

Minutes for BOARD OF GOVERNORS Meeting 02-17

Date: 6th March 2017

Start Time: 8.30am-5.15pm MYT

Venue: Renaissance Hotel, Kuala Lumpur.

Attendance	
BoG Members and Alternates	
In Attendance:	
Substantive Members	Alternate Members
MPOA Carl Bek Nielsen (CBN) – Co Chair	FELDA - Denys Munang (DM)
AAK – Tim Stephenson (TS)	MPOA – Chew Jit Seng (CJS)
AGROCARIBE – José Roberto Montenegro (JM)	MONDELEZ – Karimah Hudda (KH) (representing Jonathan Horrell)
BOTHENDS - Paul Wolvekamp (PW)	MUSIM MAS – Dr. Gan Lian Tiong (GLT)
FELDA – Tn. Hj Ab Ghani Mohd Ali (AG)	IOI – Dr. Surina Ismail (SI) (representing Ben Vreeburg)
GOODHOPE – Edi Suhardi (ES)	OLAM – Audrey Lee (AL)
HSBC – Ian Hay (IH)	SIPEF – Olivier Tichit (OT)
MARKS & SPENCER – Fiona Wheatley (FW)	OXFAM – Taufiqul Mujib (TM)
OXFAM – Johan Verburg (JV)	UNILEVER – Cherie Tan (CT)
RABOBANK – Geraldine Lim (GL)	ZSL – Leonie Lawrence (LL)
WRI – Anne Rosenbarger (AR)	
	Absent with Apologies
	Substantive Members
	UNILEVER – Biswaranjan Sen (BW) – Co-Chair
	WWF – Stephen Watson (SW)
	MONDELEZ – Jonathan Horrell (JH)
	IOI – Ben Vreeburg (BV)
	RPOG – Belinda Howell (BH)
	Alternate Members
	AHOLD – Hugo Byrnes (HB)
	FAUNA & FLORA INTERNATIONAL – Cahyo Nugroho (CN)
	HSBC – John Laidlow (JL)
	RABOBANK – José den Toom (JT)
	UNIVANICH – John Clendon (JC)
	VERITE ASIA – Daryll Delgado (DD)
	In Attendance:
	Advisors
	MR Chandran (MRC) Prof. Bungaran Saragih (BS)
	Secretariat Staff
	Datuk Darrel Webber (DW)
	Tiur Rumondang (TR)
	Bakhtiar Talhah (BT)
	Yohanes Ryan (YR)
	Patrick Chia (PC)
	Oi Soo Chin (OSC)
	Salahudin Yaacob (SY)
	Cheri Woo (CW)
	Stefano Savi (SS)

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 opposition.</p> <p>1.3 Approval of Minutes - BOG 07-16, BOG 08-16 & BOG 01-17</p> <p>BOG 07-16 Correction and amendments: Item No. 9.1 - To remove "as long as"</p> <p>BOG 01-17 Correction and amendments:</p> <p>To include the following:</p> <p>Reduction in the number of days during the RT Event</p> <p>CBN requested RT15/GA14 be concentrated into 1 day fewer i.e. 2-3days, reason being some members would like to actively participate but do not have the time to stay for 4-5 days.</p> <p>The Secretariat is tasked to bring forth a proposal in terms of restructuring the RT event in such a way to shorten the number of days inclusive of reducing the Board Meeting dates during RT. The said proposal would then be discussed in the concall meetings.</p> <p>TS provided an explanation to justify the number of days required as most members and participants have travelled from afar to attend this event and would require longer meetings or more days to address matters which are not that straightforward. In addition to that PW also highlighted that the 5 days are crucial for constituents as they are packed with meetings during the RT week and a lot of business is being conducted during the RT week. So, to reduce 1 day, there would also be consequences of loss of business transactions. CBN referred primarily to the BoG meetings and that the Secretariat were tasked to keep the requirements of the BoG to a bare minimum as it was not possible for many of those present to be away from their professional responsibilities for more than 2-3 days as a maximum. The Secretariat would revert with a proposal.</p> <p>Minutes have been approved.</p>	

<p>2.0</p> <p>2.1</p>	<p>Standard and Certification Standing Committee/Technical Department</p> <p>Gabon National Interpretation</p> <p>SY briefed the Board members of the Gabon NI contents and seek for the BoG's endorsement.</p> <p>AL further explained that this process has been led by WWF Gabon and facilitated by Proforest. Eleven (11) indicators have been upgraded from minor to major, based on the consultation comments that was posted in Jan 2015 and also included all advice from the NI task force. A sum of USD21,000 was received in terms of funding from the RSPO to support the facilitation of public consultation and to engage ProForest for their service.</p> <p>Decision: The Gabon NI was endorsed by the BoG.</p>	<p>FYI</p>
<p>2.2</p>	<p>RACP for Smallholders</p> <p>The RSPO Remediation and Compensation Procedures Related to Land Clearance without Prior HCV Assessment (RaCP) was endorsed by the Board for one year staged implementation in March 2014. Based on lessons learnt from the one year staged implementation period, the procedures were revised by the Compensation Task Force (CTF) the following year (started in May 2015) and an enhanced version was endorsed by the Board in Nov 2015. All new submissions related to RaCP (Declaration, Land Use Change Analysis (LUCA), Compensation Plan, etc.) from 12th Nov 2015 must adhere to the current RaCP.</p> <p>The RaCP is only applicable to companies and smallholders associated to mills. It does not apply to independent smallholders. However, independent smallholders are subjected to Principle 7, Criteria 7.3 of the RSPO P&C and will be audited against the Criteria if they have cleared land for oil palm plantation since Nov 2005 without prior HCV assessment in place.</p> <p>The RaCP involves the following main steps and they are;</p> <ol style="list-style-type: none"> 1. Disclosure of land cleared after Nov 2005 without a prior HCV assessment and Land Use Change Analysis (LUCA) 2. Social and environmental compensation Liability assessments 3. Remediation and Compensating for liability <p>The development of the independent smallholders RaCP will likely take months. At the moment, we have 6 (3 in Ghana, 2 in Latin America and 1 in Indonesia) independent smallholders groups which are ready and very close to certification and might be put on hold due to lack of specific compensation procedures for them.</p> <p>The Secretariat has further proposed the following interim measures based on the strong recommendation from the SHWG and BHCVWG to be</p>	<p>FYI</p>

	<p>applicable to independent smallholder group for BoG’s endorsement:</p> <ol style="list-style-type: none"> 1. Independent smallholders who have developed land since November 2005 will be allowed to proceed with certification, with reference to C 7.3, and these areas will be certifiable, provided that they have: <ol style="list-style-type: none"> a. Fulfilled all other requirements in the Principle and Criteria b. Disclosed to RSPO Secretariat the extent of land cleared without a prior HCV assessment since November 2005; c. Conducted LUCA with technical and financial assistance from RSPO; d. Identified their social liability (if any); e. Finalized net liability, endorsed by the Compensation Panel as per RaCP; and f. Prepared a remediation plan (not compensation), where relevant. <p>The ISH group manager will receive written confirmation from the RSPO Secretariat of the suspended status of the compensation delivery, copy to the CB. The suspended status of the compensation will be valid until the RSPO has a mechanism developed by the Smallholder RaCP Task Force.</p> <p>Any identified liabilities will need to have compensation resolved through another process/procedure, to be mandated by the BoG, under the jurisdiction of the BHCVWG, which will involve opportunities for how end market users can participate in these compensations.</p> 2. To formalize the setup of a Task Force and to give mandate to the task force group to decide how to accommodate land clearance without HCV assessment post-November 2015 by independent smallholders. <ul style="list-style-type: none"> • The Task Force will be under the jurisdiction of the BHCVWG. • The Task Force shall recommend the timeframe by when the RaCP for smallholders be ready and on the appropriate interim control measures to be applied, if necessary, for FFB that are coming from the areas identified as to have liability. <p>Decision: The proposed interim measure for Independent Smallholder Group in relation to Compensation and Remediation Procedures and certification was endorsed by the BoG.</p> 	
<p>2.3</p> <p>2.3.1</p>	<p>Principles and Criteria Revision - ToR Endorsement</p> <p>Formation of a P&C Review Task Force</p> <p>AR pointed out that the sentence “The Task Force shall comprise of a balanced (50/50) representation between growers and the supply chain (including the NGOs)” was incorrect and needs to be revised.</p> <p>ES did not agree with the composition balance of (50/50) representation between growers and the supply chain (including the NGOs). This was seconded by CBN and DM. On behalf of the Growers, CBN counter</p>	<p>SY</p>

	<p>proposed a ratio of twelve (12) representatives from Growers fraternity, six (6) from Consumer Goods Manufacturer and Retailers fraternity and six (6) from NGOs fraternity, reason being the growers must have a say to voice out what they are able or not able to do as the growers will ultimately have to follow through and implement on what has been decided in the P&C. OT further added that it would help to bring in proper expertise and more growers as it would enable the growers to voice out their concerns as they are most affected and are also the ones getting certified. More importantly to get the growers to accept the decision on the P&C revision as worthwhile.</p> <p>TS raised the issue about the Processors & Traders representation, which was later agreed to be included in the Consumer Goods Manufacturer (CGM) and retailer category.</p> <p>FW expressed that it is important that RSPO is perceived externally to be balance in representatives given the multi stakeholder nature, therefore should consider how we are seen as it supports our credibility as an organisation, even with acknowledgment on the fraternity sector that is most affected.</p> <p>Decision: The BoG endorsed the composition ratio of twelve (12) Growers Fraternity : Six (6) from Consumer Goods Manufacturer and Retailers Fraternity : Six (6) from NGOs Fraternity.</p>	
2.3.2	<p>Task Force Chair</p> <p>The CEO shall chair the P&C Revision Task Force.</p>	FYI
2.3.3	<p>Individual Responsibility (Item 3.2)</p> <p>GLT suggested that the sign-off in the code of conduct in Annex 1 of the RSPO P&C Review to replace 'organisation' with 'constituent'."</p> <p>...Paragraph extract Consulting with interested parties not directly represented in the TF and ensuring that their views are expressed within the discussions. Members are there to represent an interest group within the RSPO, rather than just their own interests. Therefore, it is very important that each member of the group discusses draft versions of the recommendations of verification arrangements, particularly any complex or contentious issues, with a range of their peers from within the RSPO. TF members should not represent only the views or interests of their own organisation.</p>	GLT
2.3.4	<p>Timeline (Item 3.4)</p> <p>The planning is to be well in time for the new revision mandatory by May 2018. However, based on the previous revision, the risk exists that the proposed timeline has to be extended. It is now planned that the revision process should begin early in 2017 targeting completion by May 2018 for BoG endorsement prior to ratification at the General Assembly in November 2018.</p>	

It is envisaged that four (4) TF physical meetings will take place between April 2017 and April 2018, either in Kuala Lumpur or Jakarta or other locations that are conducive and convenient for the TF members.

JV pointed out to correct the first sentence “The planning is to be well in time for the new revision mandatory by **May 2018**”.

The overall Review process timeline is tabulated below.

Activity	Date
Gap analysis	Done
Endorsement of the ToRs by BoG	March 2017
Engagement of Facilitator and production of Draft 0	March 2017
Establishment of TF	March 2017
1 st TF meeting	April 2017
Completion of draft 0	May 2017
2 nd TF Meeting	1 st week June 2017
Finalisation of 1 st draft	end of June 2017
Translation of draft 1 to various languages	July 2017
60 day public consultation	Aug – Sept 2017
Outreach in Malaysia, Indonesia, LA, Europe and Africa	During the public consultation period
Collation of comments	October 2017
3 rd TF Meeting to look at the second draft	Nov 2017 (preferably before RT15)
Production of 2 nd draft based on inputs from the public consultation and outreach programme.	End Nov 2017
Translation	Dec 2017
30 day public consultation	Jan – Feb 2018
Collation of comments	Feb 2018
Completion of Draft 3	Early March 2018
Pilot test and recommendations	March 2018
Production of 4 th (final) draft	April 2018
Sign off by TF	April 2018
BoG endorsement	April 2018
Ratification at GA 14	November 2018

Decision :

The BoG endorsed the above timeline.

2.3.5 Decision Making (Item 3.5)

SY explained to the BoG that TF will aim to make decisions by consensus, and may also define criteria to determine when alternative decision-making procedures can come into effect. To achieve consensus in practice requires all members to be prepared to listen carefully to the views of others and, wherever they are able to, to actively seek compromises which will allow agreement. TF members (or their representatives, see point 2.3 above) need to commit to attendance at physical meetings in order to achieve consensus.

If consensus is not reached on any specific issue or criteria resulting in a deadlock in standard development, the Secretariat had put forward a proposal that at least 75% of TF members as well as at least 50% within each membership category are required to vote in favour for the adoption of a decision. The deadlock has to be declared by the Chair of the Task Force. In case of continued deadlock, the matter shall be forwarded to the SG as an alternative decision-making mechanism, and lastly to the BoG. CBN with complete support from the grower representatives present stated that the MPOA could not agree to the proposal and expressed that the RSPO must be governed by consensus. CBN stated that the proposal put

forth by the Secretariat on deadlock could not be supported and countered that the growers would only agree to the proposition as follows: In the event of a deadlock 80% of the TF members as well as 80% within each membership category are required to vote in favour for the adoption of a decision and not 75% and 50% as proposed by the Secretariat. This was supported by Felda, the Indonesian Growers Caucus and the ROW representatives.

The RSPO is required to comply with a requirement from ISEAL to have an alternative decision making avenue apart from our normal consensus driven decision making practise.

DW explained that there are two aspects as to why ISEAL requires this alternative avenue:

- i) to break a deadlock
- ii) to ensure that no category dominates

JV proposed that in the case of a deadlock, the decision making is then escalated to the BoG, which is based on consensus, and ultimately GA based on voting.

GLT commented that from his experiences in the last two P&C Review Process, consensus was able to be reached with extended discussions amongst the members of the TF and that consensus in decision making should be maintained rather than subject to voting.

FW emphasized that we seem to be viewing the need to have alternative decision making options as an ISEAL compliance issue. Instead we should appreciate that ISEAL requirements are based on many years experience of working with sustainability schemes and provide a best practice framework in areas such as decision making that RSPO could derive benefit from.

Decision:

In order to get the P&C review going, the RSPO will continue to reach decision(s) by consensus and in the interim, a few BoG members are to join DW to discuss with ISEAL and seek an exemption on the alternative decision making mechanism. This will be discussed in the monthly concall.

3.0

2016 Volume Production Uptake & Performance

Analysis

3.1

In tonnes	2015	2016	Volume Change	% change
Certificate Trade	3,445,965	1,975,133	(1,470,832)	-42.7%
Physical Trade	2,753,536	3,661,251	907,715	33.0%
Total CSPO sold	6,199,501	5,636,384	(563,117)	-9.1%
Total Supply	12,130,775	12,062,293	(68,482)	-0.6%

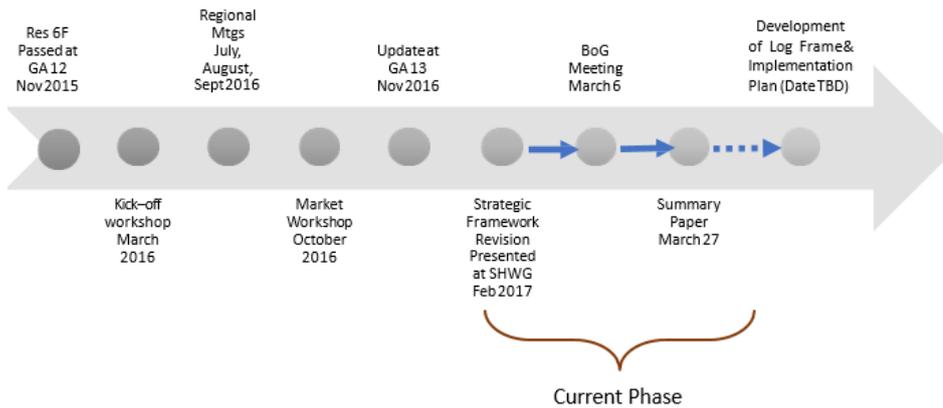
It was forecasted that CSPO supply in 2016 would increase by around

<p>3.2</p> <p>3.3</p> <p>3.4</p>	<p>2 million tonnes from the previous year. But in reality there was slight drop in supply, which is mainly due to the temporary supply loss from IOI and Felda/FGV.</p> <p>All things being equal, due to a slight reduction in supply, there was an expectation that the percentage of CSPO sold would increase. However, this was not the case. Last year the uptake was only 47% as opposed to the 50-51% that it usually is over the past several years.</p> <p>There was a significant shift from the book and claim supply chain model to the physical supply chain model. The Secretariat surmised that members of RSPO tried to shift their procurement to physical supply chain but the move was not complete. There was a shortfall between the physical volumes and the total volumes of CSPO bought by member companies. DW briefed that this shortfall was not bridged with certificates.</p> <p>ES rationalised that the reduced uptake could be caused by several factors namely:</p> <ol style="list-style-type: none"> 1) Weak commitment from uptakers and commensurate effort from buyers; 2) RSPO credibility; 3) Complaint(s) by the NGOs against RSPO but no counter effort from the RSPO to address these complaints from NGOs. <p>Therefore, ES further suggest that the Secretariat needs to be more:</p> <ol style="list-style-type: none"> 1) stringent in the enforcing the membership code of conduct; 2) robust and proactive to revive the RSPO’s position by convincing the market to buy more CSPO; and 3) be more defensive against campaigns attacking the RSPO. <p>CBN on behalf of the MPOA expressed his disappointment with the commitment by many RSPO members, many of whom were present in the room with the poor example of not fulfilling the spirit of “commensurate effort” and taking ownership of the RSPO’s mission in making RSPO palm oil the norm. CBN stressed that we could forget about making RSPO the norm if the buyers/retailers and consumer good manufactures failed to uphold their part of the equation.</p> <p>DM needs physical data as evidence to show and convince smallholders to take up the RSPO Certification seriously but in the case of showing declining CSPO figures will only discourage compliance amongst growers as the financial returns are not satisfactory.</p> <p>There was a general discussion that ACOP reporting is inconsistent, It was noted that the figures in supply chain audits don’t match figures in ACOP reporting, making the data less than useful. Also noted that there is a lack of standardized monitoring and enforcement of time bound plans for buyers on purchasing CSPO.</p>	
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<p>3.5</p> <p>3.6</p> <p>3.7</p> <p>3.8</p>	<p>IH suggested that we should look at our internal data and review what we have collect and we may be able to find out the reliability of the data collected or whether there is a leakage. This was seconded by AR whom also stressed on the consistency on how these data are being reported and how they are collected and checked.</p> <p>OT stressed that we need to be more transparent on information on how much the growers are selling and how much the buyers are buying.</p> <p>AL highlighted a revised supply chain system document in which the Trade and Traceability WG had proposed that all certificate issued and endorsed by PalmTrace should report on conventional oil and also CSPO sold under other certification scheme. If this proposal is approved, the Secretariat would be able to extract relevant information from PalmTrace.</p> <p>There is lack of transparency in PalmTrace and a request that it show publicly the number of credits bought by individual buyers (as GreenPalm does), and secondly the very low volume of transactions in the first two months of credit trading under PalmTrace, exacerbating the situation identified in 2016 of major certificate buyers ceasing to buy certificates and not replacing such purchases with Segregation (SG) or Mass Balance (MB).</p> <p>Decision: The BoG have endorsed the Secretariat’s initiative to communicate clearly to all four (04) supply chains (Certificates, Mass Balance, Segregation and Identity Preserved) that they are equally supported by the RSPO but in return they are expected to not reduce their support for CSPO.</p> <p>The Secretariat to send out data on volumes to the BoG, pointing out the problem and also provide recommendation(s) from the Secretariat.</p> <p>The BoG have also requested the Secretariat to come back with means as how to obtain data in more reliable ways.</p> <p>The BoG mandates the Secretariat to further develop PalmTrace to support the above requirements and requested the Trade and Traceability WG to accept this prerequisite.</p>	
<p>4.0</p> <p>4.1</p> <p>4.1.1</p>	<p>Progress Report on Resolutions from GA12</p> <p>Progress Report on Resolutions from GA12-6F Resolution 6f- A Comprehensive Smallholder Strategy & Action Plan – Progress Update</p> <p>YR gave a comprehensive update on the Smallholders Strategy and action plan progress, its timeline and a proposed Strategic Framework with 3 objectives.</p>	

4.1.2

Timeline



4.1.3

Proposed Strategic Framework

The purpose of this framework is to secure measurable impacts by ensuring that smallholders are able to achieve a sustainable livelihood through their inclusion in sustainable palm oil supply chain. (Jan 2017)

Objective 1

Smallholders’ livelihoods are improved through capacity building efforts, outreach and tools that increase their yields and support adoption of better management practices.

Outcome: Livelihood specific

Output Features:

1. Region or country--level diagnostic of needs based on typology of smallholder and / or organizational models
 - Prioritization of capacity building targets and approaches.
2. Increased availability of resources, networks, & tools to support SH with:
 - BMPS & GAPS
 - Financial Literacy
 - Legality
3. Increased availability of short and long term financial resources
 - To support access to better planting materials and inputs (among others)

4.1.4

Objective 2

The number of RSPO certified smallholders is increased through a simplification of the RSPO certification process and pro--active engagements with pilots such as jurisdictional approaches.

Outcome: Certification specific

<p>4.1.5</p>	<p>Output Features:</p> <ol style="list-style-type: none"> 1. Region or country--level diagnostic of main barriers to RSPO certification based on typology of smallholder and / or organizational models <ul style="list-style-type: none"> • Prioritization of approaches to simplification. 2. Pilot(s) undertaken to integrate SH support efforts, including certification, within jurisdictional programs. 3. Simplified guidelines to support compliance (legal and other) are made available. <p>Objective 3</p> <p>The business case is made for smallholder certification through increased support, including market linkages as well as financial and non-financial incentives.</p> <p>Outcome: Livelihood & Certification specific</p> <p>Output Features:</p> <ol style="list-style-type: none"> 1. Diagnostic to define challenges to smallholders currently certified by RSPO. 2. Incentives (financial and non--financial) identified to support smallholders seeking certification and those already certified (to remain w/in system). 3. Partnerships between RSPO members (supply chain actors) and SH are defined and piloted, to build more stable, long term supply relationships that promote and reward sustainability. 	
<p>4.1.6</p>	<p>The key challenges for smallholders are as follows:</p> <ol style="list-style-type: none"> 1. Low awareness of sustainability 2. Weak business case for certification and adoption of sustainable practices <ul style="list-style-type: none"> • High cost involved in achieving certification • Few incentives (financial and non-financial) 3. Complexity of legal requirements 4. Certification system and processes designed for larger growers 5. Weak or limited smallholder organisation and associations 6. Lack of support networks <ul style="list-style-type: none"> • Weak participation in smallholder support programs by supply chain actors • Lack of access to technical assistance, knowledge and tools • Limited support from government • Limited support from banking sector 7. Land tenure, titles and rights 8. Low yields 	

<p>4.1.7</p>	<p>YR later raised 3 key questions to the BoG:</p> <p>Question 1 That RSPO recognizes that supporting smallholders to improve their livelihoods, whether those activities do or do not lead to certification, or is part of its mandate?</p> <p>Question 2 Within certification, is there room for development of a complementary stepwise/entry level approach to support greater inclusion of Smallholders into the RSPO system?</p> <ul style="list-style-type: none"> • If answer, yes, then the strategy implementation plan can incorporate a risk analysis and set of options for establishing this type of approach. <p>Question 3 Based on the answers to Q1 and Q2, are the three (3) proposed objectives framework acceptable?</p>	
<p>4.1.8</p>	<p>Commentaries from the BoG in response to the three questions above:</p> <ul style="list-style-type: none"> ➤ CT recommends to first establish an entry level risk management mechanism. ➤ GL recommends to collaborate with IFC and IDD as they have existing schemes to help smallholders. DW clarified that it was done in the past but was not viable as these agencies have too many restrictive conditions to fulfil. ➤ SI further recommends to first understand the objective and the smallholders' commitment to satisfy the basic needs of their families. Following that, resources should be made available to them to the point that the smallholders understand that by adopting these sustainable practices and getting certified, they will also benefit in terms of getting higher yield hence will gain increase income. Then educate them on our objective Resources the tier system is a must. This is seconded by DM. ➤ CBN pointed out that it would be risky to promise the smallholders guaranteed increased income when in reality, their CSPO may not be fully bought by the market, and further emphasized on commensurate efforts from the buyers. ➤ CBN cautioned the BoG of the risk to the credibility of RSPO, should we decide to lower the standards to accommodate the needs of smallholders. ➤ TS supported the strategy of the stepwise approach to include smallholder certification, and stated strongly that it would be an abrogation of the duties of the Board if we continued effectively to 	

	<p>exclude smallholders by not making the strongest possible efforts to include them.</p> <ul style="list-style-type: none"> ➤ BS pointed out that there is a weak understanding of smallholders and we need to be realistic about the decisions we make. ➤ CBN proposed an initiative for the RSPO to facilitate and work together to complement MSPO and ISPO without creating too many schemes with the same goal. He simultaneously, also acknowledging the fact that the same kind of environmental criteria of RSPO may not be identical to those of MSPO and ISPO. He stated that the concept would be to use the MSPO /ISPO as a stepping stone for smallholders in ultimately reaching the RSPO standards and that getting more smallholders on-board the MSPO/ISPO would have a much greater and positive environmental and social impact compared to not joining any sustainability movement at all. This would win the RSPO much goodwill. OT agreed and further added that by working together with MSPO and ISPO, it could also make it easier for smallholders to get RSPO Certification. ➤ CBN recommended RSPO to provide grant contribution towards the uplifting of smallholders who is going for MSPO and ISPO and task the Secretariat to forward a proposal in this regard. ➤ In addition to the above, OT suggested to also look into other landscapes where we can find movement already considered to be the leading and most interesting market to invest but not exclusive to RSPO/MSPO support, for instance Africa, Papua New Guinea and Thailand. AL recommended that we consider SHARP as it has been tested in Cameroon, Ghana and Rest of the World. <p>Decision: The BoG supports the smallholder strategy, but with caveats as detailed in the discussion above. The Secretariat takes note of all the points raised, use the step-wise approach with regard to smallholder strategy and explore collaboration with the MSPO and ISPO. The Secretariat will present its findings to the BoG at later stage.</p>	
4.2	<p>Resolution 6h-Ensuring quality, oversight and credibility of RSPO assessments – Progress Update</p> <p>4.2.1 PW provided a progress update on Resolution 6h and highlighted a few observations to the BoG:</p> <ul style="list-style-type: none"> ➤ RSPO's vulnerability has increased as we expand in growing membership on a global scale where some outreach are also politically highly sensitive. 	FYI

	<ul style="list-style-type: none"> ➤ The RSPO have engaged experts to assist in the development of training modules for growers, Certification Bodies (CBs) and assessors in areas like labour, FPIC, NPP and use of maps. Some modules would be implemented in Qtr. 2, 3 and 4 this year. In addition to that, the result of the report from our Consultant (Liza Murphy) would also be discussed and implemented later this year. ➤ Consultants are also engaged to look into the CB/client relationship. Report is almost ready and will be made available to the BoG. ➤ There is also an outreach agenda with the growers on topics relating to NPP, FPIC, labour, Dispute Settlement Facility (DSF) and partial certification ➤ There is also a development in linking assurance with complaints. ➤ ASI Report have provided a compliance Audit where the CBs are found to be under-performing in detecting major compliances. We are working to address this matter without delay. ➤ RSPO's critics have voiced out their intention to join RSPO in managing these all challenging issues and have also volunteered to be involved in CBs' training. Their input are constructive. ➤ Growers have indicated that they need more capacity building (need to adopt the P&C in a more speedy approach on complex issues pertaining to land and labour matters) 	
<p>5.0</p> <p>5.1</p>	<p>Finance and Administration Financial Updates</p> <p>PC presented on the financial update for the period ending 31 Dec 2017 and began the following overview:</p> <ul style="list-style-type: none"> ➤ Net surplus for the period ending 31 Dec 2016 of RM4.7 mil before foreign exchange gain of RM3.6 mil. ➤ Cash balances of RM50.5 mil including foreign currency balances equivalent to RM30 mil ➤ Reported Net Assets as at 31 Dec 2016 of RM52.2 mil, represented by Members' Fund of RM23.4 mil, Smallholders Fund of RM12.5 mil, Special Projects of RM16.3 mil <p>We continue to see high operating surplus in the current period but was lower than 2015/16 levels mainly due to reduced income and increase in expenditure. Ringgit depreciated against USD by 11% since June 2016 and resulted in a foreign exchange gain of RM3.6 mil for the period. Movements in foreign exchange remains volatile and continue to be significant risk.</p>	<p>PC</p>

	<p>We are currently considering to adopt International Financial Reporting Standard (IFRS) as its reporting framework which may affect how we determine the functional currency in which RSPO will be reporting in.</p> <p>Subscription fee income of RM6.9 mil for the period is in line with budget but Contributions from CSPO trades are lower particular from credit trading. It is expected that contributions from credit trade will remain low in H2 of FY2017. TS commented that it is worrying to note that RSPO Credit trading on PalmTrace is currently at very low volume and it will have a significant negative impact on RSPO's income for the current financial year.</p> <p>The balance for Subscription Due as at 31 Dec 2017 was RM4.6 mil, which has increased compared to 30 June 2016 and overall debtors turnover had worsen to 3 months (Jun 2016: 2 months). The Secretariat will need to increase efforts in collection and further improve the payment reminder process.</p> <p>The Finance Committee proposed that Pricewaterhouse Coopers (PwC), carry out an internal control review as part of their interim audit in May/June 2017.</p>	PC/TS																								
5.2	<p>RSPO Membership Rules 2016</p> <p>The RSPO Membership Rules 2016 which include the compulsory requirement for members to comply with Group Membership was endorsed by the Board.</p>	FYI																								
6.0	<p>Impacts Department</p> <p>6.1 Complaints Procedure Review</p> <p>OSC provided a progress update from the complaints procedure.</p> <table border="1" data-bbox="280 1339 1225 1794"> <thead> <tr> <th>Date</th> <th>Event</th> <th>Activities</th> </tr> </thead> <tbody> <tr> <td>Dec 2016</td> <td>Public consultation ended 120 + 139 days</td> <td>Compile feedback received and made necessary amendments. Compile issues to discuss with CP members.</td> </tr> <tr> <td>5&6 Jan 2017</td> <td>Meeting with Complaints System Revamp Advisory Group at KL Office</td> <td>Socialisation of Nov 2016 Draft and invite feedback</td> </tr> <tr> <td>21 Feb 2017</td> <td>Meeting with CP members at KL Office</td> <td>Discussion on post public consultation issues and finalisation of complaints procedures</td> </tr> <tr> <td>14 Mar 2017</td> <td>Meeting with consultant</td> <td>Final complaints procedures received for internal review together with justification and rational doc.</td> </tr> <tr> <td>22 Mar 2017</td> <td>Send final draft to CP members</td> <td>To send final draft and associated doc to CP members for final review</td> </tr> <tr> <td>31 Mar 2017</td> <td>Finalised procedures ready for BoG endorsement</td> <td>Preparation for BoG endorsement</td> </tr> <tr> <td>April – June 2017</td> <td>SOP</td> <td>Development of internal SOPs related to complaints procedures and socialisation.</td> </tr> </tbody> </table> <p>6.2 Theory of Change (ToC)</p> <p>6.2.1 OSC provided a thorough explanation of the Theory of Change. It will not only acts as a Guide to Social, Economic and Environmental changes the RSPO desires and this process will also assist to define out the true loss along with its reasons. It is a system that will help to measure the desired</p>	Date	Event	Activities	Dec 2016	Public consultation ended 120 + 139 days	Compile feedback received and made necessary amendments. Compile issues to discuss with CP members.	5&6 Jan 2017	Meeting with Complaints System Revamp Advisory Group at KL Office	Socialisation of Nov 2016 Draft and invite feedback	21 Feb 2017	Meeting with CP members at KL Office	Discussion on post public consultation issues and finalisation of complaints procedures	14 Mar 2017	Meeting with consultant	Final complaints procedures received for internal review together with justification and rational doc.	22 Mar 2017	Send final draft to CP members	To send final draft and associated doc to CP members for final review	31 Mar 2017	Finalised procedures ready for BoG endorsement	Preparation for BoG endorsement	April – June 2017	SOP	Development of internal SOPs related to complaints procedures and socialisation.	
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	<p>impact of the RSPO standard and also identified gaps and changes to ensure that RSPO continuously improve. The ToC will also allow RSPO to communicate our Impacts effectively against our stakeholders. In short, it will help RSPO decide on its destination and inform of its strategy and will guide RSPO to its destination.</p> <p>6.2.2 The ToC team comprises of Caren Holzman, Aimee Russillo and Sonke Fisher.</p> <p>6.2.3 The objectives of the Theory of Change are as follows:</p> <ol style="list-style-type: none"> 1. Create a better understanding of Theory of Change and an M&E System 2. Share process for working together with the consultant to co-create the TOC with the BoG 3. Address any questions and concerns <p>6.2.4 Another reason on why we are carrying out this mission is that we are a member of ISEAL and to maintain full membership, we will be also audited against the code of good practices.</p> <p>6.2.5 There are 3 codes:</p> <ol style="list-style-type: none"> 1) Standard Setting Code 2) Assurance code 3) Impact Code (ToC would be part of the Impact Code requirement) <p>6.2.6 There are 2 major output in the ToC development process. We will receive a draft indicating the RSPO's Strength and ToC.</p> <ol style="list-style-type: none"> 1. In April, the team will meet with the BoG to go through a ToC workshop and 2. By the end of July - we will have our final ToC. <p>6.2.7 The M&E system will be developed based on the ToC, by RT15.</p>	
<p>7.0</p> <p>7.1</p>	<p>Board Governance Review</p> <p>Ian Bretman was engaged in 4Q 2016 to facilitate the desired improvements at governance and leadership level of the BoG, and was invited to present his findings at the BoG physical meeting.</p> <p>Mr. Bretman plans to enable a better alignment of Governance, Leadership and Strategy at the BoG level which would comprise two broad strands:</p> <ul style="list-style-type: none"> ● Improving governance and leadership processes within RSPO's current strategic framework & business plan. ● Addressing the issues of broader stakeholder non-alignment 	<p>FYI</p>

	<p>The BoG has endorsed the project and Mr Bretman will proceed to review a comprehensive proposal for the project and the terms of reference for the Steering Group.</p> <p>Individual BoG-members and Secretariat staff were requested to take ‘positions’ (within the spectrum of extremes) regarding underlying questions re role of Board:</p> <ul style="list-style-type: none"> (i) Drive big change or focus on improving operational matters. (ii) Strategic direction or operational oversight role. (iii) Agility or taking time for consensus. Positions triggered interesting exchange of views. 	
8.0	AOB	
8.1	The BoG would like to request for the auditors, PwC to report on the audit process and any other matters which have come to their attention, including internal control matters and compliance, following the completion of the audit for FY2017.	PC
8.2	<p>Submission of on-line document(s) for the BoG’s endorsement. SY briefed the BoG on the processes in deriving to the revised draft of the following documents:</p> <ul style="list-style-type: none"> 1. SOP for Standard Setting 2. Revised Certification System document 3. Revised SCC standard and system <p>In lieu of the above item no. 8.2 (2 - Revised Certification System document). SY will further illustrate to the BoG on the rationalisation in decisions made in its contents which are related to the under mentioned :</p> <ul style="list-style-type: none"> 1. Sampling 2. Minimum man-days 3. Access to Certificate Holder’s premises for unannounced audit 4. Immediate suspension of Certificate in the case of recurring major non-compliances 5. Instruction to suspend or withdraw certificate within 5 days <p>AR suggested that all changes made to documents should be highlighted to the BoG in a manner that is easy to trace, track and understand these changes. CBN seconds AR’s proposal and recommends ‘gap analysis’ i.e. a simple table format encompassing all of the above.</p> <p>The BoG were not ready to endorse the documents. CBN suggested that direct consultation be conducted between the Secretariat and the relevant stakeholders for further clarity.</p>	SY
8.3	ES proposed to allocate and use some funds to directly counter anti-palm oil campaigns or to engage a consultant to counterattack to all these campaign/allegations directly with positive content. SS then explained that a consultant had indeed already been engaged, as shared with the board in previous meetings, and through the consultants’ advice and members	FYI

	consultation we had agreed against “counterattacking” negative campaigns, but that instead the RSPO should have a practice of responding by declaring and acknowledging issues, having a vision and a plan for monitoring and evaluation of solutions.	
8.4	OT proposed that the Secretariat organise a briefing on the ISEAL requirements to which RSPO has to comply.	SY/OSC
8.5	JV informed all board members that Oxfam did provide an extensive report on improving social auditing qualities developed with Verité and Rainforest Alliance. He further apologised for not putting the document through public consultation but will still do so.	FYI
	Meeting adjourned at 5.15 pm.	