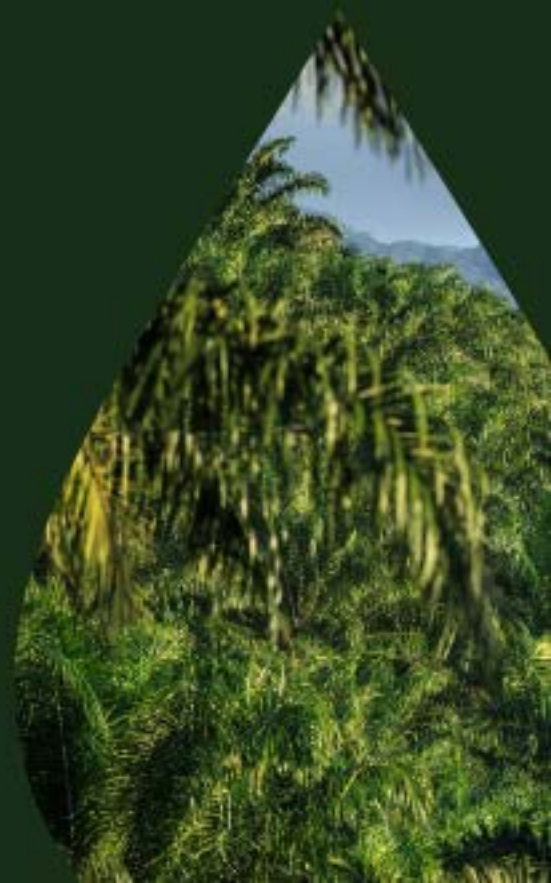




# GA 21

21<sup>ST</sup> GENERAL ASSEMBLY  
OF RSPO MEMBERS

|| TREASURER'S REPORT



# TREASURER'S REPORT

The purpose of the Treasurer's report is to provide an overview of and commentary on the financial position of the Roundtable on Sustainable Palm Oil (RSPO) and related matters. This report should be read in conjunction with the audited financial statements for the year ended 30 June 2024. In addition to reviewing the audited historical information, it includes a summary of the RSPO budget for the year ended 30 June 2025. This information offers members insight into the organisation's planned direction and serves as a basis for the approval of both the audited financial statements and the budget at the General Assembly.

The consolidated audited financial statements and budget combine the reporting of the RSPO, which is registered in Switzerland, along with its subsidiaries RSPO Secretariat Sdn. Bhd. (RSPOSSB) in Malaysia and RSPOSSB's subsidiaries - PT RSPO Secretariat Indonesia, in Indonesia and RSPO Secretariat North America LLC, in the USA, as well as RSPOSSB's representative or branch offices in the UK, China, Colombia and Netherlands. This consolidated format is appropriate to provide a comprehensive view of the financial affairs of RSPO and is consistent with the reporting structure of previous years. Separate consolidated audited financial statements for RSPOSSB and its subsidiaries are available on request but will not be distributed with the consolidated accounts, as it is expected that most members will be satisfied with group accounts.

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), which fully comply with International Financial Reporting Standards ("IFRS"). Ernst & Young, the auditors, have confirmed in their audit report that the financial statements give a true and fair view of the financial position and financial performance of RSPO for the year ended 30 June 2024.

## ORGANISATIONAL STRUCTURE

RSPO is a members' organisation, and the responsibility for its financial affairs rests with the Board of Governors. To oversee these matters, the Board has established a Finance Committee chaired by the Treasurer, and including the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and up to three other Board members. Day-to-day financial tasks are delegated to the CEO and CFO.

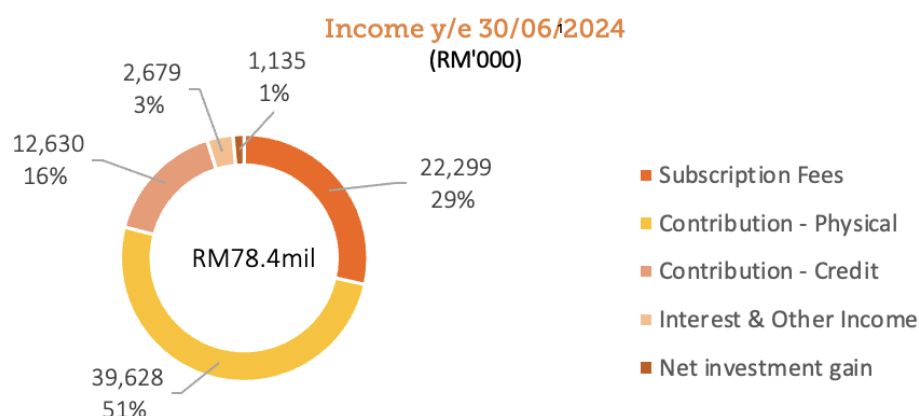
In addition to the Treasurer, the current Board members on the Finance Committee are Olivier Tichit of Musim Mas Holdings Pte. Ltd., Kamal Prakash Seth of WWF International, and JT Lee of Standard Chartered Bank. The Committee meets at least quarterly to discuss and address financial, compliance and administrative matters.

RSPO Secretariat Sdn. Bhd. is a service company incorporated in Malaysia, with its headquarters in Kuala Lumpur, providing RSPO with a legal entity in Malaysia. It is the employer of all secretariat staff based in Malaysia, as well as those in the branch offices. Similarly, PT RSPO Secretariat Indonesia performs these functions in Indonesia.

## INCOME & EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2024

	30 Jun 2024 RM '000	30 Jun 2023 RM '000
<b>INCOME</b>	78,371	73,195
<b>EXPENDITURE</b>		
Operating expenditure	(56,650)	(46,362)
Divisional costs (including projects)	(20,620)	(23,046)
	(77,270)	(69,408)
<b>SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION</b>	1,101	3,787
Taxation	(1,522)	(1,744)
<b>SURPLUS FOR THE YEAR</b>	(421)	2,043

We ended the financial year with a deficit after tax of RM421,000 (2023: RM2.0 million surplus). Total income increased by 7% to RM78.4 million (2023: RM73.2 million) while operating costs increased to RM56.6 million (2023: 46.4 million) and divisional costs were lower at RM20.6 million (2023: RM23.0 million).

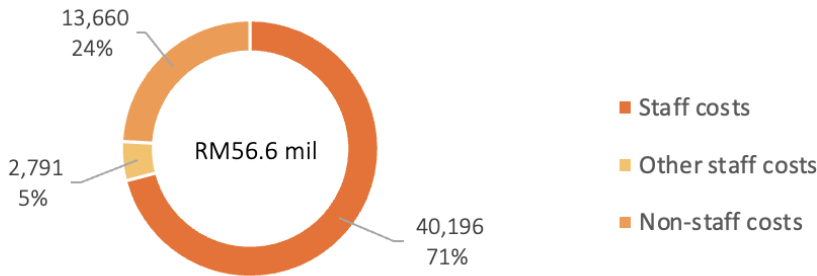


Income principally consists of member subscriptions and contribution from certified sustainable palm oil (CSPO) trade. As of 30 June 2024, total membership reached 5,938 (2023: 5,643), including 2,307 (2023: 2,201) Ordinary members, 3,509 (2023: 3,323) Supply Chain Associate members, and 122 (2023: 119) Affiliate members. Subscription income increased by 13% totalling RM22.3 million (2023: RM18.7 million) while contributions from CSPO trades only saw a small increase of 1% to RM52.3 million (2023: RM51.9 million). Income in Ringgit is affected by exchange rates, with subscriptions denominated in Euros and contributions in USD.

Interest income includes RM679,000 from bond investments, while the net investment gain from the total portfolio amounted to RM1.1 million as of the financial year-end (2023: Nil – see Investments below).



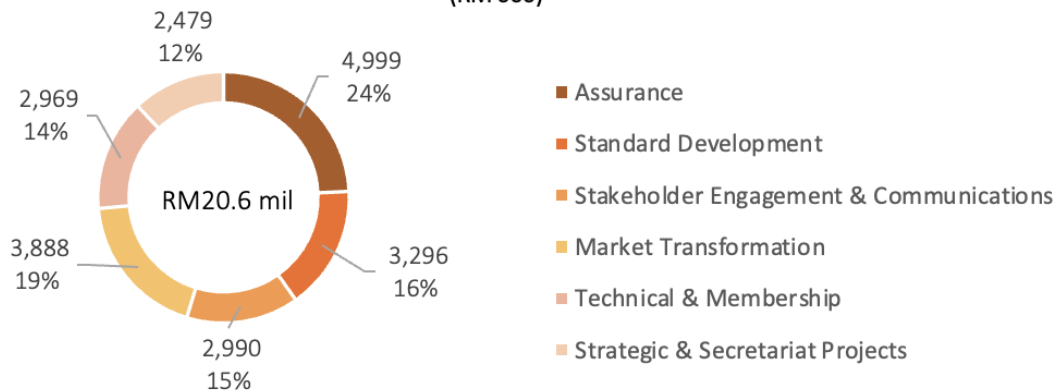
**Operating Costs y/e 30/06/2024**  
(RM'000)




Major operating expenditures included staff-related costs totalling RM43.0 million (2023: RM35.7 million), comprising payroll and associated costs of RM34.3 million (2023: RM27.3 million), contract staff costs (classified under consultancy fees) of RM7.7 million (2023: 7.0 million) and recruitment costs of RM1 million (2023: RM1.4 million). Payroll and contract staff costs increased by 22% or RM7.7 million compared with last year. This rise is due to planned hiring of an additional 18 full-time equivalent staff, salary adjustments following a benchmarking exercise during the second half of the financial year, and delayed salary increments and ex-gratia payments. It is also worth noting that, some additional hired, amounting to RM1.4 million, were made to support the prisma development project.

Professional fees, including auditors' fees, amounted to RM2.1 million (2023: RM2.0 million). Other significant operating costs during the year include one-time expense of RM1.5 million for the initial assessment of the new Certification, Trade and Traceability System, named prisma, prior to its development.

**Project Costs y/e 30/06/2024**  
(RM'000)



Project costs consisted of third-party expenses incurred by RSPO's various divisions, as well as discrete project costs. Combined, divisional operating costs and discrete projects amounted to RM20.6 million for the financial year (2023: RM23.0 million). Major divisional operating expenses included RM2.6 million for external review of land use change analysis (LUCA), RM0.8 million for events and collaborations, and RM1.8 million for convening physical meetings of RSPO groups. Significant discrete project costs included RM1.2 million for P&C review, RM0.5 million for developing a screening methodology for HCV and HCS for Jurisdictional Approach, and RM0.4



million for developing technical content for P&C lead auditor training programme and the RSPO Independent Smallholder Standard course for endorsed trainers.

Taxation provisions are based on RSPO being taxable in Malaysia on income not deriving from ordinary members. Since most income comes from ordinary members, the tax charge historically has been relatively low, with the majority arising from RSPO Secretariat Sdn. Bhd. The higher tax expense this year was again primarily due to provisions made for RSPO Secretariat Sdn Bhd, linked to transfer pricing, and interest from deposits and investments. The overall tax charge is similar to 2023.

## CASH FLOW

Cash, bank deposits and liquid investments amounted to RM79.1 million at 30 June 2024 compared with RM89.5 million at the start of the year, a cash outflow of RM10.4 million. Cash inflows from operations amounted to RM0.4 million, with outflows during the year including RM1.6 million from the Smallholder Fund, RM2.6 million from the Special Projects Fund, RM5.0 million in prisma development and RM1.5 million on other capital expenditure. Net cash outflows are also expected in the 2024/25 financial year, particularly with regard to prisma.

## FINANCIAL POSITION


As of 30 June 2024, RSPO's net assets totalled RM76.8 million (2023: RM80.5 million), consisting of the Members Fund at RM53.9 million (2023: RM57.6 million), the Smallholders Fund at RM10.7 million (2023: RM9.1 million), the Special Projects Fund at RM3.6 million (2023: RM7.2 million), and the Currency Translation Reserve at RM8.6 million (2023: RM7.5 million). The RSPO's balance sheet remains strong, with sufficient liquid reserves to meet ongoing needs.

RSPO's principal assets as of 30 June 2024 included cash balances and fixed deposits totalling RM31.4 million (2023: RM89.5 million). Receivables from unpaid membership subscriptions (before provision for bad debt) stood at RM2.2 million (2023: RM2.3 million) (Note 14 to the financial statements), and supply chain contributions receivable from sustainable palm oil trade amounted to RM5.1 million (2023: RM4.0 million) (Note 15 to the financial statements) which is equivalent to one month's contributions and was fully paid after the financial year-end. Deferred income from subscriptions relating to the period after 30 June 2024 was RM10.9 million (2023: RM10.4 million) (Note 19 to the financial statements).

During the year, the development of prisma, the new RSPO digitised system, including trade management, commenced in February 2024 and is currently in progress. The development costs incurred as at the financial year-end amounted to RM5 million and were capitalised under intangible assets (Note 11 to the financial statements).

In November 2023, RSPO began implementing its Investment Policy (IP) for surplus funds by initiating investments managed by a Swiss investment manager, with an initial fund of USD10 million. The asset allocation for the portfolio, in line with the IP, was completed by May 2024. The total valuation of investments as of 30 June 2024 amounted to RM47.7 million (Note 25(b) to the financial statements) with an overall satisfactory





return of 4%. A conservative approach has been taken, with less than 15% in equities and the remainder in bonds and other fixed interest investments.

The Currency Translation Reserve arises from translations of assets (mainly cash and investments) and liabilities in foreign currencies, primarily US dollars, the functional currency, into Ringgit, the reporting currency. The net currency translation difference of RM1.0 million at the year-end represents an unrealised gain due to the stronger US dollar. At the close of the financial year, the Ringgit to US dollar exchange rate was at RM4.7 (2023: RM4.7).

RSPO maintains a policy of having designated operating reserves equivalent to 6 months of operating costs, serving as a contingency fund to ensure an orderly wind-down if necessary. Given the projected increase in operating costs for FY 2025 (see Budget FY 2025 below), the minimum designated operating reserves has been set at RM34 million (2023: RM25.5 million). Actual reserves in the Members' Fund amounted to RM53.9 million at 30 June 2024.

## **SMALLHOLDERS FUND** (NOTE 21 OF THE FINANCIAL STATEMENTS)

The Smallholders Fund supports smallholder certification and related activities. Total disbursements for the year were RM1.6 million (2023: RM1.0 million), leaving a fund balance of RM10.7 million at the end of the financial year after a transfer of RM3.3 million from the Members' Fund. There are sufficient funds to meet the total commitments to certification projects, which amount to RM6.1 million (2023: RM5.5 million).

## **SPECIAL PROJECTS FUND** (NOTE 22 OF THE FINANCIAL STATEMENTS)

During the year, RM2.6 million (2023: RM2.9 million) was disbursed from the Special Projects Fund, primarily to outreach by intermediary organisations, the SEnSOR impacts project and the collaboration project with Yayasan Setara Jambi to accelerate sustainable palm oil certification by independent smallholders in Jambi, Indonesia. The fund balance at the year-end amounted to RM3.6 million (2023: RM6.2 million), with outstanding commitments totalling RM4.6 million.

## **BUDGET FOR FINANCIAL YEAR 2025**

In preparing the budget for FY 2025 earlier in the year, we considered the following key factors:

- i. **Certification, Trade, and Traceability (CTTS):** The new platform, prisma, will replace PalmTrace and digitise RSPO's certification processes, designed also to comply with the EU Deforestation Regulation (EUDR). It requires a total investment of up to USD5 million, funded from RSPO reserves.
- ii. **EU Deforestation Regulation (EUDR):** Effective end of December 2024, but now proposed to be deferred by one year, EUDR mandates strict due diligence for trading oil palm products in the EU. The impact on RSPO income from certified trading income is unclear.

- iii. **Trade Management:** The prisma platform will bring CSPO trade management in-house, introducing administration fees as a new income stream mitigating the amortisation of development costs. Initial set-up and running expenses are expected to be higher in the first year.
- iv. **Change in Income Recognition:** From December 2024, following trade management moving in-house, CSPO contribution income will shift from recognition based on reported receipts to an accrual basis, with contributions recognised based on actual CSPO sales. This will provide a one-off gain and cash flow benefits.

The following is a summary of the budgeted income and expenditure for the year ending 30 June 2024, as approved by the Board of Governors in June 2023 (prior to completion of the audited accounts).

	Budget 30 Jun 2025 RM '000	Audited 30 Jun 2024 RM '000
<b>INCOME</b>		
Subscription income	23,800	22,299
Contributions from sustainable palm oil trade	61,200	52,259
Trade administration fee	8,600	-
Interest, investment & other income	3,191	3,813
	<u>96,791</u>	<u>78,371</u>
<b>OPERATING COSTS</b>		
Payroll costs (including consultants)	(44,915)	(40,196)
Other staff costs	(4,126)	(2,791)
Non-staff costs	(10,586)	(11,767)
Trade management expenses	(8,268)	-
	<u>(67,895)</u>	<u>(54,754)</u>
<b>DIVISIONAL COSTS</b>		
Recurring costs	(15,617)	(13,954)
Discrete projects	(8,768)	(6,666)
	<u>(92,280)</u>	<u>(75,374)</u>
<b>SURPLUS BEFORE INTEREST, TAXES, DEPRECIATION</b>		
	4,511	2,997
Depreciation	(4,263)	(1,796)
Finance costs	(171)	(100)
<b>SURPLUS BEFORE TAXATION</b>	<u>77</u>	<u>1,101</u>
Taxation	(2,080)	(1,522)
<b>(DEFICIT)/SURPLUS AFTER TAXATION</b>	<u>(2,003)</u>	<u>(421)</u>

Exceptionally, a deficit of RM2.0 million after taxation is budgeted for FY 2025. Total income, excluding interest and other income, is projected to increase by 14% compared with FY 2024. Subscription income is expected to increase by 7% to RM23.8 million, while contributions from CSPO trade estimated to grow by 17% to RM61.2 million, following the change in income recognition and receipt of outstanding contributions receivable after the transition to prisma. Income from interest and investment for the year is estimated to be at RM3.2 million.

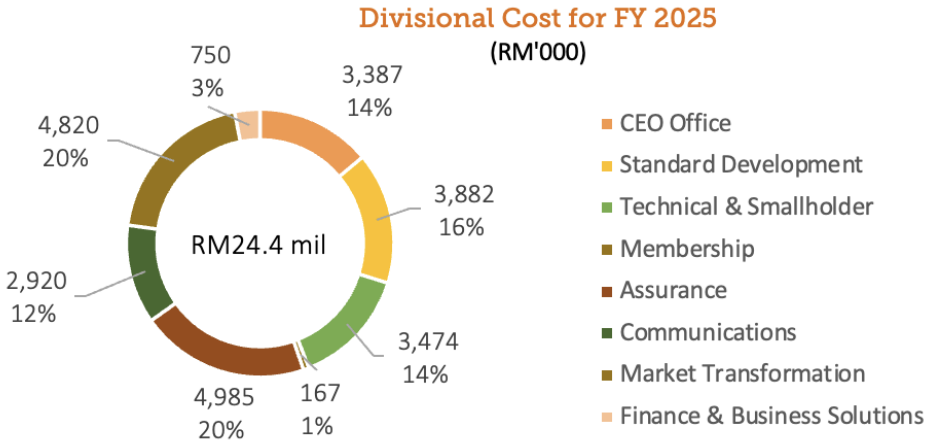


Trade administration fees for CSPO trade will continue at current PalmTrace rates of — USD0.30 per MT for CSPO Physical and Credit, and USD0.14 per MT for CSPK Physical — estimated to bring in RM8.6 million based on projected sales. The FY 2025 budget accounts for these fees only during the second half of the financial year, as the transition from PalmTrace to the new prisma platform is scheduled for December 2024. However, related costs (trade management expenses above) are budgeted to be higher in the first period of operation of prisma than in future years, at RM8.2 million.

Total operating costs, excluding depreciation and finance costs, are budgeted to rise to RM67.9 million, up from RM49.3 million in FY 2024. The main driver of this increase (as well as trade management expenses noted above) is payroll expenses, including contract staff, which are estimated to reach RM44.9 million, as the Secretariat continues its recruitment efforts, aiming to increase the headcount to 190 from 169 at the start of FY 2025.

**DIVISIONAL COSTS**

Plans for projects and activities were proposed by the respective divisions for FY 2025 with a total budget of RM24.4 million. This includes RM15.9 million for divisional operating costs and RM8.8 million for discrete projects.



Key projects planned for FY 2025 are RM650,000 for governance review and implementation (CEO Office), RM1.1 million for the P&C 2024 standards review process including providing support for the national interpretation process (Standards Development), and RM1.0 million for developing training courses, material, and online learning management system (Technical). Divisional costs are supported by a full list of projects planned.

The capital expenditures for FY 2025 also include development costs for the ongoing prisma project, estimated at USD3.1 million (approximately RM13.3 million).

The FY 2025 budget is based on key assumptions, including no increase in CSPO sales, a change in income recognition for CSPO trade contributions, and the addition of prisma Trade Management as a new operational unit generating income for RSPO. The budget aims to ensure financial stability while accommodating the new income structure, which provides a platform for continuing growth.







## RSPO SECRETARIAT SDN. BHD.

RSPO Secretariat Sdn. Bhd. (“RSPOSSB”) reported a profit after tax of RM1.4 million for the year ended 30 June 2024 (2023: RM562,000). The income of RSPOSSB comprises employee related expenses, and the administrative and operating costs of running the head office and regional offices being recharged to the RSPO, termed as management fees, charged at arm’s length based on a mark-up of the operating expenses. They are in full compliance with transfer pricing requirements.

As of 30 June 2024, the net assets of RSPOSSB amounted to RM4.9 million (2023: RM3.6 million).

## FUTURE PROSPECTS

In the first quarter of the FY 2025, total income and expenditure aligned with the budget, reinforcing confidence in RSPO’s financial position. We continue to closely monitor and review income, expenditure, and cash management, particularly considering the significant ongoing capital expenditures relating to digitisation. If income falls short, cost-cutting measures may be implemented; conversely, if it exceeds expectations, discretionary spending may be possible, subject to Board approval. A financial model is being developed to guide long-term financial planning and assess the implications of the ongoing strategic plan, under the Finance Committee’s oversight.

The RSPO financial position remains strong, with the current financial model effectively supporting the organisation’s needs. It has provided the financial stability and capability for future growth and development, enabling RSPO to operate independently without reliant on third-party funding. This strong financial foundation presents an opportunity to achieve and surpass strategic and operational objectives, particularly as prisma is established.

**Tim Stephenson**

RSPO Treasurer