



GA22

| 22ND GENERAL ASSEMBLY
| OF RSPO MEMBERS

| TREASURER'S REPORT

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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). This report should be read in conjunction with the audited financial statements for the year ended 30 June 2025. Beyond the historical audited information, this document also summarises the RSPO budget for the year ending 30 June 2026, offering members insight into the organisation's planned direction and providing a basis for approving 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 (registered in Switzerland), and its subsidiaries: RSPO Secretariat Sdn. Bhd. (RSPOSSB) in Malaysia, PT RSPO Secretariat Indonesia and RSPO Secretariat North America LLC. This consolidation also includes RSPOSSB's representative or branch offices in the UK, China, Colombia and the Netherlands. Ensuring a comprehensive view of the group's financial affairs, consistent with previous reporting structure.

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), which are fully compliant 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 2025.

ORGANISATIONAL STRUCTURE

RSPO operates as a members' organisation, and the ultimate responsibility for its financial affairs rests with the Board of Governors (BoG). To ensure proper oversight, the BoG 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.

Current Board members serving on the Finance Committee include 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.

RSPOSSB is incorporated in Malaysia with its headquarters in Kuala Lumpur, serves as a service company and the legal entity in Malaysia. It is the employer of all secretariat staff based in Malaysia, and those located in the branch offices. PT RSPO Secretariat Indonesia performs similar functions in Indonesia.

Patrick Chia has been the financial lead of the RSPO for eleven years and has performed stoically over that period, overseeing the RSPO finances with a calm assurance. The RSPO thanks Patrick for his service and wishes him well in his future endeavours. Thien Shy Yiing has been appointed as the new head of finance at the Secretariat.

INCOME & EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2025

The financial year concluded with a significant surplus after tax of RM9.1 million marking a strong turnaround from the RM0.4 million deficit reported in 2024. However, the main driver of this increase was a non-recurring gain of RM7.6 million in the year arising from RSPO introducing the prisma system and assuming trade management responsibilities previously undertaken by Rainforest Alliance (RA). This one-off gain arises from earlier income recognition as invoicing for contributions arising from trade contributions is now undertaken by the RSPO rather than RA.

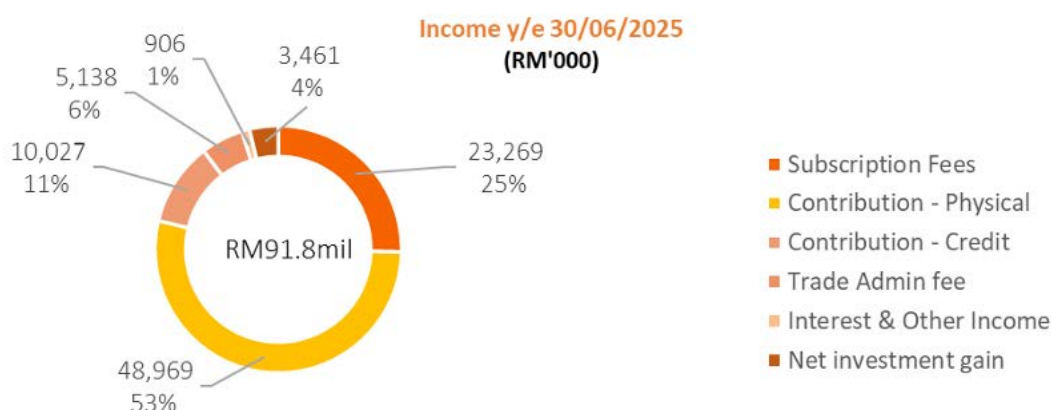
In addition, effective from February 2025 trade administration fees have been receivable by the RSPO rather than RA. During the financial year such fees amounted to RM5.1m, also increasing RSPO income, and related costs amounted to RM3.2m.

	30 Jun 2025	30 Jun 2024
	RM '000	RM '000
INCOME	91,770	78,371
EXPENDITURE		
Operating expenditure	(62,174)	(56,650)
Divisional costs (including projects)	(18,192)	(20,620)
	(80,366)	(77,270)
SURPLUS OF INCOME OVER EXPENDITURE BEFORE TAXATION	11,404	1,101
Taxation	(2,262)	(1,522)
SURPLUS/(DEFICIT) FOR THE YEAR	9,142	(421)

Total income saw a 17% increase, reaching RM91.8 million (2024: RM78.4 million) while operating costs increased to RM62.2 million (2024: 56.6 million) and divisional costs were lower at RM18.2 million (2024: RM20.6 million). The combination of strong income growth, partly from the one-off contributions noted above after the transition from PalmTrace to prisma, and lower divisional costs drove the substantial increase in the pre-tax surplus of RM11.4 million compared to RM1.1 million in 2024.

Income was primarily derived from membership subscriptions, contributions generated through certified sustainable palm oil (CSPO) trade and the trade administration fees from CSPO trades conducted in prisma.

	30 Jun 2025	30 Jun 2024	Change
	RM '000	RM '000	%
Subscription income	23,269	22,299	4% increase
Contributions from CSPO trades	58,996	52,259	13% increase
Trade administration fees	5,138	-	



As of 30 June 2025, total membership reached 6,163 (2024: 5,938), including 2,367 (2024: 2,307) Ordinary members, 3,660 (2024: 3,509) Supply Chain Associate members, and 136 (2024: 122) Affiliate members. Subscription income increased by 4% totalling RM23.3 million (2024: RM22.3 million) while contributions from CSPO trades increased by 13% to RM59.0 million (2024: RM52.3 million).

Other income streams included interest income of RM1.5 million (2024: RM2.4 million), reflecting reduced cash balances as excess funds were moved to the investment portfolio and cash outflows to fund prisma development. The net gain from the investment portfolio amounted to RM2.5 million as of the financial year-end (2024: RM1.1 million).

Income in Ringgit is susceptible to exchange rates fluctuation, as subscriptions denominated in Euros and contributions are in USD. The net investment gain more than doubled compared to the previous year, as the investment portfolio was fully deployed for the entire year. Returns from investments were at acceptable levels.

	30 Jun 2025	30 Jun 2024
	RM '000	RM '000
Staff-related costs:		
Staff costs		
Payroll costs	34,223	32,497
Other staff costs	1,691	1,785
	<u>35,914</u>	<u>34,282</u>
Contract staff costs (included in consultancy fees)	7,996	7,699
Recruitment costs	1,209	1,005
	<u>45,119</u>	<u>42,987</u>
Other operating costs:		
Professional fees (including auditors)	1,879	1,822
prisma trade management expenses	3,185	-

Major operating expenditures include staff-related costs totalling RM45.1 million (2024: RM43.0 million), comprising payroll and associated costs of RM35.9 million (2024: RM34.3 million), contract staff costs (classified under consultancy fees) of RM8.0 million (2024: RM7.7 million) and recruitment costs of RM1.2 million (2024: RM1.0 million). Payroll and contract staff costs increased marginally by 5%, reflecting mainly the annual salary increments.

Professional fees, including auditors' fees, amounted to RM1.9 million (2024: RM1.8 million). Other significant operating costs during the year included the costs relating to the new prisma platform amounting to RM3.2 million.



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 RM18.2 million for the financial year (2024: RM20.6 million). Major divisional operating expenses included RM2.2 million for external review of Land Use Change Analysis (LUCA), RM0.7 million for the review and implementation of the 2024 RSPO Principles & Criteria (P&C) and RSPO Independent Smallholder Standard, and RM2.6 million for convening physical meetings of RSPO groups and event collaborations.

Taxation provisions are based on RSPO being taxable in Malaysia only on income not deriving from ordinary members. Historically, the tax charge has been relatively low because most income originates from ordinary members. The tax expense for the year was RM1.3 million (2024: RM1.5 million) and primarily resulted from provisions made for RSPO Secretariat Sdn Bhd, linked to transfer pricing, and interest from deposits and investments.

CASH FLOW

Despite the significant surplus in the income statement, movement in cash, bank deposits and liquid investments for the year was negative RM10.7 million due to capital payments relating to prisma development of RM10.9 million, payments from the Smallholder Fund (RM2.1 million) and Special Projects Fund (RM1.9 million) and foreign exchange impact (RM4.7 million). There were significant increases in both receivables and payables relating to the RSPO taking over trade management from RA.

FINANCIAL POSITION

The RSPO statement of assets and liabilities has shown material changes over the financial year. As well as planned expenditure on prisma, shown as an intangible asset, there have been increases in receivables and payables arising from the RSPO taking over trade management from RA. In addition, despite the reported surplus, there has been a reduction in the value of net assets reported in Ringgit due to the weakening of the US dollar against the Ringgit over the year, impacting the Currency Translation Reserve, and also due to payments from the Smallholder Fund and Special Projects Fund.

At 30 June 2025, RSPO's net assets totalled RM71.8 million (2024: RM76.8 million), consisting of the Members Fund at RM63.1 million (2024: RM53.9 million), the Smallholders Fund at RM8.6 million (2024: RM10.7 million), the Special Projects Fund at RM1.7 million (2024: RM3.6 million), and the Currency Translation Deficit at RM1.6 million (surplus of 2024: RM8.6 million). The RSPO's balance sheet remains strong, with sufficient liquid reserves to meet ongoing needs.

During the year, prisma, the new integrated digital platform, including trade management, went live in February 2025 and other phases of development remain in progress. The development costs incurred as at the financial year-end amounted to RM16.0 million (2024: RM5.0 million) and were capitalised under intangible assets (Note 11 to the financial statements).

The total valuation of investments as of 30 June 2025 amounted to RM46.0 million (2024: RM47.7 million) (Note 26(b) to the financial statements), achieving an overall satisfactory return of 4%. A conservative approach has been taken in line with the investment policy, with 11% in equities and the remainder in bonds and other fixed interest investments.

The Currency Translation Reserve movement arises from translation of assets (mainly cash and investments) and liabilities from the functional currency (US dollars), into the reporting currency (Ringgit), showed a net currency translation difference of RM10.2 million at the year-end. This represents an unrealised loss due to the weakening US dollar against the Ringgit. At the close of the financial year, the Ringgit to US dollar exchange rate was at RM4.2 (2024: RM4.7).

Other principal assets and liabilities at 30 June 2025 included:

- Cash balances amounting to RM22.4 million (2024: cash balances and fixed deposits of RM31.4 million).
- Receivables from unpaid subscriptions (before provision for bad debt) stood at RM2.5 million (2024: RM2.2 million) (note 14 to the financial statements).
- The unpaid contribution and trade administration fees from sustainable palm oil trade amounted to RM13.7 million (2024: RM5.1 million) (note 15 to the financial statements).
- Deferred income from subscriptions, relating to the period after 30 June 2025 was RM11.0 million (2024: RM10.9 million) (note 21 to the financial statements).
- Other payables of RM23.2 million (2024: RM9.0 million), with the increase comprising amounts payable to sellers of credits under the trade management system

RSPO maintains a policy of minimum operating reserves equivalent to 6 months of operating costs, serving as a contingency fund. Due to projected increases in operating costs for FY 2026 (see Budget FY 2026 below), the minimum operating reserves have been set at RM36 million (2024: RM34 million). Actual reserves in the Members' Fund amounted to RM63.1 million as of 30 June 2025 (2024: RM53.9 million).

SMALLHOLDERS FUND (NOTE 22 OF THE FINANCIAL STATEMENTS)

The Smallholders Fund is dedicated to supporting smallholder certification and related activities. Total disbursements for the year were RM2.1 million (2024: RM1.6 million), resulting in a fund balance of RM8.6 million at the end of the financial year. The closing fund balance is sufficient to cover total commitments to certification projects, which amount to RM4.2 million (2024: RM6.1 million).

SPECIAL PROJECTS FUND (NOTE 23 OF THE FINANCIAL STATEMENTS)

During the year, RM1.9 million (2024: RM2.6 million) was disbursed from the Special Projects Fund, primarily to outreach by intermediary organisations, 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 RM1.7 million (2024: RM3.6 million), with outstanding commitments totalling RM0.9 million (2024: RM4.6 million).

BUDGET FOR FINANCIAL YEAR 2026 (FY 2026)

In preparing the budget for FY 2026, major changes arose from a full year of trade management under prisma, continuing prisma development (and amortisation), and the requirement for a balanced budget. No allocation has been budgeted to the Smallholder Fund or Special projects Fund, which have historically comprised surplus funds in excess of other requirements, but increasingly appear to include recurring expenditure. The treatment of these funds will be considered further in financial planning undertaken later in the 2025/26 financial year.

The following is a summary of the budgeted income and expenditure for the year ending 30 June 2026, as approved by the Board of Governors in June 2025 (prior to completion of the audited accounts).

	Budget 30 Jun 2026 RM '000	Audited 30 Jun 2025 RM '000
INCOME		
Subscription income	23,400	23,269
Contributions from sustainable palm oil trade	51,700	58,996
Trade administration fee	15,600	5,138
Interest, investment & other income	2,290	4,367
	<u>92,990</u>	<u>91,770</u>
OPERATING COSTS		
Payroll costs (including consultants)	(46,343)	(42,219)
Other staff costs	(4,640)	(2,900)
Non-staff costs	(9,690)	(11,718)
Trade management expenses	(4,842)	(3,182)
	<u>(65,515)</u>	<u>(60,019)</u>
DIVISIONAL COSTS		
Recurring costs	(11,539)	(11,988)
Discrete projects	(7,792)	(6,204)
	<u>(84,846)</u>	<u>(78,211)</u>
SURPLUS BEFORE INTEREST, TAXES, DEPRECIATION	<u>8,144</u>	<u>13,559</u>
Depreciation and amortisation	(5,977)	(1,984)
Finance costs	(98)	(171)
SURPLUS BEFORE TAXATION	<u>2,069</u>	<u>11,404</u>
Taxation	(1,821)	(2,262)
SURPLUS AFTER TAXATION	<u>248</u>	<u>9,142</u>

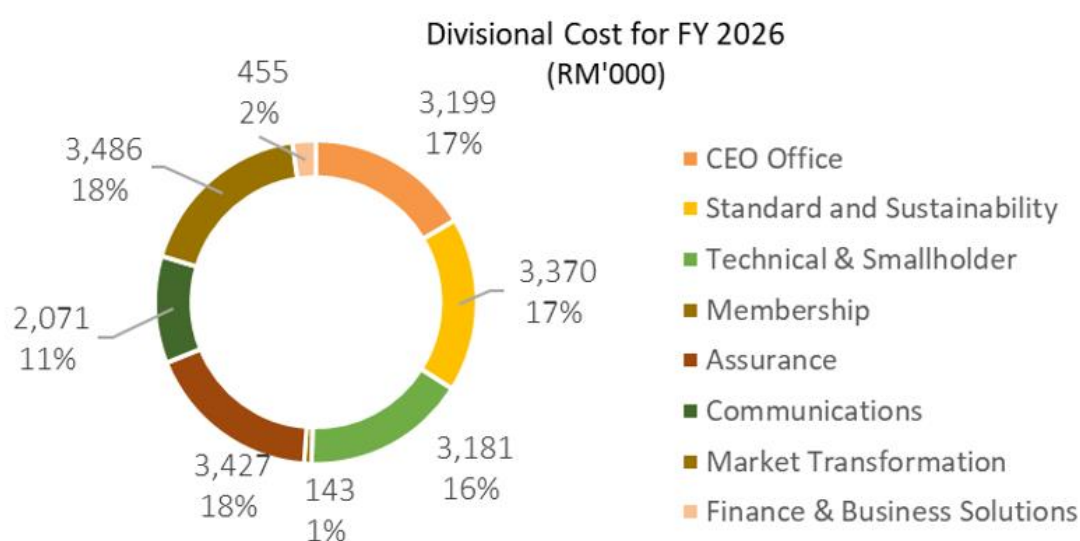
The budgeted surplus after taxation for FY 2026 is RM0.2 million. Total income, excluding interest and other income, is projected to increase marginally compared with FY 2025. Subscription income is expected to remain at par with FY 2025 levels. Contributions from CSPO trade are estimated to reduce to RM51.7 million, following the one-off contribution income of RM7.6 million recognised in FY2025 arising from the transition to prisma. The trade administration fee for FY 2026 is projected

at RM15.6 million (being a full year, unlike 2025), while income from interest and investment for the year is estimated at RM2.3 million.

Total operating costs, excluding depreciation and finance costs, are budgeted to increase to RM65.5 million, up from RM60 million in FY 2025. The main driver of this increase is payroll expenses, including contract staff, which are estimated to reach RM46.3 million.

DIVISIONAL COSTS

Divisional costs for FY2026 are planned at RM19.3 million, consisting of RM11.5 million for divisional operating costs and RM7.8 million for discrete projects.



Divisional costs are supported by a full list of projects planned and the key projects for FY 2026 include:

- RM0.5 million for governance review and implementation and RM1.5 million to implement comprehensive awareness events and training for prisma and development of prisma phase 2 (CEO Office).
- RM0.8 million to provide support for the national interpretation process of P&C 2024 (Standards Development).
- RM0.9 million for developing training courses, material, and online learning management system (Technical).

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 RM1.9 million for the year ended 30 June 2025 (2024: RM1.4 million). The income of RSPOSSB consists of management fees charged to RSPO, based on employee-related expenses, and the administrative and operating costs of running the head office and regional offices, calculated at arm's length with a mark-up on the operating expenses. RSPOSSB remains in full compliance with transfer pricing requirements.

As of 30 June 2025, the net assets of RSPOSSB amounted to RM6.8 million (2024: RM4.9 million).

FUTURE PROSPECTS

The strong results for the year ended 30 June 2025, with a surplus after tax of RM9.1 million, have maintained the RSPO's sound financial position, even allowing for foreign exchange movements which have reduced net assets reported in Ringgit to RM72.2 million.

Investment in prisma has been significant, resulting in expected cash outflows. RSPO's operating model has changed as a consequence with the development of trade management administration after the launch of prisma in February. The projected income stream from trade administration fees for FY2026 provides confidence in recovering the significant investment in developing the platform, as well as supporting its ongoing maintenance and future enhancements. Management of receivables relating to this area will be important to future cash flows..

RSPO remains committed to the close monitoring and review of income, expenditure, and cash management, particularly in view of ongoing capital expenditure related to digitisation initiatives. While initial results for the first quarter of FY2026 continue to reinforce confidence, sustained oversight by the Finance Committee, or its successor under the new governance structure proposed to the GA, remains essential.

The current financial model is effective in supporting the organisation's operational needs while maintaining the capacity for future growth and development. We reiterate the importance of long-term financial planning to underscore financial stability and align with the RSPO strategic plan. With the trade management system embedded we can be prudently optimistic about the financial future of the RSPO.

Tim Stephenson
RSPO Treasurer