimizing search engine, creating a social media application and multilingual versions (7 languages).
- A corporate blog could be set up this year as a platform for controversial issues and debates.
- Based on a lot of member requests, the old RSPO video will be edited and updated as there is no budget to produce a new video.
- There are some initiatives about our trademark that will be globally led, plus events in Malaysia and Indonesia that are member-related and government/stakeholder engagements.
- The budget for all this is about 1.135 million euros.
- The budget which was approved earlier by C&C SC was endorsed by EB
- On the website there is now an advocacy tab for a Pursuit for Betterment campaign that recognizes any part of the sector that contributes towards CSPO. It is a web-based initiative to acknowledge organizations that are taking their commitment to the next level.

Responding to a question, AG explained that there is currently no specific campaign to address calls for avoiding/ substituting palm oil particularly in light of the new European food labeling regulation. JKV suggested that companies can indicate on labels when they have used certified palm oil. RSPO can create a briefing paper to inform members about this issue and what options they have for home-pack and off-pack communications. The rest of the messaging which was developed by H&K includes communicating the benefits of palm oil. The message will focus on sustainability issues, not health or nutrition issues.

FYI

On another question, AG explained that 2 days ago they made the member announcement in terms of launching the ACOP. They have taken into consideration all feedback and the submission deadline has been extended to 25 September. It is online and members are encouraged to have a look at it.

FYI

8.0

Report from Complaints Panel

JV

JV presented the newly proposed complaints system procedure along with a flowchart, which is now on the website.

FYI

- It is not just to correct problems in the past but will be proactive as well, but there will be no interference between the RSPO system and legal systems in the national context.
- It will not issue rulings or sanctions but will provide expertise and objectivity as a final port of call to help balance voices and mediate disputes via a bilateral resolution
- The Secretariat will start handling the majority of the steps with the option of commissioning expertise from external consultants.
- Panel members are not restricted to EB members only and can

include wider expertise, but should be selected on the basis of avoiding conflict of interest yet having local knowledge and understanding of the situation e.g. third-party CBs or local authorities

- Public feedback on this proposed system is welcome and can be submitted on the website until the end of the month. EB members should encourage their constituents to take a look.

JV wishes to step down as chair of the panel although he can still remain as a panel member. The other EB members are requested to consider taking up the position of chair.

FYI

DW suggested adopting the FSC model where the Secretariat selects members of the panel and then the panel members decide who the chair will be.

FYI

JKV noted that this will mean the Secretariat reports back to the EB on the matter. Any panel member with a conflict of interest must withdraw and will be replaced. There is a Secretariat member handling complaints who should be familiar with every case and should be the first point of contact, along with the website.

FYI

The current list of individual case complaints were presented and are also on the website:

- Herakles, Cameroon – 10 complainants, mainly scientists and environmental NGOs including WWF. WWF has taken the lead in handling this bilaterally and can serve as the contact point.
- Wilmar subsidiary, Sumatra – The IFC Ombudsman have taken a role in helping this case forward and RSPO (DFS) is monitoring its progress. However JKV requested to check the date it was filed.
- TUV Rheinland report – the company has notified that the report is not to be given out to any third party and is not to be put on the website for download by any third party
- Golden Agri Resources – The secretariat is taking on board the general monitoring of the process, which includes a subsidiary of Golden Agri Resources.
- IOI – local community, social groups, social NGOs; an official letter was sent to the disputing parties and each party has expressed willingness to take up the mediation process so a meeting is hoped for in the coming weeks as requested in the letter. A deadline of 6 months was given from the date of the letter in early May.
- Duta Palma – the complainant brought this as the Duta Palma case but the plantation is no longer owned by Duta Palma or the parent company Darmex Agro and the complainant is unable to tell RSPO who the current owner is. The name of the complaint should thus be changed..

FYI

JV

The message will be conveyed to the working group and IFC will be given 1 month to deliver.

SHWG

The Secretariat will prepare a proposal for governance of the smallholders' escrow funds, assuming a ground-making mechanism as a start.

b. Proposal on changes in RSPO documents for certification of independent smallholders

A number of RSPO documents need to be revised in order to accommodate some of the recommendations being made. Changes to the documents can happen after the P&C review because the revised P&C will trigger changes to a lot of other documents.

c. Proposal on the Draft Guidance note on trade in RSPO Smallholder Certificate

For certification of independent smallholders there is no mechanism in the document for certifying FFB instead of CPO. The working group proposes that smallholders' certificate is introduced under Green Palm so that smallholders' CPO, KPO and PKB certificate can be sold through Green Palm using a compromise PK rate of 6% of the FFB, which is then converted to PKO and PKE.

SHWG

Concerns were raised over this 6% PK rate so the working group is asked to re-look at it and come back with an argument.

FYI

Those who buy FFB from smallholders and sell to mills need to be supply chain certified.

d. Budget allocation to implement key activities for smallholders

SY presented budget allocation for smallholder work activities. Most of the activities are already part of the road map presented by DW earlier. The EB requested that such documents be distributed at least two weeks prior to the meeting for the EB to consider.

11.0 AOB

- JV was curious about the FELDA listing and how it would impact smallholders. DW commented that it probably means FELDA Global Venture as a new vehicle will have to re-apply for membership because they are a new entity.
- AGM suggested getting external help to design the business plan, and to put together a professional communications/marketing program for outreach. He offered to help if support is needed in engaging South American groups. He also offered to get involved in the REDD+ program in Brazil. Finally he offered to help the Secretariat in making a decision whether to have a sinking fund or an

endowment fund for the smallholder funding mechanism

- HvK wanted an update on the impending event in China. AG informed that the event will be in July this year. The event will be in collaboration with WWF-China and CFNA.
- MC proposed that there is a need for engagement at the top level of the industry both in Indonesia and Malaysia by selected groups from the EB with a different sector, prior to RT10. He also suggested that since it is RT10 already there should be some recognition of the pioneers who were involved in the formation of RSPO such as Unilever, WWF, AAK and Cadbury.
- JV asked whether RSPO would be under increasing reputational risk by companies who become members but do not commit to put the P&C into practice and how do we control that risk in the membership process. DW replied that RSPO does due diligence and public consultation, and also asks members to sign the Code of Conduct, which is the only filtering mechanism.
- There was a question over whether RSPO should start taking action against members who do not show any progress. JKV responded that since the ACOP which has always been mandatory is now online we should wait until we know how many members actually enter an annual communication program, and take stock again on 29th October.
- There was a request for evaluation of the previous evening's member event which was deemed as poorly organized and possibly disappointing for some who came down specifically for the occasion.
- TL announced that this would be his last EB meeting and commented that in order to persuade everyone that RSPO is a good thing we need to effectively quantify the advantages of following RSPO's P&C. He is still happy to help out where needed and JKV agreed this might be a possibility. JKV thanked TL for all his work.
- JKV distributed hard copies of a plan for a program in Indonesia on issues of land-use planning, smallholder involvement and yield increment. Soft copies will be distributed to the others. He will also circulate a memo on how RSPO have been approached by UNDP to participate in a steering group for setting up a sustainable palm oil platform in Indonesia. JKV has advised against RSPO's participation in this. Any feedback through email is welcome.

Next meeting date:

Option 1: 6th September 2012, 5 p.m. Malaysian time by teleconference

Option 2: 29th October 2012, Resorts World Singapore