

Minutes for BOARD OF GOVERNORS Meeting 02-18

Date: 8th March 2018

Start Time: 8.00am-4.30pm MYT

Venue: Renaissance Hotel, Kuala Lumpur

Attendance

BoG Members and Alternates

In Attendance:

Substantive Members

MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair
UNILEVER – Biswaranjan Sen (BW) – Co-Chair
WWF – Elizabeth Clarke (EC)
AGROCARIBE – José Roberto Montenegro (JM)
AAK – Tim Stephenson (TS)
BOTHENDS - Paul Wolvekamp (PW)
FELDA – Datuk Ab Ghani Mohd Ali (AG)
RPOG – Belinda Howell (BH)
OXFAM – Johan Verburg (JV)
WILMAR – Daphne Hameeteman (DH)
WRI – Anne Rosenbarger (AR)

Alternate Members

AAK – Caroline Westerik-Sikking (CWS)
FELDA – Izham Mustaffa
HUTAN – Harjinder Kler (HK)
MONDELEZ – Karimah Hudda (KH) FELDA – *(representing Jonathan Horrell - JH)
MPOA – Chew Jit Seng (CJS)
SIPEF – Olivier Tichit (OT)
OLAM – Audrey Lee (AL)
UNIVANICH – John Clendon (JC)
ZSL – Izabela Delabre (ID)

In Attendance:

Guest

Ian Bretman (IB) – Consultant (Governance Review)

Absent with Apologies:

Substantive Members

GOLDEN AGRI RESOURCES – Agus Purnomo (AP)
HSBC – Ian Hay (IH)
HSBC – John Laidlow (JL)
MONDELEZ – Jonathan Horrell (JH)
RABOBANK – Geraldine Lim (GL)

Alternate Members

AHOLD
DELHAIZE– Hugo Byrnes (HB)
RABOBANK – José den Toom (JT)
VERITE ASIA – Daryll Delgado (DD)

Advisors

MR Chandran (MRC)
Prof. Bungaran Saragih (BS)

Secretariat Staff

Datuk Darrel Webber (DW)
Bakhtiar Talhah (BT)
Patrick Chia (PC)
Julia Majail (JM)
Javin Tan (JT)
Stefano Savi (SS)
Salahudin Yaacob (SY)
Tiur Rumondang (TR)
Yohanes Ryan (YR)
Oi Soo Chin (OSC)
Cheri Woo (CW)

Item	Description	Focal Point
1.0	<p>Introduction</p> <p>1.1 RSPO Antitrust Laws There will be no discussion on any commercial aspect of the trade in palm oil on premiums, volumes, individual suppliers, individual customers, etc.</p> <p>1.2 RSPO BoG consensus based decision making The BoG was reminded that they try to reach/make decision by consensus which is the absence of sustained objection.</p> <p>1.3 Approval of Minutes - BoG 01-18, minutes have been approved.</p> <p>1.4 Election of Office Bearers: EC accepted the position of Vice President 1.</p> <p>1.5 The appointment of Harjinder Kler as alternate for EC and Fadhil Hassan as alternate of AP, was confirmed.</p>	
2.0	<p>CEO's Report</p> <p>2.1 P&C Review – Progress Update DW updated BoG of the recent TF4 meeting and the activities of the subgroup (Restructuration, No deforestation and SHIG). The 2nd draft will be produced after TF5 which is scheduled to take place between 8-10 May 2018 and public consultations in June/July. There would be some changes in the timeline but the delivery of final draft for ratification at the GA remained as intended in November 2018.</p> <p>2.2 The BoG requests that the P&C Review Steering Group produce a firm structure with clear timeline and identify risk of delays and that priority be given towards finalising the P&C Review.</p> <p>2.3 The BoG requests that the P&C Review Steering Group to urgently work on a communication strategy for the BoG to communicate with their constituents on the imminent changes to the P&C.</p> <p>2.4 The BoG agreed to a Proforest request to update the BoG on the P&C Review at the BoG meeting in June 2018.</p>	<p>P&C Review SG</p> <p>P&C Review SG</p>
3.0	<p>RSPO membership – trends & analysis</p> <p>3.1 The BoG noted the significant drop in CSPO supply volumes from Indonesia in 2017 and requests that the Secretariat analyse the decline.</p> <p>The BoG requests the Secretariat to analyse RSPO-certified volumes versus certified volumes from other schemes. The Secretariat aims to complete this analysis by end-March 2018.</p> <p>CBN, with the support of the other grower members, expressed disappointment with the poor CSPO uptake which discourages new growers from joining RSPO, hence urged for greater transparency and</p>	<p>Secretariat</p> <p>Secretariat</p> <p>Secretariat</p>

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	<p>focus towards reversing this trend.</p> <p>DH indicated that the presented data showed a significant higher uptake from SG than from MB and questioned if this is due to B/C sales or double certified volumes and subsequent sales of ISCC. The BoG requested the secretariat to analyse and provide clarity.</p> <p>The NGO representatives agreed with DH and added that this is a long-standing unresolved issue and requested for a deeper discussion at the Board-level to decide on ways to overcome barriers and drive CSPO production and demand.</p>	Secretariat
4.0 4.1	<p>Resolution 6f GA12 – Smallholder strategy and action plan</p> <p>JV, co-Chair of the Smallholder Interim Group (SHIG), presented the recent developments regarding SHIG, including working in parallel with the P&C Review on Objective 2 of the SH strategy. It was noted that in order to implement the SH Strategy and support new governance structures, RSPO will first enhance the capacity of the Smallholder Unit within the Secretariat.</p> <p>The BoG agreed to SHIG recommendations and extended its full support to SHIG, and requests that JV informs the BoG of additional resources needed to facilitate its work.</p>	
4.2	<p>Resolution 6g GA12 – Improve the ACOP reporting process</p> <p>DH expressed concerns over some ACOP questions, which may be irrelevant for certain user groups, resulting in low buy-in and completion of the ACOP. DH recommends that the ACOP questions be reviewed.</p> <p>OSC briefed the BoG of the steps taken in Phase 1 and following steps to be taken in Phase 2 by the Secretariat to enhance the existing ACOP:</p> <ul style="list-style-type: none"> i. System Upgrade - an integrated system for administration and data storage for monitoring and reporting of ACOP ii. Implement procedures to assure data quality reported in ACOP iii. Develop reporting guidelines <p>The BoG recommends the following for the Secretariat to implement:</p> <ul style="list-style-type: none"> i. To consider a verification mechanism of reporting requirements in ACOP ii. To obtain feedback from traders and/or processors, and all other user/member groups to gain mutual understanding of terminologies used in ACOP iii. To ensure continuity of year-to-year progress reporting for operating companies that are now reporting as subsidiaries of a larger group 	

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4.3	<p>Resolution 6h GA12 – Ensuring quality, oversight and credibility of RSPO assessments</p> <p>PW briefed the BoG on the ongoing work by the Assurance Task Force (ATF):</p> <ul style="list-style-type: none"> ● On NPP monitoring, any non-compliances will be reported to the Investigation & Monitoring Unit and the Complaints system in RSPO Secretariat ● CB / Cert Holder relationship: to conclude the options by 3rd quarter 2018 ● Outreach to growers and CBs continued including by strengthening HCVRN capacity to meet RSPO requirements ● Labour Issues – need to re-visit ● Resolution GA13 6e on Whistle-blowers & Human Rights Defenders protection <p>Comments from the BoG:</p> <p>The ATF was requested to consider the following in its workplan:</p> <ul style="list-style-type: none"> ● market concerns on the credibility of RSPO’s assessments ● voice of the unions ● social media mining ● develop channels to facilitate the grievance process i.e. RSPO hotline. 	
4.4	<p>Resolution 6f GA13 – Review and amendment of the updated NPP process applied to smallholders (endorsement)</p> <p>Resolution 6f GA13 resolved that: The requirement for all smallholders to comply with the updated NPP has been decried by many smallholders as an impediment to new smallholder RSPO certification, and also risks the loss of existing certified smallholder groups.</p> <p>SY presented the proposed amendment to the NPP document.</p> <p>BH, CBN, JC, OT expressed that smallholders on previously converted agricultural land should not be required to complete the New Planting Procedure (NPP). They recommended that the 'NPP for Smallholders' should (table on page 12) read:</p> <ul style="list-style-type: none"> - conversion of abandoned agricultural land - No - conversion of existing agricultural land – No. <p>The BoG was advised to endorse the document that was presented to prevent further delay. The BoG asked the Secretariat to note in the minutes that this must not set a precedent.</p> <p>It was noted that the eNGOs urged that specialist groups need to be consulted with any technical queries, and that this relates to the governance review of how the Board functions.</p> <p>The NPP document was conditionally endorsed by the BoG with the</p>	

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	<p>following <i>caveat</i>:</p> <ul style="list-style-type: none"> ● provide clarity in terms of the applicability of the guidance document i.e. applicability to Independent Smallholders and/or Scheme/Associate Smallholders ● clear commitment to review whether the NPP process should apply on ‘previously cultivated land’ for smallholders <p>Action: As Co-Chair of SHIG, JV will coordinate a consistent approach with the SHWG (led by ML and PG) who work on Objectives 1 & 3 of the SH Strategy. This is in support of Secretariat.</p>	
4.5	<p>Resolution 6g GA14 – Official recognition of IGC</p> <p>In the absence of AP, the BoG requests that he writes to the BoG with regard to the status of the IGC.</p>	
4.6	<p>Resolution 6f GA14 – Balanced representation in the GA</p> <p>DW has communicated with the proponents of the resolution, and clarified that their intent was to review the current voting mechanism at the GA.</p> <p>Action: The Secretariat will draft a Terms of Reference for the engagement of consultancy and keep BoG informed of ToR and progress.</p>	
5.0 5.1	<p>Finance & Administration</p> <p>Financial Update for period ended 31 Jan 2018</p> <p>TS presented the financial update for the period ended 31 January 2018.</p> <ul style="list-style-type: none"> ➤ There were no significant changes since the last finance update for the period ended 31 December 2017. Overall income and expenditure for the period are in line with budget, with a surplus before forex and tax of RM2.5 mil. The Ringgit has strengthened, currently at RM3.90/USD, and will have impact on the financial statements as income and significant amount cash balances are in USD and EUR. ➤ Total income from contribution increased YoY amounting to RM15.8 mil as volume for physical trade increases. 	
5.2	<p>Indonesian Taxation Issue</p> <p>PwC Indonesia completed the review of RSPO’s taxation status in Indonesia and a draft report was received on 2 Mar 2018. The Secretariat will review the report and consult PwC before engaging directly with the Indonesian tax authorities.</p>	
5.3	<p>Smallholder (SH) Fund</p> <p>There is currently RM12.9mil in the SH fund with approximately RM5.8 mil being committed. The RSSF Panel is proposing to discontinue the funding of new projects, hence RSPO may utilise existing funds to support the implementation of the SH Strategy.</p>	

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6.0 6.1	<p>Impact of HGU guidance by RSPO Progress update</p> <p>AP will advise the BoG on the HGU issue the following day.</p> <p>The BoG agreed to provide a 3-month extension to those companies who were caught in the IUP/HGU debacle until further clarity was available on the legal implications of this and whether such companies were to lose their RSPO certification as a function of not having obtained the HGU.</p>											
7.0 7.1 7.2	<p>Outreach & Engagement Communication Management</p> <p>SS requests that the BoG send any input with regard to the draft position statements directly to him.</p> <p>Upcoming key regional events The European RT will be held at the Palais de Congrès, Paris from 25-26 June 2018. The Latin America Conference will be held in Colombia from 4-6 June 2018.</p>											
8.0 8.1	<p>Standard & Certification Standing Committee</p> <p>The BoG agreed for OT and AR to assume the position of Co-Chairs of the Standard & Certification Standing Committee.</p> <p>The NGO caucus reiterated a long-held concern that the S&C SC has not functioned as intended, and that the appropriate course of action should be to address this in the Governance Review, and not just via the appointment of new Chair(s). It was noted that there is increasing over-reliance on Board members to perform technical and specialist roles. The relationship between all the specialist and technical working groups and Committees to the Board requires urgent review – this should be linked to the Governance Review.</p>											
9.0 9.1	<p>AOB</p> <p>Change in payment authorization (for endorsement)</p> <p>The authorised signatories for RSPO current accounts with no. 359-170750-101, 359-170750-725, 359-170750-726 and 359-170750-727 shall be changed as follows:</p> <table border="1" data-bbox="256 1765 1078 1973"> <thead> <tr> <th data-bbox="256 1765 807 1809">Names of Authorised Signatories</th> <th data-bbox="807 1765 1078 1809">Signing Group</th> </tr> </thead> <tbody> <tr> <td data-bbox="256 1809 807 1854">1. PATRICK CHIA JET KHIN</td> <td data-bbox="807 1809 1078 1854">GROUP A</td> </tr> <tr> <td data-bbox="256 1854 807 1899">2. BAKHTIAR TALHAH</td> <td data-bbox="807 1854 1078 1899">GROUP B</td> </tr> <tr> <td data-bbox="256 1899 807 1944">3. SALAHUDIN YAACOB</td> <td data-bbox="807 1899 1078 1944">GROUP B</td> </tr> <tr> <td data-bbox="256 1944 807 1973">4. DARREL ARTHUR WEBBER</td> <td data-bbox="807 1944 1078 1973">GROUP C</td> </tr> </tbody> </table>	Names of Authorised Signatories	Signing Group	1. PATRICK CHIA JET KHIN	GROUP A	2. BAKHTIAR TALHAH	GROUP B	3. SALAHUDIN YAACOB	GROUP B	4. DARREL ARTHUR WEBBER	GROUP C	
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	<p><u>Signing Conditions & Signing Limits</u></p> <p>a. Up To RM 30,000 - Any One (1) From Group A, B or C b. Up To RM150,000 - Combination Of Two From Either Group A, B or C c. Above RM150,000 - One (1) Each From Group A, B and C</p> <p>The above was endorsed by the BoG.</p> <p>9.2 Text changes in Group Certification document (for endorsement) The was endorsed by the BoG.</p> <p>9.3 National Interpretation for Ecuador (for endorsement) The document was endorsed by the BoG.</p> <p>9.4 Terms of Reference of Jurisdictional Approach Working Group (for endorsement)</p> <p>The document was endorsed with a <i>caveat</i> that the Working Group:</p> <ul style="list-style-type: none"> i. are to decide on composition and number of members ii. has prerogative on timelines iii. produces further clarity on deliverables by September 2018 <p>9.5 Resignation of Fiona Wheatley from the BoG The BoG thanked FW for her contributions and services to the BoG specifically and to RSPO in general. In view of the vacancy in the Retailer seat in the BoG, DW proposes that the BoG invite someone to fill the position in the interim.</p>	
10.0	<p>Views of the BoG</p> <p>10.1 JM would like the BoG to send a clear message to Latin America that the region is supported by RSPO. The BoG assured JM of the continuous support from RSPO.</p> <p>10.2 PW reminded the BoG of the resolution on the protection of whistle-blowers and human rights defenders, and for RSPO to learn from the interaction between companies and surrounding communities.</p> <p>10.3 JC noted the need to attract more Growers and Smallholders and his concern with regard to RSPO’s inability to attract small farmers.</p> <p>10.4 BH reminded the Secretariat on the need to send BoG papers and presentations on time.</p> <p>10.5 DH raised concerns on the increasing ‘no palm’ claim in the food sector industry in Europe.</p> <p>10.6 BS raised concerns on RSPO becoming irrelevant if it does not strive to make RSPO the standard that is widely acceptable, adequate</p>	

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	and satisfactory.	
10.7	EC requests that the Secretariat maintain a list of Resolutions adopted at the General Assemblies (GAs) that are still open. The BoG agreed that this would be an action point for future meetings. EC added that it is unclear when a Resolution is considered “resolved” and closed to further action; and that the BoG should have a role in agreeing with the Secretariat whether Resolutions had been appropriately complied with.	
10.8	JV shares an update from the Dutch Banking Agreement’s analysis on the nexus human rights-palm oil-finance.	
10.9	KH notes that the Complaints mechanism must be fit for purpose, otherwise companies will set their own due process, which will call into question the relevance of the RSPO and its Complaints mechanism.	
10.10	AR would like the RSPO to focus on the credibility and reliability of the existing standards.	
10.11	MRC believes that RSPO continues to be perceived as Eurocentric and it is time for the to re-strategise. RSPO should focus on impacts and share analytical data on yield and worker productivity enhancements achieved amongst RSPO membership following certification.	
10.12	BW suggests that RSPO communicate positive impacts to counter negative publicity.	
10.13	CBN reminded the BoG of the decline in support from the Growers and that RSPO must ensure that the spirit of commensurate effort or shared responsibility amongst all members is practised failing which the RSPO’s overall credibility and relevance would be in question.	
	Meeting adjourned at 4.30pm.	