

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

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|-----------------------|---|--------------------------|-----------------|
| Licensee | Licensee: Lai Ngai Ming Megaccess Sdn. Bhd. 199301002640 (257377V) | Reference # | GFSSBH 003-317 |
| Contact Person | Ms. Chong Thau Yin | Date of Report | 25/10/2024 |
| Office Address | Lot 137, Block BB, 1 st Floor Bandar Utama, One Avenue 10, Sandakan, Sabah, Malaysia. | Date of close out | - |
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| | | Approved By | Dr. Kevin Grace |

Statements

| | | | |
|-------------------------|-----------------|-----------------|-----------------|
| Statement of Compliance | GFS 204 WTP | | |
| Issuance Date | 28 October 2024 | Expiration Date | 27 October 2025 |

Assessment Details

| | |
|---------------------|--|
| Assessment Dates | 21-25 October 2024 |
| Scope of Assessment | Sabah TLAS P1-4: JPHTN(FIIB)STL-2024/01 |
| Species | <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Actinodaphne spp.</i> (Medang), <i>Anisoptera spp.</i> (Pengiran), <i>Alstonia spp.</i> (Pulai), <i>Dipterocarpus spp.</i> (Keruing), <i>Shorea inappendiculate</i> (Selangan batu), <i>Sindora spp.</i> (Sepetir), <i>Dyera spp.</i> (Jelutong), <i>Dialium indum</i> (KerANJI), <i>Dryobalanops spp.</i> (Kapur), <i>Parashorea spp.</i> (White seraya), <i>Melanochyla spp.</i> (Rengas), <i>Shorea pauciflora</i> (Oba suluk), <i>Palaquium spp.</i> (Nyatoh), <i>Lithocarpus spp.</i> (Mempening), <i>Heritiera simplicifolia</i> (Kembang), <i>Scaphium affine</i> (Kembang semangkok), <i>Neolamackia cadamba</i> (Laran), Tengawang-kawang, <i>Vatica spp.</i> (Resak), <i>Duabanga moluccana</i> (Magas) |
| Lead Assessor | Glory Linggou |
| Assessor(s) | Anis Andrew (Acting lead) |
| SFD Staff | Elrimieo Emin (DFO Telupid), Mohd. Faizal (ADFO Telupid), David B. Kawayan (PPD Telupid), Sharif Mohd Akmal (PPD Telupid), Gubil Kabolin (PPD Telupid), Fredolin Yuya (PPD Telupid) |

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 Power of Attorney was created on 24/04/2024 by Lai Ngai Ming and was signed by the Magistrates Court Sandakan on 03/05/2024. In the document, Twenty-Four (24) Native Titles as stated in Schedule A annexed including NT.083244213 (5.09 ha), more or less situated at Sg. Bangau-Bangau, Beluran, Sabah, Malaysia.

Lai Ngai Ming appointed Megaccess Sdn. Bhd. to make and sign applications to the SFD or other Government Department and other stipulated acts in the Power of Attorney document for a period of one year from the date of the Power of Attorney.

The Sabah Forestry Department, in its letter, Ref. #: JPHTN/TL700-1/53/JLD.1/27 dated 26/09/2024, stated that the application for the issuance of Form IIB license was approved based on Ref. #: JPHTN/FRM700-2/3/161/6 dated 24/09/2024 as the following:

- License #: JPHTN(FIIB)STL-2024/01 under Lai Ngai Ming for one time only for logs not more than 1457 pieces (2,858.44 m³).
- Contractor: Megaccess Sdn. Bhd.
- Logs must be from 23 Native Title land listed in the approved letter.
- The Form IIB approval take effect for 1 month only after the date of issuance of this letter.
- Area that harvested should be cleared a week after the license expired.
- The licensee must submit a copy of Form IIB license to the nearest LHDN office.

The SFD letter only listed 23 Native Titles for 118.97 ha, which NT.083244213 (5.09 ha) was not included in the approval letter.

Megaccess does not engage any other sub-contractor to conduct forestry activities, such as log harvesting, grading, hauling, boundary marking and royalty payment inside the licensed area.

Land use classification:

| Land classification | Area (ha) | Current Status (ha) |
|-----------------------|-----------|---|
| Total Concession Area | 118.97 | 118.97 |
| Form IIB | 118.97 | Area harvested: 19.585 ha (4 native titles) Logs: 1,457 Volume: 2,858.44 m ³ |

Current Operations:

The harvesting activities have been completed and all logs have been transported out from the project area. Based on the approved Form IIB permit, 1,457 logs (2,858.44 m³) permitted to be extracted from the project area.

The current harvested area consists of only 4 Native Titles with the total area of 19.585 ha.

| Form IIB | NFM / ITP | Status | Area (ha) | Geo-location data |
|---|-----------|------------|-----------|--|
| JPHTN(FIIB)STL-2024/01 NT 083244026 = 4.921 ha NT 083244053 = 5.27 ha NT 083244062 = 5.05 ha NT 083243805 = 4.345 ha Total area for 4 NT = 19.586 ha | - | Sabah TLAS | 19.585 | SW 651000 844250 SE 650750 845000 NE 650862 845250 NW 651250 844500 |

Note: The area difference is .001 ha

Environmental Context:

The Form IIB area is located in Sungai Bangau-Bangau, Telupid, Sabah, Malaysia.

Based on the field visit, the area's topography is relatively hilly and has undulating terrain.

Based on the production record, the area predominantly has mixed lowland dipterocarp species.

Social Context:

The nearest settlement is Kg. Sualok, Telupid, Sabah, located approximately within a radius of 1 km from the licensed area. There is no other Native Customary Right (NCR) claim area inside the titled land.

Scope of Assessment

- The scope of the evaluation is to verify compliance of Lai Ngai Ming (Megacess Sdn. Bhd.) with the Form IIB permit #: JPHTN(FIIB)STL-2024/01.
- 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 Lai Ngai Ming (Megacess 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: 21-25 Oct 2024 / Form IIB: Lai Ngai Ming (Megacess Sdn. Bhd.) / Telupid District

| Date | Activity | GFS Staff | Mandays |
|------------------------------|---|----------------------------------|-----------|
| 21 October 2024 Monday | Travel to Telupid. Opening meeting and document review at PPD Telupid. | Glory Linggou Anis Andrew | 2 |
| 22 October 2024 Tuesday | Site visit to licensed boundary, riparian area and operation areas. Document review at PPD Telupid. | Glory Linggou Anis Andrew | 2 |
| 23 October 2024 Wednesday | Document review at PPD Telupid. | Glory Linggou Anis Andrew | 2 |
| 24 October 2024 Thursday | Closing meeting at PPD Telupid. Finalizing report. Travel back to homebase. | Glory Linggou Anis Andrew | 2 |
| 25 October 2024 Friday | Report submission. | Glory Linggou Anis Andrew | 2 |
| 26-27 October 2024 | Reporting/Administration: GFSSBH003-317 | Dr. Kevin Grace Glory Linggou | 2 |
| Total | | | 12 |

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 1; Observations = 1)

Lai Ngai Ming (Megacess Sdn. Bhd.) has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 21-25 October 2024.

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

Principle 1. Right to Harvest

Lai Ngai Ming appointed Megacess Sdn. Bhd. to make and sign applications to the SFD or other Government Department and other stipulated acts in the Power of Attorney document for a period of one year from the date of the Power of Attorney.

The approved Form IIB comprised of 24 Native titles with total area of 118.97 ha. However, the harvested area is only 19.585 Ha. Therefore, no EIA and PMM report is required.

October 2024: Observation 001-2024 – Checklist 1.1.6

Inconsistent approval of Form IIB permit against the 24 NT areas by the SFD.

Principle 2. Forest Operations

Demarcation of areas prohibited from harvesting and forest operations, such as riparian reserves were identified on the ground. No evidence of a disturbance was observed during the field assessment. Based on records, 1,457 logs (2,858.44 m³) have been harvested from the project area.

October 2024: Gap 001/2024 (minor) – Checklist 2.4.5

No work safety and fire training were conducted for workers.

Highlights of Assessment

Principle 3. Statutory Charges

All heavy machinery is registered with SFD and remains valid.

Principle 4. Other User Rights

Not applicable - The nearest settlement is Kg. Sualok, Telupid, Sabah, located approximately within a radius of 1 km from the licensed area. There is no other Native Customary Right (NCR) claim area inside the titled land.

Summary Results:

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

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

| GAP | Type | Checklist | Status | Description |
|----------|-------|-----------|--------|--|
| 001/2024 | minor | 2.4.5 | New | October 2024: No work safety and fire training were conducted for workers. |

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

| Obs # | Checklist | Description |
|----------|-----------|--|
| 001-2024 | 1.1.6 | October 2024: Inconsistent approval of Form IIB permit against the 24 NT areas by the SFD. |

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

Recommendations

Lai Ngai Ming (Megacess 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 001/2024 (minor) – Checklist 2.4.5: Megacess shall conduct work safety and fire training prior to the logging operations.

Observation 001-2024 – Checklist 1.1.6: SFD shall ensure all NT areas are included in the Form IIB permit approval.

Form IIB is not applicable for surveillance visit after the completion of the harvesting.

End of Summary Report