

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Benta Wawasan Sdn. Bhd. (377414-H) Contractor: Serijaya Industri Sdn. Bhd. (705242-W)	Reference #	GFSSBH 003-156a
Contact Person	Mr. Akmurulla Arawangsa (Sr. Manager - Admin & Planting)	Date of Report	14/10/2022
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 1.3, 1.4, 1.6, 2.1 & 2.3 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	10 - 14 October 2022
Scope of Assessment	TLAS P1-4: Long Term Forest Management License Agreement No. JP(TKA)122/96(CO)
Species	Plantation: Oil Palm and Laran Salvage logging: Mixed species
Lead Assessor	Priera Bagang, Sandra George (Acting)
Assessor(s)	Ivy Justin
SFD Staff	Ag. Ku Mohd. Ridzwan (ADFO Kalabakan), Peter Lumambai (PPD Kalabakan), Suhezron Salim (PPD Kalabakan)

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 01st January 2015 (**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 area is owned by the Sabah State Government and licensed to Benta Wawasan Sdn. Bhd. under the main concessionaire which is Yayasan Sabah.
- Benta Wawasan Sdn. Bhd. under License No JP(TKA)122/96(CO) hires Serijaya Industri Sdn. Bhd. (Serijaya Industri), a wholly owned subsidiary of Innoprise Plantations Berhad to manage the 22,763ha licensed area as Agro-forestry plantation (oil palm) and Industrial Tree Plantation (ITP).
- The area managed by Serijaya Industri is divided into 6 estates: Lokan, Maliau, Luasong, Gunung Rara Labau & Imbak that are covered under 14 approved Coupe Permits:

Estate	Coupe Permit #	Block	Expiry	Area (ha)
Imbak	TWU 03/14	BW 5/01 OPP	10/03/2074	1,799.00
	TWU 08/14	BW 4/01 OPP	15/06/2074	1,769.00
Gunung Rara	TWU 11/14	BW 12/01 OPP	04/09/2074	1,543.00
	TWU 02/14	BW 6/01 OPP	21/02/2074	2,096.00
Labau	TWU 14/14	BW 10/01 OPP	19/10/2074	1,283.00
	TWU 24/06	BW 10/02 OPP	27/08/2036	1,113.00
	TWU 13/14	BW 10/03 OPP	25/09/2074	1,520.00
Maliau	TWU 12/14	BW 12/02 OPP	07/09/2074	2,883.00
Lokan	TWU 06/14	BW 5/02 OPP	15/06/2074	1,857.00
	TWU 10/14	BW 12/05 OPP	03/07/2074	1,382.62
	TWU 17/14	BW 2/02 OPP	03/11/2074	534.00
	TWU 16/14	BW 14/01 OPP	19/10/2074	1,070.00
Luasong	TWU 19/14	BW 12/03 OPP	18/11/2074	2,292.00
	TWU 11/09	BW 12/04 OPP	29/10/2039	920.03
Total area				22,062.00

- The previous assessment was conducted in August 2021 that resulted in 5 gap(s) and 0 observation(s) (Report #: GFSSBH 003-085).

Current Operations:

- Currently, Serijaya Industri is conducting oil palm harvesting, maintenance and planting of Laran across the licensed area.
- Land use classification:

Land classification	2 nd draft ADP (ha)	Current Status, as of October 2022 (ha)
Total Concession Area	22,763	22,763
Production Area	17,048	17,048
<ul style="list-style-type: none"> ▪ Agroforestry (oil palm) ▪ ITP (Laran) 	Oil Palm planted: 12,258 Laran plantation: 4,790	Oil Palm planted: 12,258 Laran planted: 1,947 Total seedlings planted: 24,724
Riparian and Steep Area	3,865	3,865
Infrastructure, Roads Buildings, etc.	1,850	1,850

Environmental Context:

- Prior to conversion, the project site was consisted of logged Lowland Mixed Dipterocarp Forest and Hill Dipterocarp Forest.
- Two (2) rivers, Sg. Imbok and Sg. Gukuam in the licensed area drain into Cowie Bay in the southeast.
- Surface run-off and soil erosion are somewhat mitigated by preserving forests in steep areas and along all rivers and streams (riparian). Forest restoration and enrichment planting will establish linkages between preserved patches of forests to the Gunung Rara Forest Reserve, to support biodiversity and habitat within the licensed area.

- Wildlife surveys were conducted in the remaining forest area of BW 4/01 and BW 12/02 including the steep forest area and along the stream and river buffers. There was evidence (accidental sightings, scats and hoof/paw prints, etc.) of the presence of wildlife (Bornean pygmy elephant, Sambar deer, Civets, Langurs, Long/Short-tailed macaques, Hornbills, Black and Crested serpent eagle, etc).
- EIA study title “Proposed Oil Palm Plantation (OPP) development at Benta Wawasan 1 by Serijaya Industri Sdn. Bhd. (22,061.65 ha - 14 coupes)” was approved by the EPD in 2011 (Ref.#: JPAS/PP/21/600-1/01/1/284 (6) dated 21/01/2011).

Social Context:

- A Social Impact Assessment (SIA) was conducted and the report was published in July 2017 by Kiwiheng Environmental Consultants Sdn. Bhd. entitled “Oil Palm Plantation (OPP) at Benta Wawasan 1 by Serijaya Industri Sdn. Bhd., Yayasan Sabah Forest Management Area, Kalabakan and Gunung Rara Forest Reserves, Tawau District, Sabah.”
- All 6 estates are certified under the Malaysian Sustainable Palm Oil.
- The SIA exercise has affirmed that there are no local communities living inside or adjacent to the licensed area. The nearest village outside of the project site is Kg. Mukandot is located approximately 10.5 km south of the boundary. Kg. Mukandot has yet to be gazetted as a village.
- The village houses of Kg. Mukandot is mostly concentrated along the road for easy access. This village is located within the Kalabakan Forest Reserve (Class II). Villagers of Kg. Mukandot were formerly workers of Luasong Forestry Centre of Yayasan Sabah and now, most of them are either self-employed (agriculture) or employed in oil palm plantations surrounding the village. The population of Kg. Mukandot consists of 4 ethnic groups; Sungai (50%), Bugis (25%), followed by Dusun and Murut.
- There are no land claims between the villagers and Serijaya Industri (SIA July 2017 Page 26). The SFD identified that the village is illegally occupying the land inside the forest reserve. Due to the uncertainty of land status, Kg. Mukandot does not have much infrastructure or amenities provided by the government including water and electricity. The villagers rely on rainwater or use water from the nearby rivers and streams once the rainwater runs out during long droughts.
- The community of Kg. Mukandot has not experienced any major impacts from the presence of the oil palm estates. The only concern is damage to their planted crop (oil palm) by wildlife. The local community perceives that this problem arises from the installation of electric fences by corporate planters; thus, preventing wildlife from foraging in the Serijaya Industri Oil Palm estates and, consequently, they moved on to the community areas that are unprotected to forage instead (SIA July 2017 Page 32). Serijaya Industri is not in the position to take any action to help the villagers with damage to their crops caused by wildlife (SIA July 2017 Page 84).

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Benta Wawasan Sdn. Bhd. (Serijaya Industri Sdn. Bhd.)** with the Forest Management License Agreement JP(TKA)122/96(CO) for FMU 23 (partly).
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (SFD-TLAS-002).
- Site evaluation to verify and report the level of compliance by **Benta Wawasan Sdn. Bhd. (Serijaya Industri 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 23 (partly) / Benta Wawasan Sdn. Bhd. (Serijaya Industri Sdn. Bhd.) / Kalabakan District 10 – 14 October 2022 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
10 October 2022 Monday	Public Holiday – Maulidur Rasul	Priera Bagang, Ivy Justin, Sandra George	3

11 October 2022 Tuesday	Travel to Serijaya Industri Central Basecamp and overnight.	Priera Bagang, Ivy Justin, Sandra George	3
12 October 2022 Wednesday	Opening meeting at Serijaya Industri Central Office (Basecamp). Site visit (Gunung Rara Estate, Labau Estate, Imbak Estate): Compartment boundary, riparian buffer zone, worker's quarters, nursery, chemical store, salvage logging, silviculture treatment, enrichment planting, dumping pit, oil palm mill, and workshop. Document review.	Priera Bagang, Ivy Justin, Sandra George	3
13 October 2022 Thursday	Document review at basecamp office.	Priera Bagang, Ivy Justin, Sandra George	3
14 October 2022 Friday	Closing meeting at Serijaya Industri Central Office (Basecamp).	Priera Bagang, Ivy Justin, Sandra George	3
15 - 16 October 2022	Reporting GFSSBH 003-156	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

(Major Gaps = 4; Minor Gaps = 4; Observations = 4)

December 2022: (Major Gaps = 3; Minor Gaps = 4; Observations = 4)

Benta Wawasan Sdn. Bhd. (Serijaya Industri Sdn. Bhd.) has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified for Criteria 1.3, 1.4, 1.6, 2.1 & 2.3 during the assessment on 10 - 14 October 2022.

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

Principle 1.

The validity of all Agroforestry OPP coupe permits for Serijaya Industri has been extended from 30 to 60 years and approved by the Chief Conservator of Forests (Ref. #: JPHTN/PP (S) 100-26/4/KLT.6/9 dated 29/08/2013).

Serijaya Industri has an approved ADP from SFD on 02/06/2006, which covers an area of 22,763 ha of Gunung Rara Forest Reserve, for a period not exceeding 35 years, from 01/01/2006 to 31/12/2040.

The AWP 2022 was endorsed by the Chief Conservator of Forests (Ref. #: JPHTN/SFM 800-1/1/14/1 (JILID.3) (93), dated 25/04/2022).

Serijaya Industri has prepared a revised 10-year Agro-Forestry Development Plan (ADP) 2022-2031 and has submitted the said document to Sabah Forestry Department for approval (Ref. #: COO/M-4/10/22/066 dated 03/10/2022).

August 2021: Gap 001/2021 (Minor) – Checklist 1.6.1

The draft of the revised PDP has been submitted to SFD and is pending approval.

October 2022: Gap 001/2021 (Raised to Major) – Checklist 1.3.1, 1.3.2.4, 1.6.1

The 2nd ADP draft submitted for approval includes areas planned for Laran plantation development that overlap with identified protection and inoperable areas according to the EIA and ADP.

December 2022: Gap 001/2021 (Major) - Outstanding

No evidence of a revised area for the planned Laran plantation that overlaps with the EIA protection area.

October 2022: Gap 001/2022 (Minor) – Checklist 1.2.1

No evidence of updating the EIA for the planned development of Laran plantations in relation to change in land use, forest conversion and areas identified for protection.

Highlights of Assessment

October 2022: Gap 002/2022 (Minor) – Checklist 1.2.3

Inadequate mitigation against oil spillage and waste management within several estates. Banned pesticides were used for the Laran plantation.

October 2022: Observation 001-2022 – Checklist 1.3.2.7

The harvest schedule and estimated yield for planted Laran is not defined in the ADP.

October 2022: Gap 003/2022 (Major) – Checklist 1.4.2, 2.1.15

Observed terracing for Laran plantation development that does not comply with the 2022 SFD requirement prohibiting terracing.

December 2022: Gap 003/2022 (Major) - Outstanding

The definition of *Access Path* in the 2nd ADP is not credible to displace terracing methods for tree planting.

October 2022: Gap 004/2022 (Minor) – Checklist 1.7.3, 2.1.13

Inconsistency in marking and protection of buffer zones..

October 2022: Observation 002-2022 - Checklist 1.3.3

The current ADP did not define a midterm review as per SFMLA requirements.

October 2022: Observation 003-2022 – Checklist 1.8.2

The PSP plots are not analysed to define growth in relation to volume yield targets.

Principle 2.

Based on the SFD Kalabakan, no requirement for logging contractor registration as the company only applies for a Form IIB permit for salvage logging operations. The company is only required to pay the Form IIB permit processing fees to SFD Kalabakan (Ref. #: AM999364, dated 26/08/2022).

Currently, Serijaya Industri concentrates on oil palm maintenance, FFB harvesting and salvage logging.

August 2021: Gap 002/2021 (Minor) – Checklist 2.1.6

The company was unable to provide proof of valid registration of the logging contractor.

October 2022: Gap 002/2021 (Minor) - Closed

The SFD did not require the contractor to register for Non-RIL logging contractor.

August 2021: Gap 003/2021 (Minor) – Checklist 2.1.9, 2.1.14

The licensee was unable to provide records of logs extracted from salvage logging areas during the assessment.

October 2022: Gap 003/2021 (Minor) – Closed

The company maintained records of log production.

Some workers have yet to be registered for COI. Serijaya Industri has submitted the application for COI renewal and is pending payment to the SFD Kalabakan. The company has a valid JTK License for all estates.

August 2021: Gap 004/2021 (Minor) – Checklist 2.3.1

i) The license to hire foreign workers for Gunung Rara Estate and Imbak Estate has expired.

ii) The COI for Serijaya Industri workers has expired.

October 2022: Gap 004/2021 (Raised to Major) – Checklist 2.3.1

Work visas & COI expired for workers sampled and license for hiring 328 foreign workers differs from the 543 foreign workers currently employed.

December 2022: Gap 004/2021 (Major) - Outstanding

No evidence of additional labour licenses covering the current 543 foreign workers.

October 2022: Observation 004-2022 - Checklist 2.3.7

One unit of fire extinguisher observed without pressure at Labau Estate.

October 2022: Gap 005/2022 (Major) - Checklist 2.3.5

Highlights of Assessment

The company could not provide records of SOCSO contribution for Serijaya Industri workers for August 2021, December 2021, February 2022 to May 2022 and August 2022.

December 2022: Gap 005/2022 (Major) - Closed

Serijaya Industri contributed a monthly SOCSO for August 2021, December 2021, February 2022 to May 2022 and August 2022.

Principle 3.

Serijaya Industri has 43 Occupational Permits. Only 15 Occupational Permits are still valid and the remaining 28 Occupational Permits expired and are in the process of renewal.

Serijaya Industri has paid FD registration fees for all heavy machinery to SFD.

August 2021: Gap 005/2021 (Minor) – Checklist 3.1.1

Expired Occupational Permits are pending payment from the company and renewal from SFD.

October 2022: Gap 005/2021 (Minor) - Outstanding

Inconsistency maintaining OP renewal and FD heavy machinery registration plate.

Records of SFD royalty payment for Fresh Fruit Bunch (FFB) and FD machinery payment were available and maintained by the licensee.

Principle 4.

The SIA exercise affirmed that no local communities are living inside or adjacent to the licensed area. The nearest village outside of the project site is Kg. Mukandot, is located approximately 10.5 km south of the boundary. Kg. Mukandot has yet to be gazetted as a village. There is no land claims between the villagers and Serijaya Industri (SIA July 2017 Page 26).

Summary Results:

(Major gap = 4, Minor gap = 4, Observation = 4)

December 2022: (Major gap = 3, Minor gap = 4, Observation = 4)

Gap raised against indicators & criteria during the October, 2022 assessment.

GAP	Type	Checklist	Status	Description
001/2021	Raised to Major	1.3.1 1.3.2.4 1.6.1	Outstanding	<p>August 2021: The draft of the revised PDP has been submitted to SFD and is pending approval.</p> <p>October 2022: The 2nd ADP draft submitted for approval includes areas planned for Laran plantation development that overlap with identified protection and inoperable areas according to the EIA and ADP.</p> <p>December 2022: No evidence of a revised area for the planned Laran plantation that overlaps with the EIA protection area.</p>
002/2021	Minor	2.1.6	Closed	<p>August 2021: The company was unable to provide proof of valid registration of the logging contractor.</p> <p>October 2022: The SFD did not require the contractor to register for Non-RIL logging contractor.</p>
003/2021	Minor	2.1.9 2.1.14	Closed	<p>August 2021: The licensee was unable to provide records of logs extracted from salvage logging areas during the assessment.</p> <p>October 2022: The company maintained records of log production.</p>

GAP	Type	Checklist	Status	Description
004/2021	Raised to Major	2.3.1	Outstanding	<p>August 2021: i) The license to hire foreign workers for Gunung Rara Estate and Imbak Estate has expired. ii) The COI for Serijaya Industri workers has expired.</p> <p>October 2022: Work visas & COI expired for workers sampled and license for hiring 328 foreign workers differs from the 543 foreign workers currently employed.</p> <p>December 2022: No evidence of additional labour licenses covering the current 543 foreign workers.</p>
005/2021	Minor	3.1.1	Outstanding	<p>August 2021: Expired Occupational Permits are pending payment from the company and renewal from SFD.</p> <p>October 2022: Inconsistency maintaining OP renewal and FD heavy machinery registration plate.</p>
001/2022	Minor	1.2.1	New	<p>October 2022: No evidence of updating the EIA for the planned development of Laran plantations in relation to change in land use, forest conversion and areas identified for protection.</p>
002/2022	Minor	1.2.3	New	<p>October 2022: Inadequate mitigation against oil spillage and waste management within several estates. Banned pesticides were used for the Laran plantation.</p>
003/2022	Major	1.4.2 2.1.15	Outstanding	<p>October 2022: Observed terracing for Laran plantation development that does not comply with the 2022 SFD requirement prohibiting terracing.</p> <p>December 2022: The definition of <i>Access Path</i> in the 2nd ADP is not credible to displace terracing methods for tree planting.</p>
004/2022	Minor	1.7.3 2.1.13	New	<p>October 2022: Inconsistency in marking and protection of buffer zones.</p>
005/2022	Major	2.3.5	Closed	<p>October 2022: The company could not provide records of SOCSO contribution for Serijaya Industri workers for August 2021, December 2021, February 2022 to May 2022 and August 2022.</p> <p>December 2022: Serijaya Industri paid monthly worker contributions to SOCSO for August 2021, December 2021, February 2022 to May 2022 and August 2022.</p>

Observation raised against indicators & criteria during the October, 2022 assessment.

Obs #	Checklist	Description
001-2022	1.3.2.7	<p>October 2022: The harvest schedule and estimated yield for planted Laran is not defined in the ADP.</p>
002-2022	1.3.3	<p>October 2022: The current ADP did not define a midterm review as per SFMLA requirements.</p>
003-2022	1.8.2	<p>October 2022:</p>

Obs #	Checklist	Description
		The PSP plots are not analysed to define growth in relation to volume yield targets.
004-2022	2.3.7	October 2022: One unit of fire extinguisher observed without a pressure at Labau Estate.

Highlights of Close Out Visit (if applicable)	Dates	16 December 2022
The Major gaps shall be addressed within 2 months by December 2022 . Major Gap 005/2022 was closed following the document submission on 16/12/2022. However, Major Gap 001/2021, Gap 004/2021 & Gap 003/2022 remain outstanding since Serijaya Industri did not revise the 2 nd ADP draft for the planned Laran plantation that overlaps with the EIA protection area, the contractor could not provide the evidence for additional labour licenses for the current foreign workers and credible definition of planting method that does contradict with the SFD requirement.		

Recommendations
<p>Benta Wawasan Sdn. Bhd. (Serijaya Industri Sdn. Bhd.) has NOT demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified in Criteria 1.3, 1.4, 1.6, & 2.1 and is not recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gaps shall be addressed within two months by December 2022.</p> <p>Gap 001/2021 (Major) Outstanding – Checklist 1.3.1, 1.3.2.4, 1.6.1: The 2nd ADP draft needs to be revised in respect to areas planned for Laran plantation development that overlap with identified protection and inoperable areas according to the EIA and ADP.</p> <p>Gap 004/2021 (Major) Outstanding – Checklist 2.3.1: The licensee shall ensure foreign workers have valid work visas and COI. The licensee shall employ foreign workers based on quota stated in the JTK license.</p> <p>Gap 003/2022 (Major) Outstanding - Checklist 1.4.2, 2.1.15: The licensee shall revise the 2nd ADP planting method to exclude the construction of 6-8' wide terracing / access paths for planting Laran.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Actions required to close the gap(s)/observation(s) include:</p> <p>Gap 005/2021 (Minor) Outstanding - Checklist 3.1.1: The licensee shall renew OPs prior to expiration and maintain the FD registration plate on the heavy machinery.</p> <p>Gap 001/2022 (Minor) – Checklist 1.2.1: The EIA needs to be updated for development of Laran plantations.</p> <p>Gap 002/2022 (Minor) – Checklist 1.2.3: Provide an oil pans and system for waste management, including monitoring and awareness to workers. Discontinue the usage of banned pesticides.</p> <p>Gap 004/2022 (Minor) – Checklist 1.7.3, 2.1.13: Riparian reserves for permanent streams shall be clearly marked and protected. Remove debris from the natural waterway to ensure natural water flow. Disturbed areas need to be re-vegetated and monitored for effective mitigation against siltation.</p> <p>Observation 001-2022 – Checklist 1.3.2.7: Revise the ADP to include the harvest schedule and expected yield for Laran plantation.</p> <p>Observation 002-2022 - Checklist 1.3.3: Revise the current ADP to include the schedule for midterm review.</p> <p>Observation 003-2022 – Checklist 1.8.2: The licensee shall monitor PSP plots and analyse the data to evaluate growth in relation to estimated yields.</p> <p>Observation 004-2022 - Checklist 2.3.7: The licensee shall send or replace the fire extinguisher without pressure.</p> <p>The next surveillance audit will be scheduled for October 2023.</p>

End of Summary Report