

## Minutes for BOARD OF GOVERNORS Meeting 04-18

**Date:** 27<sup>th</sup> June 2018

**Start Time:** 8.30am-5.30pm CEST

**Venue:** Le Meridien Etoile, Paris

Attendance	
<b>BoG Members and Alternates</b>	
<b>In Attendance:</b>	
<p><b>Substantive Members</b></p> <p>MPOA Dato' Carl Bek-Nielsen (CBN) – Co Chair</p> <p>WWF – Elizabeth Clarke (EC)</p> <p>AGROCARIBE – José Roberto Montenegro (JM)</p> <p>AAK – Tim Stephenson (TS)</p> <p>BOTHENDS - Paul Wolvekamp (PW)</p> <p>GOLDEN AGRI RESOURCES – Agus Purnomo (AP)</p> <p>HSBC – Ian Hay (IH)</p> <p>MONDELEZ – Jonathan Horrell (JH)</p> <p>RPOG – Belinda Howell (BH)</p> <p>WILMAR – Daphne Hameeteman (DH)</p> <p>WRI – Anne Rosenbarger (AR)</p>	<p><b>Alternate Members</b></p> <p>AAK – Caroline Westerik-Sikking (CWS)</p> <p>AHOLD DELHAIZE – Hugo Byrnes (HB)</p> <p>ASIAN AGRI – Dr. Mohamad Fadhil Hasan</p> <p>FELDA – Izham Mustafa ** representing Datuk Hj Ab Ghani</p> <p>HUTAN – Harjinder Kler (HK)</p> <p>MONDELEZ – Karimah Hudda (KH)</p> <p>MPOA – Chew Jit Seng (CJS)</p> <p>OLAM – Audrey Lee (AL)</p> <p>RABOBANK – José den Toom (JT) ** representing Geraldine Lim</p> <p>SIPEF – Olivier Tichit (OT)</p> <p>VERITE ASIA – Daryll Delgado (DD)</p>
<b>Absent with Apologies:</b>	
<p><b>Substantive Members</b></p> <p>UNILEVER – Biswaranjan Sen (BW) – Co-Chair</p> <p>FELDA – Tn. Hj Ab Ghani Mohd Ali (AG)</p> <p>OXFAM – Johan Verburg (JV)</p> <p>RABOBANK – Geraldine Lim (GL)</p>	<p><b>Alternate Members</b></p> <p>HSBC – John Laidlow (JL)</p> <p>UNIVANICH – John Clendon (JC)</p>
<b>Secretariat Staff</b>	
<b>In Attendance:</b>	
<p>Datuk Darrel Webber (DW)</p> <p>Bakhtiar Talhah (BT)</p> <p>Julia Majail (JM)</p> <p>Salahudin Yaacob (SY)</p> <p>Patrick Chia (PC)</p>	<p>Oi Soo Chin (OSC)</p> <p>Francisco Naranjo (FN)</p> <p>Stefano Savi (SS)</p> <p>Tiur Rumondang (TR)</p> <p>Javin Tan (JT)</p> <p>Cheri Woo (CW)</p>
<b>In Attendance:</b>	
<b>Guest</b>	
Consultant (Governance Review) – Ian Bretman (IB)	
PROFOREST – Bilge Daldeniz (BD)	
FOREST PEOPLES PROGRAMME – Marcus Colchester (MC)	
Complaints Panel - Dato' Henry Barlow (Dato' HB)	
Complaints Panel – Lim Sian Choo (LSC)	
HCV RESOURCE NETWORK – Paulina Villalpando (PV)	
<b>Advisors</b>	
<b>In Attendance:</b>	
MR Chandran (MRC)	
Prof. Bungaran Saragih (BS)	

Item	Description	Focal Point
1.0	<p><b>Introduction</b></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 02-18, BoG 03-18 Minutes have been approved.</p> <p>1.4 <b>Nomination for vacant retailer seat in BoG</b> BH informed the BoG that she will consult the constituents and revert to the BoG accordingly.</p> <p>1.5 <b>CEO's Report</b> DW presented analysis on members that continued to show significant declines in their commitment in making sustainable palm oil the norm. The BoG endorsed the suspension of members as per breaches of the RSPO Statutes and Code of Conduct for Members 2017.</p>	BH
2.0	<p><b>Governance Review</b></p> <p>2.1 <b>Governance Manual</b> The BoG endorsed the Governance Manual and requested the Governance Review committee to address the following: i. gap on the accountability of the Complaints Panel ii. include the Labour Task Force into the Governance Manual.</p> <p>2.2 <b>Audit of sub-committees</b> The BoG agreed for the Governance Committee to proceed with the proposal on the sub committees of the Board and improve alignment of the committee structure with RSPO's Theory of Change which is driving the BoG's overall agenda. In addition, the BoG requested clarification on the role of the committees in overseeing task forces and working groups and developing consensus among RSPO's stakeholders.</p> <p>2.3 <b>Proposal for Remuneration Committee</b> The BoG agreed with the proposed composition of the Remuneration Committee: Co-chairs : Dato' Carl Bek-Nielsen, Biswaranjan Sen Treasurer : Tim Stephenson The BoG agreed to include two (2) additional BoG members in the committee: Jonathan Horrell and Ian Hay</p>	Gov Review committee  Gov Review committee

2.4	<p><b>Board Self-Evaluation</b> The BoG endorsed the proposal for Board Self-Evaluation, and BoG members are requested to complete the self-evaluation form by 4<sup>th</sup> July.</p>	Governance Review committee
3.0	<p><b>P&amp;C Review – Progress Update</b></p> <p>3.1 The BoG was requested to reach out to their membership groups and Task Force representatives to understand any potential issues and provide feedback to the P&amp;C Review Steering Group. It was noted that the P&amp;C Review Task Force #6 scheduled from 18-22 September needs to be fully prepared with this information to finalise the main standard that will come to the BoG in October.</p> <p>3.2 The BoG discussed the need to actively engage with their constituents and stakeholders on key items in the revised P&amp;C and requested for the Secretariat to identify and hold a date for the BoG discussion in October.</p>	
4.0	<p><b>Status of Resolutions</b></p> <p>4.1 <b>Resolution 6f GA12 – New Planting Procedure Guidance for Smallholders</b> <b>Decision:</b> BH presented the memo prepared by JV in regards to the New Planting Procedure (NPP) Guidance for Smallholders. The BoG accepted the recommendations made as follows:</p> <ol style="list-style-type: none"> <li>1) Secretariat to review the NPP for smallholders along with the approach and along with the timelines of the P&amp;C Review and development of the simplified Smallholder Standard;</li> <li>2) Secretariat to obtain advice from Smallholder, Emissions Reduction and Biodiversity and High Conservation Value Working Groups (SHWG, ERWG and BHCVWG) and endorsement from Standards and Certification Standing Committee [notably eNGO board members], in parallel to the P&amp;C Review process; and reports to BoG for endorsement, highlighting any contentious issues, considerations and proposed solutions;</li> <li>3) For smallholders falling under the mill’s P&amp;C Certificate (existing or new certificate): BoG endorsed the tools for use (i.e. the generic NPP applies, tools are supportive); and</li> <li>4) In the interim, for all other smallholders: The BoG extends the exemption from NPP submissions until the new P&amp;C and simplified Smallholders approach are in place (i.e. the continued small-scale, low impact risks are accepted).</li> </ol> <p>There was discussion about the issue of previous agricultural land. BH asked those concerned to trial the tools in these cases and feedback their findings as case studies into the P&amp;C Review (SHIG) and SHWG/ERWG/BHCVWG processes as they are developing.</p> <p>The BoG endorsed the memo from JV and its recommendations.</p> <p>4.2 <b>Resolution 6h GA12 – Ensuring quality, oversight and credibility of RSPO assessments</b></p>	Assurance Task Force

	<p>PW, Chair of the Assurance Task Force, stated that it shall provide updates to the BoG at every Board meeting to denote its progress on ongoing, proposed activities.</p> <p>PW raised concerns over the current capacity of the Secretariat with regard to supporting the Assurance Task Force and will work with the Secretariat to improve this situation.</p> <p>PW updated the BoG on the finalisation recommendations regarding the delinking CB and certificate holders based on discussion around Liza Murphy's commissioned report.</p> <p><b>4.3 Resolution 6f GA14 – Balanced representation in the GA</b></p> <p>JT updated the BoG on the status of the ToR for consultancy and stated that the ToR will be shared with the BoG for comments. It was noted that the Secretariat will appoint consultant(s) the following week, and that the first draft is expected to be presented to the BoG in October 2018.</p> <p><b>4.4 Resolution 6e GA13 – Protecting human rights defenders, whistleblowers, complainants and community spokespersons</b></p> <p>MC presented the policy paper prepared by the sub-committee. The decision by the BoG is as follows:</p> <ul style="list-style-type: none"> <li>i. The proposed policy presented by MC was not approved by the BoG, with a sustained objection from the Financial Institution representatives in the BoG. The BoG requested that the sub-committee involve Financial Institution representatives, and also relevant representatives from Latin America and Asia in the revision exercise.</li> <li>ii. The BoG stated that it needs further clarity with regard to legal issues and their implications to the RSPO. The BoG also requested for the sub-committee to specifically present mitigation plans with regard to the legal implications outlined in the two (02) legal reviews commissioned for this policy.</li> <li>iii. The BoG agreed for a maximum allocation of USD100,000 per annum (applicable for the first 2 years) in the implementation of this policy, to be allocated in the RSPO Special Projects Fund.</li> <li>iv. The BoG requested for the sub-committee to present a revised proposal to the BoG at its September 2018 physical meeting.</li> </ul>	<p>HRD Sub Committee</p>
<p>5.0</p> <p>5.1</p> <p>5.2</p>	<p><b>Session with Complaints Panel</b></p> <p>Dato' HB and LSC briefed the Board on the recent developments of the Complaints Panel (CP), along with the performance indicators of the Complaints &amp; Appeals system within the RSPO.</p> <p>The CP informed the BoG that it expects the CP, the Complaints desk and all RSPO staff to strictly abide by the new procedures and related</p>	

	<p>SOPs to ensure adherence to procedures and timeline. In particular, the CP stressed on fundamental issues of confidentiality and Conflict of Interest (CoI).</p> <p>The CP also proposed the establishment of a committee to address the significant increase in complaints from Indonesia – to address the root cause(s) of these non-compliances prior to escalation into complaints.</p> <p>The BoG requested the Secretariat to check on the eligibility of BoG members to also be a Complaints Panel member.</p> <p>The BoG stated that it was pleased with the progress made in the Complaints &amp; Appeals system and thanked the CP for its work to date.</p>	<p>Complaints Panel</p> <p>Secretariat</p>
6.0	<p><b>RSPO membership – trends &amp; analysis</b></p>	
6.1	<p><u>Membership &amp; ACOP</u></p> <p>OSC briefed the BoG on the RSPO membership growth report and the analysis on ACOP, specifically CGMs. This was also an update on Resolution g12 6G, which included plans for detailed analysis on the progress of members in all sectors.</p> <p>The BoG agreed on the following action points:</p> <ol style="list-style-type: none"> <li>1. Review the ACOP questionnaire where relevant to be more consistent, and to obtain better data and missing information.</li> <li>2. Circulate the list of non-submitters to the BoG, those likely to be suspended or terminated if they do not respond within the stipulated time frame.</li> </ol> <p><u>Production &amp; Uptake</u></p> <p>DH presented the latest data and analysis on production and uptake of CSPO. The BoG suggested that further analysis be done on the data to fully understand the impact on the RSPO.</p>	<p>Secretariat</p> <p>Secretariat</p> <p>Secretariat</p>
7.0	<p><b>Finance Update</b></p>	
7.1	<p><b>Financial update for period ended 31 Mar 2018</b></p> <p>TS presented the financial position of RSPO for the period ended 31 Mar 2018.</p> <ul style="list-style-type: none"> <li>• Results for the period shows a surplus before forex and tax of RM1.6 mil. Overall income at RM32.1mil and operating costs at 14.3mil are higher compared to budget, while departmental/project costs for the period appears in line with budget. Total staff costs for the period was RM9.8mil and other one-off costs include withholding tax of RM590K and RT deficit of RM560K.</li> <li>• Based on current results, total income for the year is forecast to be slightly higher than budget at RM43.8mil, with contribution income expected to reach RM27.5mil. Operating costs are projected to increase to RM19.5mil.</li> </ul>	

<p>7.2</p> <p>7.3</p>	<ul style="list-style-type: none"> <li>● Net assets as at 31 Mar 2018 was at RM41.8mil, represented by the Members fund of 11.6mil, Smallholders Fund RM12.6mil and Special Projects Fund RM13.7mil. Currency Translation Reserve at the period end was RM3.9mil.</li> <li>● Net subscription due was RM3.6mil, Other Receivables of RM6.4mil include amounts due from UTZ of RM5.4mil and Other Payables include creditors balances of RM4.7mil.</li> </ul> <p><b>Indonesian Taxation Issue</b> TS updated that the Secretariat is ready to engage with the Indonesian Tax Office (ITO) and a letter has been sent to the arrange an appointment with ITO. PwC will be providing professional support when meeting the ITO.</p> <p><b>Internal Controls Review</b> Implementation of new procedures and controls are on-going. TS informed that an internal audit review will be conducted in September 2018 and a report of the audit is expected from BDO.</p>	
<p>8.0</p>	<p><b>Approval of Budget For FY2019</b></p> <ul style="list-style-type: none"> <li>● TS informed the BoG that the slide deck has been slightly amended to include Forecast for FY2018 to provide a better comparison to the budgets proposed.</li> <li>● A small surplus after tax is budgeted for FY2019 of RM199K, where income is projected to be at RM47.3mil with operating costs estimated to be slightly higher than FY2018 forecast. Departmental operational and discrete projects costs are estimated to be significantly higher compared to current year. Discrete projects include one-off projects such as activities relating P&amp;C review totalling RM2.0mil.</li> <li>● RSPO continue to support SENsOR project (Year 3) and outreach to local IMO's covering several regions under the Special Projects Fund.</li> <li>● The Smallholder Fund is sufficient to cover total commitments of RM4.9mil, with smallholder certification projects amounting to RM3.8mil. As previously reported, it was proposed that direct funding of new certification projects will be discontinued. For FY2019 a total budget of RM3.7mil is proposed to fund the implementation of the Smallholder Strategy.</li> </ul> <p><b>Decision:</b> The proposed Budget for FY2019 was endorsed.</p>	
<p>9.0</p> <p>9.1</p>	<p><b>Impact of HGU guidance by RSPO</b></p> <p>AP updated the BoG on the latest developments with regard to this matter. A meeting took place between IGC and the relevant Indonesian Government agency intended to clarify the use of HGU as the sole land title condition for certification purposes. An official letter is expected to be issued, stating that all certified plantations and mills prior to the Constitutional Court ruling are allowed to have continued renewal of certification. However, this letter will not specifically mention RSPO standards or certification system.</p>	

	<p>Hence, the BoG agreed to extend the exemption period until the end of 2019 <u>or</u> upon receiving an official letter from the Indonesian government (whichever comes first) for those already certified [prior to the HGU ruling]. The Secretariat will continue to monitor the situation and communicate the BoG's decision to the CBs.</p> <p>Following the above, the BoG requested that an email be sent within two weeks of the BoG meeting to communicate to all affected members. EC also requested that a Board paper detailing the chronology of events be produced as an official record.</p>	<p>Secretariat</p> <p>Secretariat</p>
<p>10.0 10.1</p>	<p><b>Performance dashboard</b> Organisational KPIs and Risk Register</p> <p>BT provided an update on the organisational KPIs and also informed the Board that the Secretariat had recently developed an internal SOP for risk management under the guidelines of ISO 31000 to ensure that methods of managing risk are aligned with its ISO 9001 processes.</p> <p>The BoG agreed for the Secretariat to work with the Governance Review committee as a sounding board and report to the BoG on in September 2018.</p>	<p>Secretariat</p>
<p>11.0 11.1</p>	<p><b>Annual Report from Standing Committees</b></p> <p>As stated in the Governance Manual, the Chairs of the Standing Committees were requested by the BoG to present key issues on an annual basis. SS presented on behalf of the Communication &amp; Claims (C&amp;C) SC, SY presented on behalf of the Trade &amp; Traceability (T&amp;T) SC, and AR and OT presented on behalf of the Standards &amp; Certification (S&amp;C) SC.</p> <p>The BoG requested that the T&amp;T SC discuss the newly presented uptake data and analysis and propose ways to communicate the findings.</p> <p>The Steering Groups made some proposals about the future committee structure and ways of working that were accepted by the BoG. The BoG requested that the next steps of this work to be co-created with the committees, and for the Governance Review committee to report back to the BoG on this in September.</p>	<p>T&amp;T SC</p> <p>Governance Review committee</p>
<p>12.0 12.1</p>	<p><b>Strategic partnership with HCVRN</b></p> <p>PV presented the proposed strategic partnership between HCV Resource Network (HCVRN) and RSPO.</p> <p>The Secretariat informed the BoG that a workshop will be held in July to discuss in further detail the proposed strategic partnership and funding assistance from the RSPO to HCVRN. The BoG requested that the Secretariat present the outcome of the workshop to the BoG in September 2018, and address the urgency of the short-term funding request, specifically to clear the backlog of cases.</p>	<p>Secretariat</p>

13.0	<b>AOB</b>	
13.1	IH suggested that RSPO support certification throughout the supply chain.	
13.2	DH informed the BoG that many suppliers in Latin America want to be RSPO certified, but there is a delay in getting a response from the Secretariat on their queries (in Spanish). DH suggested that the Secretariat increase internal resource to address this issue.	Secretariat
13.3	BH raised concerns about the considerable “asks” of the P&C Review Taskforce, especially for the upcoming TF6 meeting. She suggested that the Task Force is allowed some flexibility in prioritising its time at TF6.	
	Meeting adjourned at 5.30pm.	