

## **Contents**

|     |  |   |
|-----|--|---|
| 1.0 | Background   | 2 |
| 2.0 | Objectives   | 2 |
| 3.0 | Mandate  | 3 |
| 4.0 | Structure and Composition of the MDSC                                    | 4 |
| 5.0 | Meeting  | 5 |
| 6.0 | Role of RSPO Secretariat   | 6 |
| 7.0 | Retirement Criteria/Reselection of inactive MDSC Members                 | 6 |
| 8.0 | Management   | 7 |
|     | Appendix 1: Market Development Standing Committee (MDSC) Code of Conduct | 8 |

## 1.0 Background

In 2018, the RSPO Board of Governors (BoG) has endorsed RSPO's Theory of Change (ToC) with the overall vision of making sustainable palm oil the norm.

In March 2019, the RSPO BoG has endorsed a proposal from RSPO Governance Project for 'Reorganisation of Standing Committees, Task Forces and Working Groups' where the following Standing Committees have been established:

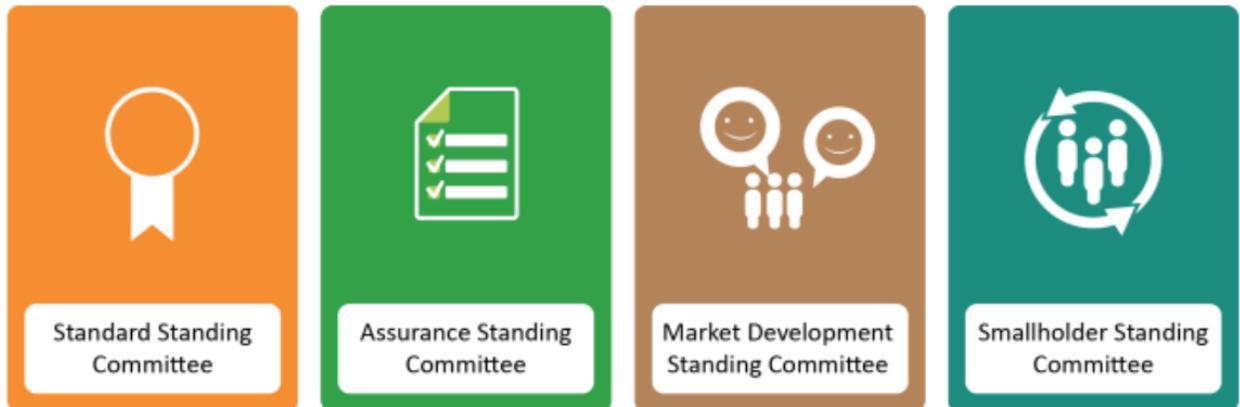


Figure 1 - BoG Endorsed Standing Committees

The continual expansion of the RSPO, in membership, activities, global receptivity, and issues it has to deal with, needs an increasing degree of distributed management for it to keep pace. The way RSPO endeavours to achieve this is through an efficient and robust operating structure which consists of the RSPO BoG, Standing Committees, Working Groups, Sub Groups and Task Forces. Standing Committees are established on a permanent basis to analyse issues within their areas of jurisdiction and make recommendations to the BoG. Standing Committees also help the BoG monitor and evaluate organisational performance in relation to its areas of responsibility.

This paper outlines the intent of establishing the Market Development Standing Committee (MDSC) by the RSPO. *This committee shall replace the previous function of Trade and Traceability Standing Committee (T&T) & Communications & Claims Standing Committee (C&C), which now has ceased upon endorsement of the RSPO Governance Review.*

## 2.0 Objectives

The objectives of the MDSC are to provide direction and contribute to the RSPO standard settings, via Terms of Reference (ToR) and work programmes of the RSPO Secretariat.

In consultation with the former T&T and C&C Standing Committees and during the Board of Governors Governance Review, it was determined that the MDSC advise on the below most critical objectives and develop strategies that address these priorities:

- Demand generation, commitment & uptake
- Shared responsibility for aligning supply & demand upon request by the Shared Responsibility Working Group (SRWG)
- Engagement of the supporting sustainable palm oil sector
- Traceability of the palm oil supply chain
- Trademark and Communication Rules
- Marketing Communications
- Regional Market Development – with a focus on Asia/Pacific, Europe and the Americas.
- Supporting the Annual Communication on Progress (ACOP) reporting process, particularly as it relates to the data requirements for the ACOP and communication of the results

### 3.0 Mandate

The mandate of the MDSC is as follows:

- To oversee and provide the necessary recommendations and/or guidance during the development process of any relevant market development strategy and/or guidance;
- To oversee and review decisions throughout the implementation of the market development strategy and to ensure that the guiding principles are respected in the decision making process;
- To form one (or more) Working Group(s) or Task Force(s) to be responsible for delivering a specific output of the market development. These subgroups will report back to the MDSC and where appropriate, the MDSC will evaluate and decide on the recommendations of the Working Group(s);
- Amongst others, the most important mandate of MDSC include strategies that address these priorities:
  - Outreach, Engagement and Communications
  - Regional Market Development
  - Supply Chain Traceability
- To approve relevant RSPO document(s) for BoG endorsement.

In principle, all normative documents will require the endorsement of the BoG, whereas informative documents (including but not limited to guidance documents, tools, procedures, etc.) may be decided at the discretion of the MDSC. Notwithstanding the above, the MDSC shall have the discretion to decide whether any document shall be put forth to the BoG for endorsement and/or to recommend BoG to bring it to the General Assembly for adoption.

The MDSC may create Working Groups and Task Forces to undertake specific assignments within its areas of responsibility or may take responsibility that is assigned to them for Working Groups or Task Forces created by a BoG decision or a General Assembly decision or resolution.

Unless otherwise specified, the mandate of all Working Groups shall be up to two (02) years, at which time it shall be reviewed by the MDSC.

Task Forces will generally be formed to specific, measurable and time-limited objectives, including a date for winding-up of their work. Task Forces that are established as part of, or in response to, GA resolutions should be assigned a timetable for their work that allows for reporting back to the following year's GA. Membership of Task Forces may be weighted more towards technical knowledge of the topic under discussion than broad stakeholder involvement.

Once the MDSC has formed or been assigned responsibility for a Working Group or Task Force, it shall define its terms of reference (using the generic procedures in this document except where there is a pressing need to vary them). The Working Group or Task Force shall also appoint the Chair or co-Chairs of the Working Group or Task Force and shall instruct the Working Group or Task Force on its reporting requirements (including frequency and content).

#### 4.0 Structure and Composition of the MDSC

The MDSC is a sub-group of the Board of Governors (BoG). The BoG, at its sole discretion, may propose changes to the composition of the MDSC to serve RSPO and its objectives.

The MDSC shall comprise of RSPO members only. Membership in the MDSC is institutional rather than individual; change in employment status must be reflected in the composition of the Committee. Substantive MDSC members can nominate alternate members within the same constituency if they are unable to attend the meeting and ensure that there is a continuity in the discussion.

The BoG shall appoint the Chair of the MDSC and may appoint more than one person as Co-Chairs. The MDSC shall be co-chaired by two members, one of whom must be a representative of the supply chain.

The BoG shall also appoint one Governor to serve on the MDSC as the link between the BoG and the Committee.

The BoG may also appoint other Governors to serve on the MDSC as part of the agreed membership structure of the MDSC up to a maximum of 50% minus one of the Committee's memberships.

All appointments made by the BoG shall be for a maximum of two (02) years or until the nominee ceases to be a Governor, whichever is earlier. The BoG may re-appoint someone who has reached the end of their term on the MDSC but who remains a Governor.

All other appointments shall be organised and decided on by the MDSC and notified to the BoG at its first meeting following any such appointment (unless that meeting is within two weeks of the MDSC meeting in which case the BoG may be notified at its subsequent meeting).

The MDSC Chair or Co-Chairs shall, in consultation with the Secretariat, review nominations to verify that they meet the requirements of membership and that there is a vacancy within the MDSC's membership structure.

In the event that there are more nominations than vacancies, the MDSC Chair or Co-Chairs shall, in consultation with the Secretariat, agree to a transparent, fair and impartial process for deciding who is appointed to the MDSC.

Appointments to the MDSC are for terms of two (02) years but members may seek re-nomination for subsequent terms without limit.

The MDSC may invite experts to participate in discussions requiring specific expertise in conservation, environmental management, regulatory frameworks, or certification services. Other invited experts may be appointed at the discretion of the Committee.

To ensure effective discussions and decision making, the ideal structure of the MDSC is as follows:

*Table 2 - Composition of the Market Development Standing Committee*

| <b>Sector</b>       | <b>Division</b>             | <b>Total</b> |
|---------------------|-----------------------------|--------------|
| <b>Grower</b>       | Malaysia                    | 1            |
|                     | Indonesia                   | 1            |
|                     | ROW                         | 1            |
|                     | Smallholder                 | 1            |
| <b>NGO</b>          | Environmental               | 2            |
|                     | Social                      | 2            |
| <b>Supply Chain</b> | Processor & Trader          | 2            |
|                     | Consumer Goods Manufacturer | 2            |
|                     | Retailer                    | 2            |
|                     | Financial Institution       | 2            |
|                     | <b>TOTAL</b>                | <b>16</b>    |

### 5.0 Meeting

The MDSC endeavours to organise meetings four (4) times a year, either face to face or via teleconference, whichever is deemed necessary.

The Co-Chairs of the MDSC and the RSPO Secretariat will have frequent communication updates for arrangement of such meetings.

Minutes of meetings and clarification of decisions made by the MDSC are to be shared within one month with the MSDSC, and published on the website no later than two months after each meeting.

In order to meet the objectives of the MDSC, it is necessary to establish an annual work development program which includes objectives, activities, timelines, budgets and deliverables.

Members of the MDSC shall also respect the “Chatham House Rule” in their reporting of MDSC discussions. This means that while remarks made during meetings may be repeated, they should not be attributed to an individual MDSC member, except where an attributed comment has been included in the approved minutes of that meeting.

#### **6.0 Role of RSPO Secretariat**

The RSPO Secretariat will provide the financial, human and logistical support that the MDSC requires to meet, conduct business and achieve its objectives. The Outreach & Engagement Department of RSPO Secretariat will be the primary source of assistance and support to the MDSC.

The RSPO Secretariat, upon consulting the Chair (or Co-Chairs), will make all the necessary arrangements to call for all meetings and ensure it meets the quorum to conduct a meeting.

The RSPO Secretariat will coordinate and facilitate the operations of the MDSC as well as take the lead in implementing the desired activities and deliverables of the Committee, which may include identifying appropriate facilitators, project management, research and identifying resources, as well as appointing consultants to undertake mandated tasks.

#### **7.0 Retirement Criteria/Reselection of inactive MDSC Members**

The MDSC can exercise the right to retire the membership of a member. However, the decision must be made by consensus of the MDSC (excluding the affected party).

The reasons (not exhaustive) for the MDSC to consider retirement of a member are:

- Absence from meetings for three consecutive meetings without a justified reason for not attending these meetings.
- Persistent refusal to furnish information deemed necessary for (optimal) functioning of the MDSC. Information requested, if deemed beneficial to the objectives of the committee, shall not be unreasonably withheld except for those which are commercially sensitive and/or prohibited by law for dissemination;
- Persistent refusal to sign the RSPO Code of Conduct.

Retirement of MDSC membership will be informed in writing to the MDSC Co-Chairs, with the Co-Chairs of the BoG and RSPO Chief Executive Officer (CEO) in copy.

The Co-Chairs will invite the constituents of the affected sectoral and/or geographical stakeholder group to nominate a new representative to the MDSC.

## 8.0 Management

Each member must declare any conflict of interest any matters on the agenda and/or matters arising at the beginning or during the meeting. Should a conflict of interest exist, the member concerned must recuse themselves from the decision-making process or sensitive discussions.

Members and invited experts who have been privy to the discussions shall not use their position on the MDSC and/or information obtained to obtain monetary gain or bid for any projects commissioned by the MDSC directly or indirectly through organisation with whom they are associated. For example, members and invited experts who observe discussions about developing project ToRs will not be allowed to tender, and/or participate in the tender evaluation/selection processes.

All members of the MDSC are required to sign the Code of Conduct.

All outcomes and decisions are made on a consensus basis<sup>1</sup>, members shall ensure the accuracy of the information and that the interpretation of all outcomes and decisions of the MDSC are consistent with the consensus reached within the MDSC.

If consensus is not possible for any specific issue, at least 75% of the Committee members are required to vote in favour for the adoption of a decision, and shall include at least one supporting vote from each membership category.

If a decision still cannot be reached through the mechanism above, the Chair (or co-Chairs) of the MDSC may declare a deadlock and refer to the BoG for the final decision.

Minutes of the meeting and clarifications of decisions made by the MDSC are to be shared no more than two months after the meeting.

In order to fulfil these tasks and meet objectives, it will be necessary to establish a yearly work program including a series of targets or deliverables including resources.

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<sup>1</sup> "Consensus" is defined by ISO as "general agreement, characterised by the absence of sustained opposition to substantial issues by any important part of the concerned interests and by a process that involves seeking to take into account the views of all parties concerned and to reconcile any conflicting arguments". The definition notes, "Consensus need not imply unanimity".

**Appendix 1: Market Development Standing Committee (MDSC) Code of Conduct**

It is fundamental to the integrity, credibility and continued progress of the MDSC that every member supports, promotes and works towards the production and use of Sustainable Palm Oil and the work of the Roundtable on Sustainable Palm Oil (RSPO).

Every member organisation and individual must act in good faith towards this objective and commit to adhering to the principles set out in this Code. This Code applies to all Members of the MDSC.

**Promotion and Commitment**

Member organisations will acknowledge their membership of the MDSC and its objectives, the Principles and Criteria (P&C) of the RSPO and its implementation process through informed and explicit endorsement. Members of the MDSC will promote and communicate this commitment throughout their own organisation.

**Transparency**

Members will not make any misleading or unsubstantiated claims about the production or use of sustainable palm oil. Members will commit to open and transparent engagement with interested parties, and actively seek resolution of conflict.

**Breaches of this Code**

Breaches of this Code may lead to exclusion from the MDSC. Members will seek to resolve grievances directly with other member organisations, and will not make unsubstantiated allegations of breaches against other members

Prior to taking public action in cases of unresolved allegations of breaches of this Code, members shall report breaches to the Co-Chairs of the MDSC and the Member Category Representative in RSPO Board of Governance, which will deal with the alleged breaches in accordance with the RSPO Grievance Procedure.