

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	KTS Plantation Sdn. Bhd. (126816-X)	Reference #	GFSSBH 003-196
Contact Person	Peter Tiong Siew Kwong (Operation Manager)	Date of Report	12/05/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 012 LVS		
Issuance Date	15 May 2023	Expiration Date	14 May 2024

Assessment Details

Assessment Dates	08 – 12 May 2023
Scope of Assessment	Sabah TLAS P1-4: RIL Harvesting & ITP Development (JP (SLK) 125/93 (CO))
Species	RIL Harvesting & Rehabilitation: Drybalanops spp. (Kapur), Dipterocarp spp. (Keruing), Shorea inappendiculata (Selangan batu), Koompassia malaccensis (Impas), Parashorea spp. (White seraya), Shorea spp. (Red seraya, Yellow seraya, Melapi), Heritiera simplicifolia (Kembang), Sapotaceae spp. (Nyatoh), Shorea pauciflora (Oba suluk), Neolamarckia cadamba (Laran), Duabanga moluccana (Magas), Octomeles sumatrana (Binuang), Alstonia spp. (Pulai), Nauclea spp. / Neonauclea spp. (Bangkal), Annonaceae spp. (Karai), Eugenia spp. (Obah), Sindora beccariana (Sepetir), Terminalia subspathulata (Talisai), Lithocarpus & Quercus (Mempening), Myristicaceae (Darah-darah), Dialium indum (KerANJI), Aquilaria malaccensis (Gaharu), Swietenia macrophylla (Mahagony), Instia palembanica (Merbau), Alstonia spp. (Pulai), Dracontomelon costatum (Senkuang), Shorea parvifolia (Seraya Punai), Shorea johorensis (Seraya Majau), Terminalia subspathulata (Talisai), Khaya ivonrensis (Khaya).
Lead Assessor	Vareus Untomon
Assessor(s)	Glory Linggou, Brandon James
SFD Staff	Zaini Jeinab (ADFO Sandakan)

OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 for Sabah dated November 2020 (**SFD-TLAS-002**).
- Compliance is defined when all applicable criteria are observed to be compliant. A Minor Gap to any indicator does not constitute non-compliance to a criterion. A Major Gap to any applicable indicator does reflect non-compliance to a criterion. Compliance for a criterion where multiple minor gaps are identified in indicators under the criterion may reflect non-compliance to the criterion.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the agreement.

Summary Information

Overview of Licensee:

- KTS Plantation Sdn. Bhd. (KTS Plantation) is a Sabah-based registered company where the core business has been mainly based on logging activities since 1993. The harvesting license agreement was enacted on 1st May 1993 and will expire on 1st January 2089.
- KTS Plantation is located within Segaliud Lokan Forest Reserve under FMU 19B, with an area of approximately 57,247 ha. FMU 19B is connected to FMU19A, which comes under Deramakot Forest Reserve.
- KTS Plantation carries out CHP preparation, harvesting, inventories, silviculture and planting activities.
- KTS Plantation is preparing its own CHP for its harvesting plan and registered as a *CHP Contractor* with the SFD.
- KTS Plantation is implementing a RIL harvesting system in their harvesting operation and registered as a RIL Logging Contractor with the SFD.
- The concession area is under the jurisdiction of the Sandakan District Forestry Office.
- KTS Plantation is certified under MTCC, Certificate #: FMC-NF 0001 with the expiry date of 01/12/2023.
- Mosaic planting is considered High Production Corridor (HPC) planting, which focuses on rehabilitating the most disturbed areas during RIL harvesting, such as the 'corridor' along secondary roads, feeder roads, and skid trails.
- The previous assessment was conducted in May 2022 that resulted in 0 gap(s) and 1 observation(s) (Report #: GFSSBH003-131).

Current Operations:

- Currently, KTS Plantation is conducting RIL harvesting in Compartment 26 (1,432.45 ha). As of April 2023, the area logged was 793 ha with log production of 13,373.13 m³.
- KTS Plantation has conducted *Enrichment Planting* with an area of 5,267.25 ha and *Tending Natural Regeneration* with an area of 25,450 ha.
- KTS Plantation is in the process of the FMP mid-term review as scheduled in 2023.

- Land use classification:

Land classification	3 rd FMP Area (ha)	Current Status Coupe Permits (ha)
Total Concession Area	57,247.00	47,870.95
Production Area	50,023.00	50,023.00
- Natural Forest Management	12,603.00	NFM RIL= 10,995 Restoration = 1,758
- Plantation Forest (ITP)	37,420.00	As of April 2023: <u>Compartment 26</u> Total Area (ha): 1,432.45 ha. Area logged (ha): 793.27 ha. Area unlogged (ha): 639.18 ha. Volume (m ³): 13,373.13 m ³ . <u>Rehabilitation activities</u> Enrichment Planting: 5,267.25 ha. Tending (Natural Regeneration): 25,450 ha.
Protected Forest & Conservation	6,447.00	6,447.00
Research Area	777.00	777.00

Environmental Context:

- KTS Plantation has 70 compartments in total, 59 compartments for production (16 NFM & 43 ITP), 10 compartments for conservation / protection and 1 compartment for research.
- The main species used for enrichment planting are Laran (*Neolamarckia cadamba*), Binuang (*Octomeles sumatrana*), Bangkal (*Nauclea spp. / Neonauclea spp.*), Gaharu (*Aquilaria malaccensis*), Keruing (*Dipterocarp spp.*), Mahagony (*Swietenia macrophylla*), Merbau (*Intsia palembanica*), Oba Suluk (*Shorea pauciflora*), Pulai (*Alstonia spp.*), Sengkuang (*Dracontomelon costatum*), Seraya Punai (*Shorea parvifolia*), Seraya Majau (*Shorea johorensis*), Talisai (*Terminalia subspathulata*), Seraya Kuning (*Shorea spp.*), Urat Mata (*Parashorea spp.*), Kapur (*Dryobalanops spp.*), Tengawang (*Shorea spp.*), Selangan Batu (*Shorea inappendiculata*), and Khaya (*Khaya ivonrensis*).
- The forest-licensed area is expected to have at least 75 species of mammals (excluding bats), 220 species of birds and over 100 species of reptiles, amphibians and fish. Some endangered species, such as elephants, tembadau, orang utans, and bearded pigs, flocks of rhinoceros hornbills are frequently seen flying overhead. This area is also serving as a wildlife corridor.
- Salt lakes are identified as a conservation area. Several sites with growing pitcher plants were reported and some of the locations had been determined.
- KTS Plantation has an EIA report that is approved by the EPD for its operation.

#	Title	EPD Approval Letter #	EIA Consultant
1	Environmental Impact Assessment (EIA) Report for The Proposed Harvesting and Forest Rehabilitation Activities of 26,393 ha at Segaliud-Lokan Forest Reserve (FMU19B), District of Kinabatangan, Tongod and Beluran, Sabah.	JPAS/PP/SDK/600-1/01/3/71(44) dated 15 March 2022.	North Borneo Environmental Services Sdn. Bhd.

Social Context:

- Social assessment summary:
There are 7 villages identified adjacent (7 to 20 km away) to FMU19B. EIA report 2012 identified 5 villages located adjacent to FMU 19B, namely Kg. Lung Manis, Kg. Balat, Kg. Sangau / Kulu-Kulu, Kg. Kuala Lokan, Kg. Buang Sayang. The current SIA has identified 2 new villages (Kg. Siringon and Kg. Ulu Muanad Mile 52/54) adjacent to FMU 19B.
The main ethnic group is Orang Sungai (97%) and Dusun (3%). All areas are well connected either through road or river. The villagers also have access to primary and secondary education.
The 75% majority of the population is actively employed. The balance of 25% are mostly women, older people and young adults who were also complimenting the family income through small home gardening, planting vegetables, collecting wild vegetables, and fishing for household consumption. Other sources of income are derived from the remittance of actively employed family members working outside of the village, mostly in town areas.
- Identified communities that are dependent on the FMU:
The dependence on the forest is insignificant, as only 3% of respondents indicated hunting activities for their consumption.
- Native Customary Rights:
The Social Impact Assessment study carried out in 2018 for FMU 19B shows that neither settlements nor any customary and cultural sites were found within the boundaries of the licensed area.
- Community Forestry Projects:
KTS Plantation acknowledges the importance of consultations as an effective mechanism to address all related community issues. Therefore, a Community Forestry Committee (CFC) was established. The CFC will continue to conduct consultations with residents living in FMU19B, legally established nearby villages and adjacent estates as a proactive measure to manage any

possible grievances due to the effect of the licensee on their livelihood. All formal consultation or communication with representatives of local communities shall be documented.

Scope of Assessment	
<ul style="list-style-type: none"> The scope of the evaluation is to verify compliance of KTS Plantation Sdn. Bhd. with the Sabah Forest Management License Agreement (JP (SLK) 125/93 (CO)) for FMU 19B. The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated November 2020 (SFD-TLAS-002). Site evaluation to verify and report the level of compliance by KTS Plantation Sdn. Bhd. and contractors to the standard in respect to each of the criteria within this report. Compliance is defined when the auditee demonstrates that the indicators consist of none or only minor gaps against any applicable criteria of the standard. Non-compliance to the Sabah Legality Standard occurs when the auditee does not demonstrate adequate compliance to a criterion. 	

**Itinerary & Mandays: FMU 19B / KTS Plantation Sdn. Bhd. / Sandakan District / 08-12 May 2023
(Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
08 May 2023 Monday	Travel to KTS Plantation Sdn. Bhd. Campsite.	Varenus Untomon Glory Linggou Brandon James	3
09 May 2023 Tuesday	Opening meeting at KTS Plantation Camp Office. Site Visit: Compartment Boundary, (Compartment 26), Pair Permanent Sample Plot (PPSP) (Compartment 18) area and Rehabilitation Area (Compartment 18), stumping, licensed boundary.	Varenus Untomon Glory Linggou Brandon James	3
10 May 2023 Wednesday	Site Visit: Nursery, chemical store, workshop, scheduled waste store, diesel depot, clinic, fire store, workers quarters and dumping site.	Varenus Untomon Glory Linggou Brandon James	3
11 May 2023 Thursday	Community interview at Kg. Ulu Muanad. Document review.	Varenus Untomon Glory Linggou Brandon James	3
12 May 2023 Friday	Closing meeting at KTS Plantation Camp Office. Travel to Kota Kinabalu.	Varenus Untomon Glory Linggou, Brandon James	3
13-14 May 2023	Reporting GFSSBH 003-196	Dr. Kevin Grace Varenus Untomon	2
Total			17

Highlights of Assessment
<p>(Major Gaps = 0; Minor Gaps = 0; Observations = 1) KTS Plantation Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 08 – 12 May 2023.</p> <p>Summary of status of operations by Principle:</p> <p>Principle 1. KTS Plantation demonstrated compliance with the license requirements, required management planning, and submission of documents or reports such as the EIA monitoring report to the relevant authorities.</p> <p>May 2022: Observation 001-2022 – Checklist 1.2.3 Observed used tyres, trash, and scrap metals and oil were not properly managed at the workshop and workers' quarters.</p> <p>May 2023: Observation 001-2022 (Addressed) Used tyres, scrap metals and oil were properly managed. Housekeeping of the worker's quarters and workshop was maintained.</p>

Highlights of Assessment

May 2023: Observation 001-2023 – Checklist 1.3.2.5

Compartment areas in the 3rd FMP (page. 92, 3rd FMP) are not consistent against the issued Coupe Permit area.

Principle 2.

KTS Plantation is committed to implement the mitigation measures to protect the environment.

Principle 3.

KTS Plantation has paid the licensing fees and other charges to the Sandakan District Forestry Office.

Principle 4.

Not applicable - Villages located 7 to 20 KM away from the project area do not directly or indirectly impact the project area.

Summary Results:

(Major gap = 0, Minor gap = 0, Observation = 1)

Gap raised against indicators & criteria during the May, 2023 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the May, 2023 assessment.

Obs #	Checklist	Description
001-2022 Addressed	1.2.3	May 2022: Observed used tyres, trash, and scrap metals and oil were not properly managed at the workshop and workers' quarters. May 2023: Used tyres, scrap metals and oil were properly managed. Housekeeping of the worker's quarters and workshop was maintained.
001-2023	1.3.2.5	May 2023: Compartments area in the 3 rd FMP (page. 92, 3 rd FMP) are not consistent against the issued Coupe Permit area.

Highlights of Close Out Visit (if applicable)	Dates	-
Not applicable		

Recommendations

KTS Plantation Sdn. Bhd. demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) for its designated area and is recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.

Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to close the gap(s)/observation(s) include:

Observation 001-2023 – Checklist 1.3.2.5: Coupe permits need to coincide with the compartment areas.

The next annual surveillance audit will be scheduled for May 2024.

End of Summary Report