

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Licensee: Silam Forest Products Sdn. Bhd. 197901000492 (44754-D) Developer: Kelola Maju Sdn. Bhd. 200701004467 (762466-A)	<b>Reference #</b>	GFSSBH 003-243
<b>Contact Person</b>	Hassan Bin Onui (Senior Estate Manager)	<b>Date of Report</b>	23/02/2024
<b>Office Address</b>	<b>Office:</b> No. 87, Rightview Corporation Sdn. Bhd., Mile 3, Jalan Kolam, Opposite Foo Chow Association, 88100 Luyang Kota Kinabalu, Sabah, Malaysia. <b>Licensee:</b> Hutan Simpan Bonggaya Sugut, Sabah, Malaysia.	<b>Date of close out</b>	-
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Audit Statement	GFS 069 LVS		
Issuance Date	26 February 2024	Expiration Date	25 February 2025

### Assessment Details

Assessment Dates	19 – 23 February 2024
Scope of Assessment	Sabah TLAS P1-4: Agroforestry Development License Agreement JP (SBN) 02/2007 (CO)
Species	Agroforestry planted trees: Oil Palm ( <i>Elaeis guineensis</i> ) Enrichment planting trees: Laran ( <i>Neolarmakia cadamba</i> ), Binuang ( <i>Octomeles sumatrana</i> ), Kapur ( <i>Dryobalanops</i> spp.), Seraya ( <i>Shorea</i> spp.)
Lead Assessor	Brandon James
Assessor(s)	Aleeza Ho, Tommy Olui
SFD Staff	SH Mohd. Roslie (ADFO Beluran), Bulkiah Sherif Hassan (SFM Beluran), Ahmad Dul Sharif (SFD Beluran), Mohd. Husin Rahim (SFD Beluran)

### 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:

- Bonggaya Class II Commercial Forest Reserve is severely degraded due to the issuance of multiple short-term logging permits between 1970 - 2005.
- The Sabah State Government, through the Sabah Forestry Department, granted a licensed area [JP(SBN)02/2007(CO)] of approximately 10,250 hectares to Silam Forest Products Sdn. Bhd. (Silam Forest Products) on 25/07/2007, to plant agroforestry crops. The licensed area commonly referred to as Lot 2, forms part of the greater Bonggaya Class II Commercial Forest Reserve.
- Silam Forest Products and Kelola Maju Sdn. Bhd. (Kelola Maju) signed an agreement on 24/07/2007, to jointly develop the project area into a large-scale Agroforestry Development Project to establish an oil palm plantation under a Joint Venture Agroforestry Program.
- Kelola Maju is certified under Malaysian Sustainable Palm Oil Part 3: General Principles for Oil Palm Plantations and Organised Smallholders Management System standard (MS 2530-3:2023), with validity extending until 01/03/2025.
- The previous assessment was conducted in February 2023 that resulted in 1 gap(s) and 4 observation(s) (Report #: GFSSBH003-178).

### Current Operations:

- Natural Forest Management (NFM): No harvesting is planned within the NFM coupe areas. The specified land use activities, as per the NFM coupe permits, include silvicultural tending and treatment.

Summary of enrichment planting in NFM areas:

Coupe	Seedlings planted	Spacing (m)	Species	Year Planted
SDK 04/10, SDK 01/02, SDK 08/13	1000	10 x 10	<i>Dryobalanops</i> spp.	2021
SDK 04/10, SDK 01/02, SDK 08/13	1000	10 x 10	<i>Shorea</i> spp.	2021
SDK 04/10, SDK 01/02, SDK 08/13	1000	10 x 10	<i>Neolamarckia cadamba</i>	2021
SDK 04/10, SDK 01/02, SDK 08/13	3000	10 x 10	Wild fruit	2021
<b>Total</b>	<b>6,000</b>			

- Oil Palm Plantation: As of the assessment, no new oil palm planting has occurred. The current status of oil palm planting, based on records:

Summary of planting Oil Palm Plantation:

Coupe	Year planted	Total planted area (ha)	Total oil palm planted
SDK 04/10	2010-2012	1,571.09	177,697
SDK 01/02	2012-2013	1,285.16	148,191
SDK 08/13	2013-2014	1,193.92	144,547
SDK 09/14 (A)	2014-2015	1,213.23	114,463
SDK 09/14 (B)	2015 - 2021	1,515.07	103,881
<b>Total</b>		<b>6,778.47</b>	<b>688,779</b>

Land use classification:

Land classification	ADP Area (ha)	Current Status, as of February 2024 (ha)
Total Concession Area	10,250.00	10,250.04
- Natural Forest Management (NFM)	1,721.00	1,739.00
- Oil Palm Plantation	6,778.43	6,778.47
Conservation area (steep areas & riparian areas) – within NFM & Oil Palm Plantation	1,225.63	1,225.63
Nursery, Base camps, Roads, and Ponds – within Oil Palm Plantation	524.90	506.94

### Environmental Context:

- The Agroforestry project involves both oil palm plantation establishment and natural forest management. Kelola Maju established 6,778.47 ha (66.1%) into oil palm plantations and 2,946.63 ha (28.74%), including steep areas and riparian, are managed under natural forest management. Infrastructure and amenities such as nurseries, base camps, roads, ponds or swamps, dwelling places and office buildings make up 524.90 ha or 5.1% of the total area.
- The licensed area is divided into two zones: Zone I – Natural Forest Management and Environmental Conservation Area and Zone II – Oil Palm Plantation, including infrastructure and amenities.
- The objectives within Zone I are to manage and sustain the production of high-value timber by rehabilitating all degraded forest areas with indigenous tree species such as Laran (*Anthocephalus cadamba*), Binuang (*Octomeles sumatrana*), Kapur (*Dryobalanops lanceolata*), and *Shorea spp.* and is tasked to manage and sustain it throughout the entire contract period.
- Topography – Elevation ranges from approximately 100m in the southern portion to about 600m asl in the north-western part of the licensed area, which is generally covered with undulating terrain with some steep slopes (>20°) in the southern part. The main soil types are nutrient deficient Orthic Acrisols.
- Hydrology – There are four (4) rivers that meander through the licensed area. There are Sg. Pagata, Sg. Tanga-Tanga, Sg. Bonggaya and Sg. Makopako. These rivers empty into the Labuk Bay and then to the Sulu Sea. The protection of steep areas and riparian is crucial to the management and maintenance of the watershed areas of this drainage system.
- Flora and Fauna – Mixed Dipterocarp Forest (MDF), Heath Forest, and Seasonal Freshwater Swamp Forest, exist in small pockets distributed over the area and in the NFM and conservation areas. Despite the conversion, some large and medium mammals are still present in the Licensed Area and habitat fragmentation and poaching are the biggest threat. Some of the major species that have been confirmed present in the project area include at least 15 mammals. They are the Long-tailed macaque (*Macaca nemestrina*), Bornean gibbon (*Hylobates mulleri*), Giant squirrel (*Ratufa affinis*), Plantain squirrel (*Callosciurus notatus*), Slender squirrel (*Sundascu temuis*), Wild boar (*Sus barbatus*), Sambar deer (*Cervus unicolor*), Red muntjak (*Muntiacus muntjac*), Sun bear (*Helarctos malayanus*), Malay civet (*Viverra zibetha*), Leopard cat (*Prionailurus planiceps*), Marble cat (*Felis marmorata*), Short nose fruit bat (*Cynopterus brachotis*) and Long-tongued nectar bat (*Macroglossus minimus*). Most common mammals sighted are the Wild boar, Sambar deer and Malay civet. Besides mammals, birds of various species are also found in the project area. Species of birds that are endemic to Borneo such as, White crown shama (*Copsychus sricklandi*), Yellow rumped flowerpecker (*Prionochilus xanthopygius*), Black throated barbet (*Megalaima eaeiximia*) and White fronted falcon (*Microhierrax latifrons*) are found in the area. Only three hornbill species were recorded, the Rhinoceros, Bushy crested and Wreathed hornbills.

- An Environmental Impact Assessment for the Proposed Oil Palm Plantation on Lot 2 (10,250 hectares), Labuk & Sugut, Beluran District, Sabah, was conducted by Envsolve Sdn. Bhd. and approved by the Environment Protection Department (EPD) on 25/05/2009 (Ref.#: JPAS/PP/17/600-1/11/1/55[5]).

**Social Context:**

- There are no communities located inside or adjacent to the project area.

<b>Scope of Assessment</b>	
<ul style="list-style-type: none"> <li>• The scope of the evaluation is to verify compliance of Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.) with the Agroforestry Development License Agreement [JP(SBN) 02/2007 (CO)] of FMU 18 (partly).</li> <li>• 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).</li> <li>• Site evaluation to verify and report the level of compliance by Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.) and contractors to the standard in respect to each of the criteria within this report.</li> <li>• 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.</li> </ul>	

**Itinerary & Mandays: FMU 18 (Partly) / Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.) / Beluran District / 19 – 23 February 2024 (Total Mandays = 17)**

<b>Date</b>	<b>Activity</b>	<b>GFS Staff</b>	<b>Mandays</b>
19 February 2024 Monday	Travelling to IPS Telupid and overnight.	Brandon James Aleeza Ho Tommy Olui	3
20 February 2024 Tuesday	Opening meeting at Kelola Maju’s estate office. Field visit to licensed area: FFB harvesting area, protection areas, silviculture treatment area. Document review at Kelola Maju’s estate office. Compiling report.	Brandon James Aleeza Ho Tommy Olui	3
21 February 2024 Wednesday	Document review at Kelola Maju’s estate office and compiling report.	Brandon James Aleeza Ho Tommy Olui	3
22 February 2024 Thursday	Document review at SFD Beluran and closing meeting. Travel to home base.	Brandon James Aleeza Ho Tommy Olui	3
23 February 2024 Friday	Finalizing report.	Brandon James Aleeza Ho Tommy Olui	3
24-25 February 2024	Reporting GFSSBH 003-243	Dr. Kevin Grace Brandon James	2
<b>Total</b>			<b>17</b>

## Highlights of Assessment

**(Major gap = 0; minor gap = 3; Observation = 2)**

**Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.)** has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 19 - 23 February 2024.

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

### **Principle 1.**

Kelola Maju has an approved Agroforestry Development Plan (01/01/2018 – 31/12/2027) under Agro-Forestry Development License Agreement No. JP(SBN)02/2007 (CO) for Bonggaya Forest Reserves (Partly). The ADP was approved by the Chief Conservator of Forest on 01/07/2022.

Silam Forest Products has an approved coupe permit from the SFD, allowing Kelola Maju to conduct Oil Palm Plantation and Natural Forest Management activities.

An Environmental Impact Assessment for the Proposed Oil Palm Plantation on Lot 2 (10,250 hectares), Labuk & Sugut, Beluran District, Sabah was conducted by Chemsain Konsultant Sdn. Bhd. and approved by the Environment Protection Department (EPD) on 25/05/2009 (Ref.#: JPAS/PP/17/600-1/11/1/55[5]). The quarter monitoring has been conducted by the appointed EIA consultant.

Kelola Maju has submitted AWP 2024 draft to DFO Beluran (Ref. #: AWP/01/1223/KMSB dated 21/12/2023). SFD has given feedback to Kelola Maju regarding the AWP 2024 draft and highlighted several information to be included in the AWP 2024 draft [Ref. #: JPHTN/SFM 800-11211(JILID.4)(107) dated 08/01/2024)]. Kelola Maju resubmitted the revised AWP 2024 to DFO Beluran (Ref. #: AWP/02/1223/KMSB dated 31/01/2024) and is pending feedback and approval from the SFD.

### **February 2023: Gap 001/2023 (minor) – Checklist 1.2.3**

Kelola Maju did not take action to rectify the issues raised in the ECR report.

### **February 2024: Gap 001/2023 (minor) – Outstanding**

Kelola Maju has yet to take action to rectify issues raised in the ECR report.

### **February 2023: Observation 001-2023 – Checklist 1.3.2.8**

The total coupe area for NFM is less than the planned activities for NFM in the ADP.

### **February 2024: Observation 001-2023 (Outstanding)**

The total coupe area for NFM is less than the planned activities for NFM in the ADP.

### **Principle 2.**

Kelola Maju demonstrated compliance with the forest operation, protection of areas and regulatory requirement for workers.

### **February 2023: Gap 001/2023 (minor) – Checklist 2.1.11**

Kelola Maju did not take action to rectify the issues raised in the ECR report.

### **February 2024: Gap 001/2023 (minor) – Outstanding**

Kelola Maju has yet to take action to rectify issues raised in the ECR report.

### **January 2022: Observation 001-2022 – Checklist 2.3.1**

The COI renewal has been paid to SFD that is pending approval from the Beluran Forestry District Office.

### **February 2023: Observation 001-2022 (Outstanding)**

The COI was submitted on 24/01/2023 (Ref.#: COI/01/0123/KMSB) and is pending approval from SFD.

### **February 2024: Gap 001/2024 (Raised to minor)**

Kelola Maju has submitted the COI which is pending approval from the SFD.

### **February 2023: Observation 002-2023 – Checklist 2.3.7**

Forest Fire Management Plan has yet to be approved by the SFD.

### **February 2024: Observation 002-2023 – Outstanding**

Forest Fire Management Plan has yet to be approved by the SFD.

### **Principle 3.**

Kelola Maju has paid all the statutory charges to the government.

### Highlights of Assessment

**January 2022: Observation 002-2022 – Checklist 3.1.1**

The OP inspection by SFD was conducted on 10 & 17 November 2021 that is pending a feedback letter from SFD for OP renewal payment.

**February 2023: Observation 002-2022 (Outstanding)**

The new OP application was submitted and is pending approval from SFD.

**February 2024: Gap 002/2024 (Raised to minor)**

The new OP application has been submitted and is awaiting approval from SFD.

**Principle 4.**

**Not applicable** – Based on the land and survey map, the licensed area is located within Bonggaya Forest Reserve (part of FMU 18). No areas subject to native customary rights were identified within the licensed area.

### Summary Results:

(Major gap = 0, minor gap = 3, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2023	minor	1.2.3 2.1.11	Outstanding	<p><b>February 2023:</b> Kelola Maju did not take action to rectify the issues raised in the ECR report.</p> <p><b>February 2024:</b> Kelola Maju has yet to take action to rectify issues raised in the ECR report.</p>
001/2024	Obs 001-2022	2.3.1	Raised to minor	<p><b>January 2022:</b> Renewal for COI has been paid to SFD that is pending approval from the Beluran Forestry District Office.</p> <p><b>February 2023:</b> The COI was submitted on 24/01/2023 (Ref.#: COI/01/0123/KMSB) and is pending approval from SFD.</p> <p><b>February 2024:</b> Kelola Maju has submitted the COI which is pending approval from the SFD.</p>
002/2024	Obs 002-2022	3.1.1	Raised to minor	<p><b>January 2022:</b> The OP inspection by SFD was conducted on 10 &amp; 17 November 2021 that is pending a feedback letter from SFD for OP renewal payment.</p> <p><b>February 2023:</b> The new OP application was submitted and is pending approval from SFD.</p> <p><b>February 2024:</b> The new OP application has been submitted and is awaiting approval from SFD.</p>

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

Obs #	Checklist	Description
001-2023 Outstanding	1.3.2.8	<p><b>February 2023:</b> The total coupe area for NFM is less than the planned activities for NFM in the ADP.</p> <p><b>February 2024:</b> The total coupe area for NFM is less than the planned activities for NFM in the ADP.</p>

Obs #	Checklist	Description
002-2023 Outstanding	2.3.7	<b>February 2023:</b> Forest Fire Management Plan has yet to be approved by the SFD. <b>February 2024:</b> Forest Fire Management Plan has yet to be approved by the SFD.

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

### Recommendations

**Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.)** demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) 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 001/2023 (minor) Outstanding – Checklist 1.2.3 & 2.1.11:** Kelola Maju shall rectify the issues raised in the ECR report.

**Gap 001/2024 (Raised to minor) – Checklist 2.3.1:** SFD shall expedite the COI approval.

**Gap 002/2024 (Raised to minor) – Checklist 3.1.1:** SFD shall expedite the OP approval.

**Observation 001-2023 (Outstanding) – Checklist 1.3.2.8:** The total area of NFM for the approved coupe permit shall include activities in NFM areas planned in the ADP.

**Observation 002-2023 (Outstanding) – Checklist 2.3.7:** SFD should expedite the FFMP feedback and approval.

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

**End of Summary Report**