

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	KTS Plantation Sdn. Bhd. 198401014260 (126816-X)	Reference #	GFSSBH 003-409
Contact Person	Mr. Paul Liau (Planning & Plantation Manager)	Date of Report	26/06/2026
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance				GFS 012 LVS			
Issuance Date		29 June 2026		Expiration Date		28 June 2027	

Assessment Details

Assessment Dates	22-26 June 2026
Scope of Assessment	Sabah TLAS P1-4: License Agreement for Timber Tree Plantation and Wood Processing Plant Site #: JP(SLK)125/93(CO) – FMU 19B
Species	RIL harvesting trees: <i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <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>Diospyros</i> spp. (Kayu malam), <i>Pterospermum javanicum</i> (Bayor), <i>Calophyllum pulcherrimum</i> (Bintangor), <i>Dyera costulata</i> (Jelutong), <i>Anisoptera marginata</i> (Pengiran), <i>Lophopetalum javanicum</i> (Zoll.) (Perupok), <i>Pentace laxiflora</i> (Takalis), <i>Myristica iners</i> (Darah-darah), <i>Podocarpus rumphii</i> Blume (Karpus), <i>Annonaceae</i> spp. (Pisang-pisang), <i>Lauraceae</i> spp. (Medang), <i>Cotylelobium</i> spp. (Resak), <i>Eugenia</i> spp. (Obah), <i>Sindora beccariana</i> (Sepetir), <i>Myristicaceae</i> (Darah-darah), <i>Rubroshorea</i> sp. (Red Seraya), <i>Anthoshorea</i> sp. (White Seraya), <i>Richetia</i> sp. (Yellow Seraya), <i>Palaquium</i> sp. (Nyatoh) Enrichment planting trees: <i>Octomeles sumatrana</i> (Binuang), <i>Dyrobalanops</i> spp. (Kapur Paji, Kapur Merah, Kapur Paya, Kapur Gumpait), <i>Dipterocarp</i> spp. (Keruing), <i>Neolamarckia cadamba</i> (Laran), <i>Shorea</i> spp. (Selangan Batu Tanduk, Selngan Batu Daun Licin, Seraya Timbau, Seraya Daun Emas, Seraya Majau, Seraya Minyak, Seraya Punai, Seraya Tembaga, Seraya Melapi, Seraya Melantai, Urat Mata, Tengkawang), <i>Shorea inappendiculata</i> (Selangan Batu), <i>Terminalia</i> sp. (Talisai Paya), <i>Sweitona</i> spp. (Mahogany), <i>Duabanga moluccana</i> (Magas), <i>Durio</i> sp. (Durian), <i>Pterocymbium javanicum</i> (Teluto), <i>Intsia palembanica</i> (Merbau), <i>Aquilaria malaccensis</i> (Gaharu), <i>Eusideroxylon zwageri</i> (Belian), <i>Nauclea</i> spp. / <i>Neonauclea</i> spp. (Bangkal)
Lead Assessor	Sheanna Kehong, (Acting Lead Auditor) Eljipy Sualim
Assessor(s)	Teddy Quintin, (UMS Internship) Stacy Robert
SFD Staff	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:

The Sagaliud Lokan Forest Reserve (SLFR) was constituted as a commercial forest reserve in 1955. Originally, it had an area of 163,169 ha which extended to Sg. Muanad to the north, the Sekong bay to the northeast, and the boundary of Supu Forest Reserve along the Sg. Kinabatangan to the east. These forest areas were logged by the British Borneo Timber Company Ltd. founded in 1920. In 1952, the reserve became part of the company's 21-year logging concession area of 258,482 ha with an annual coupe of 12,173 ha. In 1961, the company changed their name to Sabah Timber Company Ltd. (STC).

In 1976, the working area of STC was confined to only 36,013 ha. During that year, 18,415 ha of the reserve were given to Sabah Foundation, while other areas totalling 13,023 ha, to special licenses. A major re-classification exercise for agricultural development in 1979 reduced the area to 63,360.58 ha and this was further reduced to the present size of 57,240 ha in March 1984. In 1979 and 1980, part of the present area was issued to Sri Kedua Sdn. Bhd. and Syarikat Saliha Sdn. Bhd. respectively under special licenses. STC ceased operations in 1982.

In 1993, this area was awarded to KTS Plantation Sdn. Bhd. (KTS Plantation) a member of the KTS Group of Companies based in Kuching, Sarawak, via the License Agreement for Timber Tree Plantation and Wood Processing Plant by the Sabah State Government for the period of 96 years. The Project Area identifies as FMU 19B covers an area of 57,247 ha.

The main operation in SLFR is Reduced Impact Logging and forest rehabilitation, with active forest yield monitoring and conservation programmes arranged to get the overall picture of the forest status and development.

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 appointed Megacess as the RIL contractor.

The previous assessment was conducted in July 2025 that resulted in 0 gap(s) and 4 observation(s) (Report #: GFSSBH 003-360).

Land use classification: Based on the 3rd FMP, Land use of SLFR.

Land classification	3 rd FMP Area (ha)	Current Status (ha)
Production - NFM	12,603	NFM = 12,603
Production - ITP	37,420	ITP = 37,420
		Total enrichment planting area (2019-2026): 1,267 ha Species: Binuang, Kapur Paji, Kapur Merah, Kapur Paya, Kapur Gumpait, Keruing, Laran, Selangan Batu Tanduk, Selangan Batu Daun Licin, Seraya Timbau, Seraya Daun Emas, Seraya Majau, Seraya Minyak, Seraya Punai, Seraya Tembaga, Seraya Melapi, Seraya Melantai, Selangan Batu, Talisai Paya, Urat Mata, Teluto,

		Tengkawang, Sengkuang, Merbau, Mahogany, Magas, Gaharu, Durian, Belian, Bangkal Total rubber plantation area: 2,163 ha
Research	777	777
Conservation	6,447	6,447
Total	57,247	57,247

Note: Enrichment planting was conducted in both NFM and ITP zoned area.

Current Operations:

List of activities based on AWP 2026.

Activity	Remarks
Timber Harvesting	<u>Timber harvesting</u> *: Compartment 27B2, 36, 45, 41, 47 = 2505.67 ha (A total of 807.12 ha brought forward from 2025). <u>Climber cutting</u> : Compartment 47, 51, 50 = 1,355 ha
Forest Rehabilitation	<u>Enrichment planting</u> : Compartment 38, 33 = 180 ha <u>Tending</u> : Compartment 38, 33 = 475 ha

Note*: For ITP area, commercial pioneer species, the dbh cutting limit is ranging from 30cm to 50cm depending on species and for commercial dipterocarp species, the dbh cutting limit is set at 50 cm. For NFM area, the dbh cutting limit for commercial pioneer species and dipterocarp species are 60 dbh.

List **current compartments** under RIL harvesting.

Comp #	NFM / ITP	Status	Area (ha)*	Geo-location data
36	ITP	Sabah TLAS EUDR	366.13	NE: 614000N, 86300 E NW: 614000N, 86400 E SE: 611000N, 86300 E SW: 611000N, 86400 E

List **AWP planned** RIL harvesting and enrichment planting.

Comp #	NFM / ITP	Status	Area (ha)*	Geo-location data
27B2	NFM	Sabah TLAS EUDR	440.99	NE: 615000N, 85900 E NW: 615000N, 86100 E SE: 614000N, 85900 E SW: 614000N, 86100 E
45	ITP	Sabah TLAS EUDR	239.06	NE: 610000N, 85800 E NW: 610000N, 86000 E SE: 609000N, 85900 E SW: 609000N, 86000 E
41	ITP	Sabah TLAS EUDR	1,004.81	NE: 610000N, 85900 E NW: 610000N, 86300 E SE: 608000N, 85900 E SW: 608000N, 86300 E
47	ITP	Sabah TLAS EUDR	454.68	NE: 61000N, 86100 E NW: 610000N, 86400 E SE: 608000N, 86100 E SW: 608000N, 86400 E
38	ITP	Sabah TLAS EUDR	363.00	NE: 611000N, 88000 E NW: 611000N, 88100 E SE: 610000N, 88800 E SW: 610000N, 88100 E
33	ITP	Sabah TLAS EUDR	1,185.13	NE: 614000N, 85900 E NW: 613000N, 86300 E SE: 610000N, 85800 E SW: 610000N, 86000 E

Note*: Area (ha) based on the AWP 2026.

Environmental Context:

Existing EIA report & key elements for protection / mitigation:

#	Title	EPD Approval Letter #	EIA Consultant
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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)	North Borneo Environmental Services Sdn. Bhd.
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Forest type and short history of management:

Based on the EIA, the project site is located at Segaliud Lokan Forest Reserve FMU 19(B). The Segaliud-Lokan Forest Reserve is a lowland dipterocarp forest. It is further divided into four sub-forest ecosystems, namely the Jerangas Forest, Kapur Merah Forest, Late Secondary Forest and Mixed Dipterocarp Forest. All sub-forest ecosystems, except the late Secondary Forest, are in advanced growth or regenerative stage, where most of the species composition and structure are contributed by climax tree species.

Principal commercial species currently existing:

RIL harvesting trees: *Drybalanops* spp. (Kapur), *Dipterocarp* spp. (Keruing), *Shorea inappendiculata* (Selangan batu), *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), *Diospyros* spp. (Kayu malam), *Pterospermum javanicum* (Bayor), *Calophyllum pulcherrimum* (Bintangor), *Dyera costulata* (Jelutong), *Anisoptera marginata* (Pengiran), *Lophopetalum javanicum* (Zoll.) (Perupok), *Pentace laxiflora* (Takalis), *Myristica iners* (Darah-darah), *Podocarpus rumphii* Blume (Karpus), *Annonaceae* spp. (Pisang-pisang), *Lauraceae* spp. (Medang), *Cotylelobium* spp. (Resak), *Eugenia* spp. (Obah), *Sindora beccariana* (Sepetir), *Myristicaceae* (Darah-darah), *Rubroshorea* sp. (Red Seraya), *Anthoshorea* sp. (White Seraya), *Richetia* sp. (Yellow Seraya), *Palaquium* sp. (Nyatoh)

Enrichment planting trees: *Octomeles sumatrana* (Binuang), *Dyrobalanops* spp. (Kapur Paji, Kapur Merah, Kapur Paya, Kapur Gumpait), *Dipterocarp* spp. (Keruing), *Neolamarckia cadamba* (Laran), *Shorea* spp. (Selangan Batu Tanduk, Selangan Batu Daun Licin, Seraya Timbau, Seraya Daun Emas, Seraya Majau, Seraya Minyak, Seraya Punai, Seraya Tembaga, Seraya Melapi, Seraya Melantai, Urat Mata, Tengawang), *Shorea inappendiculata* (Selangan Batu), *Terminalia* sp. (Talisai Paya), *Sweitona* spp. (Mahogany), *Duabanga moluccana* (Magas), *Durio* sp. (Durian), *Pterocymbium javanicum* (Teluto), *Intsia palembanica* (Merbau), *Aquilaria malaccensis* (Gaharu), *Eusideroxylon zwageri* (Belian), *Nauclea* spp. / *Neonauclea* spp. (Bangkal)

Specific biological values (e.g., rare or endangered species):

Segaliud Lokan Forest Reserve is rich in wildlife. Parts of the area is known as a wildlife corridor where fragments of wildlife habitat are joint together. This gives access especially to migratory animals to move from one segment to another as well as accessing the production area. Other parts of the forest are classified into salt lick area where minerals are abundance on soil. Among the animals that that found in the area include, Sunda Clouded leopard, Marbled cat, Leopard cat, Malay civet, common palm civet, Branded palm civet, Otter civet, Bearcat, Small-toothed palm civet, Banded Linsang, Asian small-clawed otter, Smooth-coated otter, Yellow-throat marten, Sunda stink badger, collared mongoose, short-tailed mongoose, Sun bear, Malayan Porcupine, Thick-spined porcupine, Long-tailed porcupine, Greater slow loris, Southern pig-tailed macaque, Crab-wating macaque, Orang Utan, Bearded pig, Sambar deer, Borneon yellow muntjac, Southern red muntjac, Greater chevrotain, Javan chevrotain, Moonrat, and Asian elephant.

Environmental services (e.g., critical watersheds, wildlife habitat, peat swamp, etc.):

Based on the EIA, there are three rivers that flows through the project area, namely Sg. Lokan, Sg. Rawog and Sg. Tabalion. Sg Rawog flows east to join Sg. Lokan. Sg. Lokan and Sg. Rawog will eventually flow 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.

Social Context:

Social assessment summary:

Social assessment **SBS / SIA / EIA** summary:

Based on the SIA, amongst the villages, Kg. Lung Manis is not adversely impacted by the KTS Plantation although the proximity of the village is 7 KM from SLFR. In addition, the historical development of the village is rooted from an oil palm plantation establishment to date. Communities living in this area have no dependence on the forest reserve as majority of them are oil palm plantation smallholders and working for the nearby oil palm plantations.

The 5 villages with one sub-village and a new village (Kg. Sangau/Kulu-Kulu, Kg. Siringon, Kg. Ulu Muanad Mile 52/54, Kg. Balat, Kg. Kuala Sg. Lokan and Buang Sayang) are impacted indirectly especially their traditional economic activities by the forest activities. About 67% of the population interviewed suggested that fish and other forest resources for non-timber forest produce has decreased or is no longer accessible to them due to the forest rules and competitions from illegal poachers. Some of the communities however, still carried out hunting and fishing in the surrounding forest reserves due to socio-economic pressures occasionally.

Based on the 3rd FMP, there are five settlements along the Kinabatangan River namely Kg. Balat, Kg. Long Manis, Kg. Sangau, Kg. Kuala Lokan and Kg. Buang Sayang with the closest being at least 111 km away from the Segaliud Lokan Forest Reserve border.

Identified communities that are dependent on the FMU:
None

Land claims, disputes & communication system:
None

Community Forestry Projects:
None

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: 22 – 26 June 2026 / FMU 19B: KTS Plantation Sdn. Bhd. / Sandakan District

Date	Activity	GFS Staff	Mandays
22 June 2026 Monday	Travel to KTS Plantation. Opening meeting. Document review. Overnight at campsite.	Sheanna Kehong, Eljipy Sualim, Teddy Quintin, Stacy Robert	4
23 June 2026 Tuesday	Field assessment to operations areas Compartment 36 (RIL harvesting), Compartment 50 (Enrichment planting), protected area (stream buffer zone), PSP. Document review. Overnight at campsite.	Sheanna Kehong, Eljipy Sualim, Teddy Quintin, Stacy Robert	4
24 June 2026 Wednesday	Field assessment to licensed boundary, log yard, nursery, workshop, scheduled waste store, lubricant store, nursery, workers' quarters. Document review. Overnight at campsite.	Sheanna Kehong, Eljipy Sualim, Teddy Quintin, Stacy Robert	4
25 June 2026 Thursday	Social assessment with representative from Kg. Ulu Muanad. Document review. Closing meeting. Overnight at campsite.	Sheanna Kehong, Eljipy Sualim, Teddy Quintin, Stacy Robert	4
26 June 2026 Friday	Travel to homebase.	Sheanna Kehong, Eljipy Sualim, Teddy Quintin, Stacy Robert	4
27 – 28 June 2026	Reporting/Administration: GFSSBH 003-409	Dr. Kevin Grace Sheanna Kehong	2
Total			22

Highlights of Assessment

(Major Gaps = 0; minor Gaps = 2; Observations = 0)

KTS Plantation Sdn. Bhd. has complied with the Sabah TLAS requirements (FDS TLAS-006), as no non-compliance was identified during the assessment on 22 – 26 June 2026.

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.

July 2025: Observation 001-2025 – Checklist 1.1.3

Incorrect validity year on the coupe permit SDK.27/09 by the SFD.

June 2026: Observation 001-2025 (Addressed)

The validity year on the coupe permit SDK.27/09 has been rectified.

July 2025: Observation 002-2025 – Checklist 1.3.2.11

Calculation of total area (ha) for harvesting schedule recorded in the FMP was inconsistent FMP Pg. 209, Table 8.14.

June 2026: Observation 002-2025 (Addressed)

Calculation of total area (ha) for harvesting schedule recorded in the FMP was rectified.

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.

July 2025: Observation 003-2025 – Checklist 2.4.2

Incorrect validity dates on the COI by the SFD.

June 2026: Observation 003-2025 (Addressed)

The COI validity dates have been corrected by the SFD.

June 2026: Gap 001/2026 (minor) – Checklist 2.4.2

JTK license for Megacess expired and the JTK to hire foreign workers is exceeded the quota.

June 2026: Gap 002/2026 (minor) – Checklist 2.4.8

Inconsistent of contributing SOCSO for workers under KTS Plantation and EPF for foreign workers under Megacess.

Principle 3. Statutory Charges

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

July 2025: Observation 004-2025 – Checklist 3.1.1

KTS Plantation has not paid 4 FD machinery renewal fees.

June 2026: Observation 004-2025 (Addressed)

FD has been renewed and valid.

Principle 4. Other User Rights

Based on the 3rd FMP, there are five settlements along the Kinabatangan River namely Kg. Balat, Kg. Long Manis, Kg. Sangau, Kg. Kuala Lokan and Kg. Buang Sayang with the closest being at least 111 km away from the Segaliud Lokan Forest Reserve border. Based on the SIA, amongst the villages, are not adversely impacted by the KTS Plantation. Communities living in this area have no dependence on the forest reserve as majority of them are oil palm plantation smallholders and working for the nearby oil palm plantations. The 5 villages with one sub-village and a new village (Kg. Sangau/Kulu-Kulu, Kg. Siringon, Kg. Ulu Muanad Mile 52/54, Kg. Balat, Kg. Kuala Sg. Lokan and Buang Sayang) are impacted indirectly especially their traditional economic activities by the forest activities. About 67% of the population interviewed suggested that fish and other forest resources for non-timber forest produce have decreased or is no longer accessible to them due to the forest rules and competition from illegal poachers.

Summary Results:**(Major gap = 0, minor gap = 2, Observation = 0)**

Gap raised against indicators & criteria during the June 2026 assessment.

GAP	Type	Checklist	Status	Description
001/2026	minor	2.4.2	New	June 2026: JTK license for Megacess expired and the JTK to hire foreign workers is exceeded the quota.
002/2026	minor	2.4.8	New	June 2026: Inconsistent of contributing SOCSO for workers under KTS Plantation and EPF for foreign workers under Megacess.

Observation raised against indicators & criteria during the June 2026 assessment.

Obs #	Checklist	Description
001-2025 Addressed	1.1.3	July 2025: Incorrect validity year on the coupe permit SDK.27/09 by the SFD. June 2026: The validity year on the coupe permit SDK.27/09 has been rectified.
002-2025 Addressed	1.3.2.11	July 2025: Calculation of total area (ha) for harvesting schedule recorded in the FMP was inconsistent FMP Pg. 209, Table 8.14. June 2026: Calculation of total area (ha) for harvesting schedule recorded in the FMP was rectified.
003-2025 Addressed	2.4.2	July 2025: Incorrect validity dates on the COI by the SFD. June 2026: The COI validity dates have been corrected by the SFD.
004-2025 Addressed	3.1.1	July 2025: KTS Plantation has not paid 4 FD machinery renewal fees. June 2026: FD has been renewed and valid.

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

Recommendations
KTS Plantation Sdn. Bhd. demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) 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: Gap 001/2026 (minor) – Checklist 2.4.2: KTS Plantation shall ensure Megacess has a valid JTK license to hire foreign workers and does not exceed the JTK licence quota. Gap 002/2026 (minor) – Checklist 2.4.8: KTS Plantation shall ensure workers are contributed under SOCSO monthly contributions and Megacess registers and contributes EPF for foreign workers based on statutory requirements. The next annual surveillance audit will be scheduled for June 2027.

End of Summary Report
