

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: JD Salarong Sdn. Bhd. (1302212-W) Contractor: SC Capital Management Sdn. Bhd. (1161240-W)	Reference #	GFSSBH 003-202a
Contact Person	Steven Lee (Management Representative)	Date of Report	23/06/2023
Office Address	Lot E-2, 5 th Floor, CPS Tower, Centre Point Sabah, 88000 Kota Kinabalu, Sabah, Malaysia.	Date of close out	25/08/2023
Email	brilliant_junction@outlook.com	Telephone	+6019 833 3373
		Fax	+6088 201 879
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criterion 2.3 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	19 – 23 June 2023
Scope of Assessment	Sabah TLAS P1-4: JP(NNN)005/2020(F1)
Species	<i>Shorea spp.</i> (Red & Yellow Seraya), <i>Sapotaceae spp.</i> (Nyatoh), <i>Neolamarckia cadamba</i> (Laran), <i>Alstonia spp.</i> (Pulai), <i>Eugenia spp.</i> (Obah), <i>Lauraceae spp.</i> (Medang), <i>Lithocarpus & Quercus spp.</i> (Mempening/Berangan), <i>Cratoxylum arborescens</i> (Serungan), <i>Koordersiodendron pinnatum</i> (Ranggu), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Annonaceae spp.</i> (Pisang – Pisang), <i>Annonaceae spp.</i> (Kerai), <i>Scaphium spp.</i> (Kembang semangkuk), <i>Heritiera simplicifolia</i> (Kembang), <i>Planchonia valida</i> (Putat), <i>Shorea pauciflora</i> (Obah Suluk), <i>Duabanga moluccana</i> (Magas), <i>Shorea inappendiculata</i> (Selangan Batu), <i>Dipterocarp spp.</i> (Keruing), <i>Cotylelobium spp.</i> (Resak), <i>Parashorea spp.</i> (White seraya), <i>Drybalanops spp.</i> (Kapur), OT (Other Timber)
Lead Assessor	Glory Linggou
Assessor(s)	Brandon James
SFD Staff	Edmund William (DFO Nabawan), Rhymie Abd Rahman (ADFO Nabawan), Junaidi Udut (KPPM Nabawan), Vitalis Isidore (ADFO Nabawan), Jaimi Anggilas (PPW Keningau)

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:

- The licensed area is a “Temporary Occupation License” or TOL awarded by the Lands & Resources Department under the Sabah Chief Minister’s Office, [JKM.PHB.700-2/404/(69), dated 13/03/2020] to JD Salarong Sdn. Bhd. (JD Salarong) for the purpose of salvage logging.
- Since the tenure is short-term and temporary, the Sabah Forestry Department (SFD) issued an approval (JPHTN/FRM 700-2/3/138/12 dated 27/11/2020) to harvest the area for 2 years under the Form 1 logging license, which ceased on 30/09/2022. The Form 1 logging license has been extended and approved by the SFD (Ref. #: JPHTN/NNN 700-2/3/123/JILID.2/63, dated 29/12/2022) until 24/10/2023.
- The harvesting method is a non-RIL system.
- The Form 1 logging license is parcelled out into 2 areas (Area A: 528.25 ha and Area B: 471.75 ha) located within State land (land title #: TOL 15950028) adjacent to Pensiangan Class I Forest Reserve, with a combined area of approximately 1,000 ha.
- The licensed area is under the jurisdiction of the Nabawan District Forestry Office.
- SC Capital Management Sdn. Bhd. was appointed as a contractor to carry out salvage logging and is registered with the SFD.

Logging Contractor	SC Capital Management Sdn. Bhd.
Non-RIL Contractor Certificate	KON(NNN)001/2021(KM)
Expiry Date	24/10/2023

- SC Capital Management Sdn. Bhd. engaged K.K.S Timber Trading, Ko Kung Siong and Prosper Parade Sdn. Bhd. to provide manpower and heavy machinery, such as a tractor, log loader and lorry.

Current Operations:

- The current main activity conducted by SC Capital Management Sdn. Bhd. is salvage logging. However, no planting activities yet.
- There are no NFM areas inside the licensed area.
- Land use classification:

Land classification	Form 1 Area (ha)	Current Status (ha)
Total Form 1 Concession Area	1,000	1,000
Production Area	806	806
Form 1	Area A: 528.25 ha Area B: 471.75 ha	677.10 ha (logged)
Riparian Reserve & slope $\geq 25^\circ$	193.93	Steep Area = 193.93 ha River / Stream Buffers were not identified in the EIA
Social Community & Agriculture	-	-
Main Logging Road	-	-

Environmental Context:

- The area is logged over mixed highland dipterocarp forest consisting of Dipterocarps such as *Urat mata beludu*, *Seraya putih*, *Seraya kuning*, *Seraya merah*, *Keruing* and *Oba suluk* and, other lesser-known species such as *Laran*, *Pelawan-Pelawan*, *Mempering*, *Medang*, *KerANJI*, *Magas*, *Rengas*, etc.

- Polod (*Avenca undulatifolia*), a protected floral species, was found within the licensed area (EIA study, 2019).
- The western areas (Area A & B) border the Pensiangan Class I Forest Reserve.
- The altitude varies between 2,000 m to 3,000 m *asl*.
- Topography:
Steep areas (>25°) = 193.93 ha
Areas <25° = 806.07 ha
- The major soil type is the acidic and nutrient poor Orthic acrisols.
- Two main rivers draining the licensed area are:
 - Sg. Mosopoh and its tributaries in Area 'A'.
 - Sg. Mesopo and its tributaries in Area 'A' and Area 'B'.
 - Watercourses in Area 'A' are the tributaries of Sg. Pomentarian and Sg. Labug in Area 'B'.
- Annual rainfall of about 2,000 mm was recorded in 2018. The driest months are February, March, July and August and, the wettest are May, September and October.
- Terrestrial mammals commonly sighted are Sambar deer, Borneon yellow muntjac, Bearded pig, Malay civet, Common palm civet, Long-tailed macaque and Leopard cat (as per communication from SFD in 2021). Avian species identified through calls and sightings: Great argus, Plaintive cuckoo and Crested serpent eagle (TLAS field audits in 2021). The biggest threat to wildlife in the licensed area is poaching.
- Environmental Impact Assessment was conducted and approved by the Environment Protection Department (EPD).

Title	EPD Approval Letter #	EIA Consultant
Proposed Logging Operation in 1,000 Hectares within TOL 15950028 in Kg. Ulu Mosopoh, Pensiangan, Nabawan, Sabah	JPAS/PP/NBN 600-1/01/1/319 (31) dated 04/02/2020	Ekohandal Sdn. Bhd.

- Significant impacts:
 - Soil erosion exacerbated by topography and conventional logging.
 - Water quality.
 - Refugia disturbance.
- Ease of ignition due to increase in fuel loads (logging residue) and rapid desiccation of fuel due to clear felling.

Social Context:

- There are no local communities residing in the licensed area. However, 6 villages within a 3 km radius were identified that include Kg. Kagulio, Kg. Ulu Mosopoh, Kg. Salarom Baru, Kg. Mangkuluson, Kg. Nakuyung and Kg. Labug.

Scope of Assessment
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of JD Salarong Sdn. Bhd. (SC Capital Management Sdn. Bhd.) under the Form 1 License #: JP(NNN)005/2020(F1) for TOL #: 15950028 • 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 JD Salarong 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: Form 1: JD Salarong Sdn. Bhd. (SC Capital Management Sdn. Bhd.) / Nabawan District / 20 – 23 June 2023 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
19 June 2023 Monday	Drafting report.	Glory Linggou Brandon James	2
20 June 2023 Tuesday	Travelling to Nabawan. Opening meeting at PPD Nabawan.	Glory Linggou Brandon James	2
21 June 2023 Wednesday	Field visit to harvesting operation, licensed boundary, stumping and protected area. Document review at PPD Nabawan.	Glory Linggou Brandon James	2
22 June 2023 Thursday	Document review at PPD Nabawan.	Glory Linggou Brandon James	2
23 June 2023 Friday	Closing meeting at PPD Keningau. Travel to home base.	Glory Linggou Brandon James	2
24 - 25 June 2023	Reporting GFSSBH 003-202	Dr. Kevin Grace Glory Linggou	2
Total			12

Highlights of Assessment

(Major Gaps = 1; Minor Gaps = 1; Observations = 1)

August 2023: Major Gaps = 1; Minor Gaps = 1; Observations = 1

JD Salarong Sdn. Bhd. (SC Capital Management Sdn. Bhd.) has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criterion 2.3 during the assessment on 19 – 23 June 2023.

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

Principle 1.

JD Salarong (SC Capital Management) demonstrated compliance with the license requirements and has developed an EIA study for the TOL area [Ref.#: JPAS/PP/NBN 600-1/01/1/319 (31) dated 04/02/2020].

June 2023: Gap 001/2023 (minor) – Checklist 1.2.3, 2.1.11

There is no evidence of the ECR report submission for the 2nd and 3rd quarters of 2022 and the 1st quarter of 2023.

Principle 2.

JD Salarong (SC Capital Management) demonstrated compliance with the demarcation of common boundaries. However, JD Salarong (SC Capital Management) did not comply with the regulatory requirements for workers.

June 2023: Gap 002/2023 (Major) – Checklist 2.3.1, 2.3.5

No evidence of passport, work permit or SOCSO registration and contribution for workers as required.

August 2023: Gap 002/2023 (Major) - Outstanding

No evidence of passport, work permit or SOCSO registration and contribution for workers as required.

June 2023: Observation 001-2023 – Checklist 2.3.7

No fire prevention training was conducted for workers.

Principle 3.

JD Salarong (SC Capital Management) has paid the licensing fees and other charges to Nabawan Forestry Office. The records were available and maintained.

Principle 4.

There are no local communities residing in the licensed area. However, 6 villages within a 3 km radius were identified that include Kg. Kagulio, Kg. Ulu Mosopoh, Kg. Salarom Baru, Kg. Mangkuluson, Kg. Nakuyung and Kg. Labug.

Summary Results:

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

August 2023: (Major gap = 1, Minor gap = 1, Observation = 1)

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

GAP	Type	Checklist	Status	Description
001/2023	minor	1.2.3 2.1.11	New	June 2023: There is no evidence of the ECR report submission for the 2 nd and 3 rd quarters of 2022 and the 1 st quarter of 2023.
002/2023	Major	2.3.1 2.3.5	Outstanding	June 2023: No evidence of passport, work permit or SOCSO registration and contribution for workers as required. August 2023: No evidence of passport, work permit or SOCSO registration and contribution for workers as required.

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

Obs #	Checklist	Description
001-2023	2.3.7	June 2023: No fire prevention training was conducted for workers.

Highlights of Close Out Visit (if applicable)	Dates	25 August 2023
The Major Gap 002/2023 shall be addressed within 2 months by August 2023. No evidence of passport, work permit or SOCSO registration and contribution for workers as required. Therefore, the Major gap remains outstanding.		

Recommendations
<p>JD Salarong Sdn. Bhd. (SC Capital Management Sdn. Bhd.) has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criterion 2.3 and is NOT recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.</p> <p>The Major Gap shall be addressed within two months by August 2023.</p> <p>Gap 002/2023 (Major) Outstanding – Checklist 2.3.1, 2.3.5: JD Salarong shall ensure all contractors comply with SOCSO and immigration requirements for their forest workers as required.</p> <p>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:</p> <p>Gap 001/2023 (Minor) – Checklist 1.2.3, 2.1.11: JD Salarong (SC Capital Management) shall maintain the submission of the quarterly ECR report.</p> <p>Observation 001-2023 – Checklist 2.3.7: JD Salarong shall conduct fire prevention training for workers annually.</p> <p>The next annual surveillance audit will be scheduled for June 2024.</p>

End of Summary Report