

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Silam Forest Products Sdn. Bhd. 197901000492 (44754-D) Developer: Kelola Maju Sdn. Bhd. 200701004467 (762466-A)	Reference #	GFSSBH 003-343
Contact Person	Mr. Hassan Bin Onui (Senior Estate Manager)	Date of Report	17/04/2025
Office Address	No. 87, Rightview Corporation Sdn. Bhd., Mile 3, Jalan Kolam, Opposite Foo Chow Association, 88100 Luyang Kota Kinabalu, Sabah, Malaysia.	Date of close out	-
Email	hassanonui@yahoo.com DFO Beluran: AbdJamal.Ibrahim@sabah.gov.my PPW SDK: Janius.Ebin@sabah.gov.my	Telephone	+6088 261 611
		Fax	+6088 487 738
		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 069 LVS		
Issuance Date	21 April 2025	Expiration Date	20 April 2026

Assessment Details

Assessment Dates	14-17 April 2025
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>Neolamarkia cadamba</i>), Binuang (<i>Octomeles sumatrana</i>), Kapur (<i>Dryobalanops</i> spp.), Seraya (<i>Shorea</i> spp.)
Lead Assessor	Brandon James
Assessor(s)	Keith Sintar, Jick Miki, Riczuan Richard
SFD Staff	Sh. Mohd Roslie Bin Sh. Ameeril (ADFO Beluran), Bulkiah Sherif Hassan (ADFO Beluran), Mohd. Husin Bin Rahim (PPD Beluran), Muhammad Zulsyazwan Mohd Arif (PPD Beluran), Ahmad Dul Sharif (PPD 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 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:

On 25/07/2007, Silam Forest Products Sdn. Bhd. (Silam Forest Products) was granted a Licensed Area of approximately 10,250 ha in Bonggaya Forest Reserve by the State Government under a License #: JP(SBN)02/2007(CO) for 60 years, from 25/07/2007 to 25/07/2067. The State Government granted permission to Silam Forest Products to plant, establish and harvest forest products and agroforestry crops under the principle of sustainable environmental management and conservation for economic, environmental and social purposes.

A Shareholders' Agreement was signed on 24/07/2007 between Silam Forest Products and Kelola Maju Sdn. Bhd. (Kelola Maju), where the latter agreed to jointly develop the project area into a large-scale Agroforestry Development Project under a Joint Venture Agroforestry Program.

Bonggaya Forest Reserve was first established and gazetted as a Permanent Forest Reserve in 1958. In 1984, Bonggaya Forest Reserve was gazetted and classified as a Commercial Class II FR.

Land use classification:

Land classification	2 nd ADP Area (ha)	Current Status (ha)
Total Concession Area	10,250.00	10,250.04
Natural Forest Management (NFM)	1,721.00	1,739.00
Oil Palm Plantation (Zone II)	6,778.47	6,778.47
Conservation area (mainly riparian reserves and slope > 25°)	1,225.63	1,225.63
Nursery, Base camps, Roads, and Ponds/Swamp within Zone II	524.90	506.94

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. No new enrichment planting in NFM areas conducted as of the assessment.

Summary of enrichment planting in NFM areas:

Coupe	Seedlings planted	Spacing (m)	Species	Year Planted
SDK.16/13, SDK.14/11, SDK.10/12	1000	10 x 10	Dryobalanops spp.	2021
SDK.16/13, SDK.14/11, SDK.10/12	1000	10 x 10	Shorea spp.	2021
SDK.16/13, SDK.14/11, SDK.10/12	1000	10 x 10	Neolamarckia cadamba	2021
SDK.16/13, SDK.14/11, SDK.10/12	3000	10 x 10	Wild fruit	2021
Total	6,000			

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
Total		6,778.47	688,779

Coupe #	Land Use	Status	Area (ha)	Geo-location data
SDK 04/10	Oil Palm	Sabah TLAS EUDR	1,731.00	NE: 6.168618 N, 117.345982 E SE: 6.124461 N, 117.348967 E SW: 6.124952 N, 117.309996 E NW: 6.141402 N, 117.312306 E
SDK 01/02	Oil Palm	Sabah TLAS EUDR	1,330.67	NE: 6.167804 N, 117.377757 E SE: 6.124425 N, 117.378619 E SW: 6.124572 N, 117.353068 E NW: 6.174092 N, 117.354691 E
SDK 08/13	Oil Palm	Sabah TLAS EUDR	1,500.00	NE: 6.166830 N, 117.408854 E SE: 6.135829 N, 117.408999 E SW: 6.124522 N, 117.380626 E NW: 6.167488 N, 117.379994 E
SDK 09/14	Oil Palm	Sabah TLAS EUDR	2,817.02	NE: 6.178016 N, 117.444669 E SE: 6.098929 N, 117.445028 E SW: 6.121561 N, 117.412582 E NW: 6.164130 N, 117.413248 E

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 srilankii*), Yellow rumped flowerpecker (*Prionochilus xanthopygius*), Black throated barbet (*Megalaima eaeimia*) and White fronted falcon (*Microhierax 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 living inside or adjacent to the project area.

Scope of Assessment	
<ul style="list-style-type: none"> 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). 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 Silam Forest Products Sdn. Bhd. (Kelola Maju 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: 14-17 April 2025 FMU 18 (partly): Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.) / Beluran District

Date	Activity	GFS Staff	Mandays
14 April 2025 Monday	Travel to Beluran. Opening meeting at PPD Beluran for Arus Sawit Sdn. Bhd and Kelola Maju Sdn. Bhd. Overnight at IPS Telupid resthouse.	Brandon James, Keith Sintang, Jick Miki, Riczuan Richard	4
15 April 2025 Tuesday	Field assessment to licensed area for Arus Sawit's licensed boundary (Block 11, Coupe 20/09), campsite, workshop, FFB harvesting area, protection area (Block 66B, Coupe SDK19/08), silviculture treatment area, enrichment planting area & social assessment at Kg. Rungus Baru. Document review at Arus Sawit estate office.	Brandon James, Keith Sintang, Jick Miki, Riczuan Richard	4
16 April 2025 Wednesday	Field assessment to licensed area for Kelola Maju licensed boundary (Block 30, Coupe SDK.04/10), campsite, workshop FFB harvesting area, protection area (Block 31, Coupe SDK.04/10) & enrichment planting area (Block 15, Coupe SDK.16/13). Document review at Kelola Maju estate office.	Brandon James, Keith Sintang, Jick Miki, Riczuan Richard	4
17 April 2025 Thursday	Closing meeting at PPD Beluran. Travel back to home base.	Brandon James, Keith Sintang, Jick Miki, Riczuan Richard	4
18 April 2025 Friday	Public Holiday – Good Friday	-	0
19 – 20 April 2025	Reporting/Administration: GFSSBH 004-342 Reporting/Administration: GFSSBH 004-343	Dr. Kevin Grace Brandon James	4
Total			20

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 3; Observations = 1)

Silam Forest Products Sdn. Bhd. (Kelola Maju Sdn. Bhd.) has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 14-17 April 2025.

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

Principle 1. Right to Harvest

A Shareholders' Agreement was signed on 24/07/2007 between Silam Forest Products and Kelola Maju Sdn. Bhd. (Kelola Maju), where the latter agreed to jointly develop the project area into a large-scale Agroforestry Development Project under a Joint Venture Agroforestry Program.

An Environmental Impact Assessment (EIA) for the proposed development of an oil palm plantation covering Lot 2 (10,250 hectares) in the Labuk and Sugut areas of Beluran District, Sabah, was carried out by Chemsain Konsultant Sdn. Bhd. This assessment was approved by the EPD on 08/08/2008 [Ref. #: JPAS/PP/17/600-1/11/1/55(10)]. Ongoing quarterly monitoring is being conducted by the appointed EIA consultant in accordance with regulatory requirements.

April 2025: Observation 001-2025 – Checklist 1.1.3

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

April 2025: Gap 001/2025 (minor) – Checklist 1.2.5

Rectification of issues raised in ECR is still in progress.

Principle 2. Forest Operations

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

April 2025: Gap 002/2025 (minor) – Checklist 2.4.2

Three (3) sampled workers were not registered with COI.

Principle 3. Statutory Charges

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

April 2025: Gap 003/2025 (minor) – Checklist 3.1.1

7 OPs were in a renewal process and 1 OP was not registered with the SFD.

Principle 4. Other User Rights

Not applicable – No communities living inside or adjacent to the licensed area. No areas subject to native customary rights were identified within the licensed area.

Summary Results:

(Major gap = 0, Minor gap = 3, Observation = 1)

Gap raised against indicators & criteria during the April 2025 assessment.

GAP	Type	Checklist	Status	Description
001/2025	minor	1.2.5	New	April 2025: Rectification of issues raised in ECR is incomplete
002/2025	minor	2.4.2	New	April 2025: Three (3) sampled workers were not registered with COI.
003/2025	minor	3.1.1	New	April 2025: 7 OPs were in a renewal process and 1 OP was not registered with the SFD.

Observation raised against indicators & criteria during the April 2025 assessment.

Obs #	Checklist	Description
001-2025	1.1.3	April 2025: The total coupe area for NFM is less than the planned activities for NFM in the ADP.

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

Recommendations
<p>Silam Forest Products Sdn. Bhd. (Kelola Maju 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.</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 001/2025 (minor) – Checklist 1.2.5: Kelola Maju shall expedite the rectification of the issues raised in the ECR report.</p> <p>Gap 002/2025 (minor) – Checklist 2.4.2: All workers shall be registered with COI.</p> <p>Gap 003/2025 (minor) – Checklist 3.1.1: Kelola Maju shall register all OPs, follow up with the SFD regarding the OP application and SFD HQ shall expedite the application process.</p> <p>Observation 001-2025 Checklist 1.1.3: The total area of NFM for the approved coupe permit shall include activities in NFM areas planned in the ADP.</p> <p>The next annual surveillance audit will be scheduled for April 2026.</p>

End of Summary Report