

RISDA PLANTATION SDN. BHD.

Main Points

What we examined?

- RISDA Plantation is mandated by the Rubber Industry Smallholders Development Authority (RISDA) to manage and develop land owned by smallholders through a project under RISDA known as the Commercial Replanting Project (TSK). TSK projects participation are smallholders, government agencies and private companies. Among the government agencies involved are the Ministry of Rural Development (KPLB) and Department of Orang Asli Development (JAKOA).
- Assessment on the performance and management of RISDA Plantation's main activities which are plantation, commodity marketing and contract service for the year 2018 until June 2021.
- Assessment of output and outcomes performances. Output performances are assessed by Key Performance Indicator (KPI), plantation, commodity marketing and contract service. Outcome performances is assessed on divided payments to TSK smallholders.
- Assessment on management of plantation and commodity marketing which includes fertilization works; harvesting works of fresh fruit bunches (BTS) of palm oil; monitoring; BTS scales and Weighing and Store Centre (PTS); security and trade receivables.
- Assessment on nine aspects of good corporate governance, namely the Chairman; the Board of Directors; the Chief Executive Officer; the Company Secretary; the Strategic Plan and KPI; the Standard Operating Procedures; the Audit Committee; the Internal Audit; and the Nomination and Remuneration Committee. Aspects on financial management were also assessed related to the board of director allowances and CEO's expenses.
- Analysis of financial positions was conducted on audited financial statements for the year 2018, 2019 and 2020.

Why is it important?

- RISDA Plantation plays an important role in assisting smallholders improve their living standard by dividend payout and contributions to the national economy;
- As of June 2021, RISDA Plantation has managed five types of projects namely smallholders TSK, JAKOA TSK, government agencies/private TSK, Agropolitan/Special Projects and RISDA's farm involving 16,368 participants and 348 TSK Projects with total

areas of 21,291.26 hectares. For the year 2018 to June 2021, a size of the area managed by RISDA Plantation is receded.

- RISDA Plantation has an outstanding dividend payout amounting RM122.36 million to smallholders and JAKOA TSK's project which is RM30.88 million for smallholder TSK participants and RM91.48 million for JAKOA TSK participants.

What we found?

- In general, RISDA Plantation has met its establishment objectives to assist smallholders by dividend allocation. A survey showed a positive feedback from smallholders on the TSK project such as reducing management costs and increasing smallholder's living standards. However, there were some weaknesses as follows:
 - output performances assessed based on revenue, plantation, commodity marketing and contract service were less efficient due to targets were not met;
 - for the year 2018 to 30 June, the size of the area of plantation managed by RISDA Plantation receded by 3,529 hectares (11.5%) and has affected its financial position;
 - a total of RM122.36 dividend are payable to TSK smallholders and JAKOA. RISDA Plantation's cash position is not able to cover high dividend payable;
 - harvesting and fertilizer works were less efficient due to non-compliance of plantation best practices and shortage of workers; and
 - BTS management was less efficient due to improper handling of mature/young fruits bunches, rotten/damaged fruit and long stalked fruits at the PTS.
- The aspect of governance needs to be improved in line with best practices such as comprehensive KPI's preparations and financial expertise of Audit Committees members.

What do we recommend?

- The stakeholders involved should consider the following recommendations:
 - provide a comprehensive strategic plan and KPI so that company's performance and direction can be monitored efficiently and effectively;
 - increase numbers of plantation areas by collaborating with RISDA, companies and State Government and undertake effective strategic plan to attract more smallholders to participate in commercial replanting projects;
 - adopt more efficient and effective plantation and marketing management to increase yields production and profit;
 - provide effective planning to ensure BTS productions are not affected due to age of oils palm tree which exceed 25 years;

- settle the payable dividends to the participants of TSK smallholders and JAKOA amounting RM122.36 million to gain confidence to continue the programme; and
- enhance good governance practice includes implementation of strategic plan and KPI, tenure of Board as well as financial expertise of the members of the Audit Committee.