

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	KTS Plantation Sdn. Bhd. 198401014260 (126816-X)	Reference #	GFSSBH 003-302
Contact Person	Mr. Paul Liau (Planning & Plantation Manager)	Date of Report	17/05/2024
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	NC: Non-Compliance – Criterion 2.4		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	13 - 17 May 2024
Scope of Assessment	Sabah TLAS P1-4: ITP RIL Harvesting & Planting #: JP(SLK)125/93(CO) – FMU 19B
Species	RIL Harvesting & Rehabilitation: <i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Koompassia malaccensis</i> (Impas), <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Sapotaceae</i> spp. (Nyatoh), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Alstonia</i> spp. (Pulai), <i>Nauclea</i> spp. / <i>Neonauclea</i> spp. (Bangkal), <i>Annonaceae</i> spp. (Kurai), <i>Eugenia</i> spp. (Obah), <i>Sindora beccariana</i> (Sepetir), <i>Terminalia subspathulata</i> (Talisai), <i>Lithocarpus</i> & <i>Quercus</i> (Mempening), <i>Myristicaceae</i> (Darah-darah), <i>Dialium indum</i> (KerANJI), <i>Aquilaria malaccensis</i> (Gaharu), <i>Swietenia macrophylla</i> (Mahagony), <i>Instia palembanica</i> (Merbau), <i>Dracontomelon costatum</i> (Senkuang), <i>Shorea parvifolia</i> (Seraya Punai), <i>Shorea johorensis</i> (Seraya Majau), <i>Terminalia subspathulata</i> (Talisai), <i>Khaya ivonrensis</i> (Khaya).
Lead Assessor	Priera Bagang
Assessor(s)	Brandon James, Tommy Olui
SFD Staff	Rosli Siki (DFO Sandakan), Zaini Jeinab (ADFO Sandakan), Faiz Zikry (PPD 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 with 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 RIL harvesting, inventories, silviculture and enrichment planting activities within both Natural Forest Management (NFM) & Industrial Timber Plantation (ITP) zoned areas. The company does not convert natural forest areas into plantations only conducts enrichment planting in degraded areas (HPC).

High Production Corridor (HPC) is Intensive Forest Management System, which focuses on enrichment planting & rehabilitating the most disturbed areas under RIL harvesting systems. Often 'corridors' along secondary roads, feeder roads, and skid trails are planted in fast growing local species.

KTS Plantation is registered as a CHP Contractor and prepares all CHPs for both ITP and NFM zoned areas. KTS Plantation is registered as a RIL Logging Contractor and implements RIL harvesting systems for all areas.

The concession area is under the jurisdiction of the Sandakan District Forestry Office.

Land use classification:

Land classification	3 rd FMP Area (ha)	Current Status as of Apr 2024 (ha)
Total Concession Area	57,247	57,247
Production Area	50,023 (Gross Area)	35,726 (Net area harvested)
Natural Forest Management	12,603	12,603 NFM zoned areas 5,234 (CHP harvested)
Plantation Forest (ITP)	37,420	37,420 ITP zoned areas 30,492 (harvested & enrichment planting) 2,163 ha (rubber planted)
Protected Forest & Conservation	6,447	6,447 (Total compartment areas)
Research Area	777	777

Current Operations:

Areas harvested from 2023 to May 2024: Compartments 26 & 34

Areas to be harvested in 2024: 33, 35, 38, 43 & 46 with a total area of 3,732 ha

The current harvesting area is in compartment 35. As of May 2024, a total of 506 trees with an estimated volume of 1,878.90 m³ have been harvested.

Forest rehabilitation will be carried out in compartments harvested totalling 733 ha comprising enrichment planting and tending, at 183 ha and 550 ha respectively. Climber cutting will be carried out in compartments 33, 38, 43, 46.

Current planting is in compartment 34 with a total of 15 ha and 2,704 seedlings being planted.

CHPs are being developed for 6 compartment sin 2024 with a total of 4,181.45 ha

#	Compartment	Area (ha)
1	36	366.13
2	27	440.99
3	45	239.06
4	41	966.00
5	47	443.60
6	51	1725.67

Total	4,181.45
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List of compartments planned for harvesting in 2024.

Comp #	NFM/ITP	Status	Area (ha)	Geo-location data (Timbalai 1948)
Compartment 35	ITP	Sabah TLAS EUDR	581.55	Northeast: RT 879000 BOR 615000 Northwest: RT 877000 BOR 614500 Southwest: RT 875000 BOR 612000 Southeast: RT 878000 BOR 613500
Compartment 34	ITP	Sabah TLAS EUDR	1,030.00	Northeast: RT 871500 BOR 615000 Northwest: RT 870000 BOR 615500 Southwest: RT 872000 BOR 610200 Southeast: RT 874500 BOR 610300
Compartment 33	ITP	Sabah TLAS EUDR	1,185.13	Northeast: RT 862800 BOR 613350 Northwest: RT 858200 BOR 613950 Southwest: RT 857600 BOR 610670 Southeast: RT 861800 BOR 610650
Compartment 38	ITP	Sabah TLAS EUDR	363.62	Northeast: RT 881580 BOR 612580 Northwest: RT 879270 BOR 612800 Southwest: RT 877300 BOR 611250 Southeast: RT 880850 BOR 611150
Compartment 43	ITP	Sabah TLAS EUDR	492.22	Northeast: RT 880810 BOR 611150 Northwest: RT 877210 BOR 611100 Southwest: RT 877910 BOR 608710 Southeast: RT 879450 BOR 609130
Compartment 46	ITP	Sabah TLAS EUDR	748.97	Northeast: RT 877250 BOR 611170 Northwest: RT 873550 BOR 609900 Southwest: RT 875700 BOR 608100 Southeast: RT 877990 BOR 608720

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.

Based on the Department of Survey and Mapping Malaysia (JUPEM) topographical map, the highest area of the project site is at 300 m above mean sea level (ASML). The area of high risk or steep slope of more than 25 degrees covers 221.4 ha within the harvesting and forest rehabilitation area. Most of the hill's slopes of the project area are less than 15 degrees, covering 21,372.60 ha.

There are three rivers that flows through the project site, namely Sg. Lokan, Sg. Rawog and Sg. Tabalion. Sg. Rawog flows east to join Sg. Lokan. Sg. Lokan and Sg. Rawog will eventually flows south into the Kinabatangan River system. Sg. Tabalion is known as a seasonal river. All the three rivers form the upper part of Kinabatangan River system.

The Segaliud-Lokan Forest Reserve is a lowland dipterocarp forest. It is further divided into four sub-forest ecosystems, namely the Kerangas Forest, Kapur Merah Forest, Late Secondary Forest and Mixed Dipterocarp Forest. All sub-forest ecosystem, except the late secondary forest, are in the advanced growth regenerative stage, where most of the species' composition and structure are contributed by climax tree species.

Wildlife surveys carried out in the licensed area such as by Sabah Forestry Department and ConCaSa (Conservation of Carnivores in Sabah) also shows data of fauna presence such as Sunda Clouded leopard (*Neofelis diardi*), Marbled cat (*Pardofelis marmorata*), Leopard cat (*Prionailurus bengalensis*), Malay civet (*Viverra zibethica*), Common palm civet (*Paradoxurus hermaphroditus*), Branded palm civet, (*Hemigalus derbyanus*), Otter civet (*Cynogale bennettii*), Bearcat/Binturong (*Arctictis binturong*), Small-toothed palm civet (*Arctogalidia trivirgata*), Banded linsang (*Prionodon linsang*), Asian small-clawed otter (*Aonyx cinerea*), Smooth-coated otter (*Lutra perspicillata*), Yellow-throated marten (*Martes flavigula*), Sunda stink badger (*Mydaus javanensis*), Collared mongoose (*Herpestes semitorquatus*), Short-tailed mongoose (*Herpestes brachyurus*), Malayan Sun Bear (*Helarctos malayanus*), Malayan porcupine (*Hystrix brachyura*), Thick-spined porcupine (*Hystrix crassipines*), Long-tailed porcupine (*Trichys fasciculata*), Greater slow loris (*Nycticebus coucang*), Southern pig-tailed macaque (*Macaca nemestrina*), Crab-eating macaque (*Macaca fascicularis*), Orang utan (*Pongo pygmeus*), Bearded pig (*Sus barbatus*),

Sambar deer (*Rusa unicolor*), Bornean yellow muntjac (*Muntiacus atherodes*), Southern red muntjac (*Muntiacus muntjac*), Greater chevrotain (*Tragulus napu*), Javan chevrotain (*Tragulus javanicus*), Moonrat (*Echinosorex gymnura*) and Asian elephant (*Elephas maximus*).

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	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 15/03/2022	North Borneo Environmental Services Sdn. Bhd.

Note: The newly developed EIA covers planned harvesting and forest rehabilitation activities, in accordance with the 3rd FMP and schedule for 10-years. The area 26,393 ha in the EIA report reflects the planned 25,192 ha harvesting and rehabilitation activities in the 3rd FMP.

Social Context:

Social assessment summary:

Based on the SIA study, there are 7 villages identified adjacent (7 to 20km away) away from FMU19B, namely Kg. Lung Manis, Kg. Balat, Kg. Sangau / Kulu-Kulu, Kg. Kuala Lokan, Kg. Buang Sayang, Kg. Siringon and Kg. Ulu Muanad 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

- The scope of the evaluation is to verify compliance of KTS Plantation Sdn. Bhd. with the license agreement for Timber, Tree Plantation and Wood Processing Plant #: JP(SLK)125/93(CO) for FMU 19B.
- The assessment is in accordance with the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 1 January 2024 (SFD-TLAS-006).
- 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 comply adequately with a criterion.

Itinerary & Mandays: 13-17 May 2024 / FMU 19B: KTS Plantation Sdn. Bhd. / Close-out: Benta Wawasan Sdn. Bhd. (Samel Plantation Sdn. Bhd.) / Sandakan District

Date	Activity	GFS Staff	Mandays
13 May 2024 Monday	Travelling to KTS Plantation and overnight.	Priera Bagang Brandon James Tommy Olui	3
14 May 2024 Tuesday	Opening meeting at KTS Plantation camp office & field assessment to licensed areas (harvesting areas, protection areas, campsites, nursery and stumping). Document review.	Priera Bagang Brandon James Tommy Olui	3
15 May 2024 Wednesday	Community interview at Kg. Balat, Kinabatangan. Document review at KTS Plantation camp office.	Priera Bagang Brandon James Tommy Olui	3
16 May 2024 Thursday	Document review KTS Plantation camp office. Close-out Benta Wawasan Sdn. Bhd. (Samel Plantation Sdn. Bhd.)	Priera Bagang Brandon James Tommy Olui	3
17 May 2024 Friday	Finalising report & Closing meeting at KTS Plantation camp office and report submission. Close-out Benta Wawasan Sdn. Bhd. (Samel Plantation Sdn. Bhd.) report submission. Travel to homebase.	Priera Bagang Brandon James Tommy Olui	3
18-19 May 2024	Reporting/Administration: GFSSBH 003-302 Reporting/Administration: GFSSBH 003-246a	Dr. Kevin Grace Tommy Olui	3
Total			18

Highlights of Assessment

(Major Gaps = 1; minor Gaps = 4; Observations = 2)

KTS Plantation Sdn. Bhd. has not complied with the Sabah TLAS requirements (FDS TLAS-006), as non-compliance was identified under Criterion 2.4 during the assessment on 13 - 17 May 2024.

Summary of status of operations by **Principle**:

Principle 1. Right to Harvest

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.

Principle 2. Forest Operations

KTS Plantation demonstrated compliance with the licensed area security, maintenance of licensed boundary and protection of the buffer zones. However, KTS Plantation has not demonstrated compliance with the regulatory requirements for subcontracted workers.

May 2024: Gap 001/2024 (minor) – Checklist 2.1.1

Inconsistent climber cutting practise was observed at C35.

May 2024: Gap 002/2024 (minor) – Checklist 2.1.2

Subcontractor has not registered with SFD.

May 2024: Gap 003/2024 (minor) – Checklist 2.1.4, 2.1.10

Discrepancy of more than 10cm of DBH for 7 out of the 15 sampled trees against the CHP.

May 2024: Observation 001-2024 – Checklist 2.2.3

The SFD has yet to implement the stamping of the Sabah TLAS EUDR and geo-location on the removal passes.

May 2024: Gap 004/2024 (Major) – Checklist 2.4.2, 2.4.8

No evidence that the subcontractor, Tiong & Sons Sdn. Bhd. is in compliance with EPF, SOCSO, COI, passport, or work visa requirements for forest workers.

May 2024: Gap 005/2024 (minor) – Checklist 2.4.5, 2.4.6

The subcontractor's workers have no valid RIL competency certificate and not equipped with the PPE.

Highlights of Assessment

Principle 3. Statutory Charges

All associated fees have been paid by KTS Plantation. Records of royalty payment are maintained.

May 2024: Observation 002-2024 – Checklist 3.1.1

Re-brushing and paint marking of the OP boundary for main gate and security guard house, JP(SDK) OP02/2014, is not maintained.

Principle 4. Other User Rights

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

Summary Results:

(Major gap = 1, minor gap = 4, Observation = 2)

Gap raised against indicators & criteria during the May 2024 assessment.

GAP	Type	Checklist	Status	Description
001/2024	minor	2.1.1	New	May 2024: Inconsistent climber cutting was observed at C35.
002/2024	minor	2.1.2	New	May 2024: Subcontractor has not registered with SFD.
003/2024	minor	2.1.4 2.1.10	New	May 2024: Discrepancy of more than 10cm in DBH for 7 out of the 15 sampled trees against the CHP.
004/2024	Major	2.4.2 2.4.8	New	May 2024: No evidence that the subcontractor, Tiong & Sons Sdn. Bhd. is in compliance with EPF, SOCSO, COI, passport, or work visa requirements for forest workers.
005/2024	minor	2.4.5 2.4.6	New	May 2024: The subcontractor's workers have no valid RIL competency certificate and not equipped with the PPE.

Observation raised against indicators & criteria during the May 2024 assessment.

Obs #	Checklist	Description
001-2024	2.2.3	May 2024: The SFD has yet to implement the stamping of the Sabah TLAS EUDR and geo-location on the removal passes.
002-2024	3.1.1	May 2024: Re-brushing and paint marking of the OP boundary for main gate and security guard house, JP(SDK) OP02/2014, was not maintained.

Highlights of Close Out Visit (if applicable)

Dates

-

The **Major Gap 003/2024** shall be addressed in two months by July 2024.

Recommendations

KTS Plantation Sdn. Bhd. has **not** demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) as non-compliance was identified under Criterion 2.4 and it is NOT eligible to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.

The Major Gap shall be addressed within two months by **July 2024**.

Gap 004/2024 (Major) – Checklist 2.4.2, 2.4.8: Tiong & Sons Sdn. Bhd. shall ensure all workers have valid passport & work permits and are registered with SFD, EPF, SOCSO and make contributions as required.

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:

Gap 001/2024 (minor) – Checklist 2.1.1: The climber cutting shall be consistent within the harvest compartment.

Gap 002/2024 (minor) – Checklist 2.1.2: All RIL contractor workers shall register with the SFD.

Gap 004/2024 (minor) – Checklist 2.1.4, 2.1.10: KTS Plantation shall ensure the tree DBH measurements are correct and recorded in the CHP book.

Gap 005/2024 (minor) – Checklist 2.4.5, 2.4.6: KTS Plantation shall ensure all forest workers have a valid RIL competency certificate and are equipped with PPE during operations as appropriate.

Observation 001-2024 – Checklist 2.2.3: SFD shall implement the stamping of Sabah TLAS EUDR and geo-location on the removal passes.

Observation 002–2024 – Checklist 3.1.1: KTS Plantation shall maintain the re-brushing of OP boundary at the main gate.

The next annual surveillance audit will be scheduled for May 2025.

End of Summary Report