

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	K.M. Hybrid Plantation Sdn. Bhd. (635034-U)	Reference #	GFSSBH 003-212
Contact Person	Yutaka Sato (Manager)	Date of Report	18/08/2023
Office Address	Suite # 8, 9 th Floor, Wisma Perindustrian, Jalan Istiadat, Likas Bay, 88400 Kota Kinabalu, Sabah, Malaysia.	Date of close out	-
		Telephone	+6088 269 770 +6088 269 791 +6088 235 170
		Fax	+6088 263 455
Email	sato-yutaka@koishiiwoods.com	Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 1.3		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	14 – 18 August 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/04
Species	Acacia (<i>Acacia hybrid</i> , <i>Acacia mangium</i>)
Lead Assessor	Priera Bagang
Assessor(s)	Glory Linggou, Aleeza Ho
SFD Staff	Magandi (PPW Keningau), Sunanto Saibu (ADFO Sook), Johnny Raymond (KPPM Sook), Mazlan Azman (PPW Keningau), Cornelius Pius (PPM Sook), Peter Abdullah (KPPM Dalit/Ansip)

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 project proponent, K.M. Hybrid Plantation Sdn. Bhd. (K.M. Hybrid Plantation) is established as a joint venture company between Koshii & Co. Ltd. and Sabah Softwoods Berhad on 20/12/2004 to manage the Sustainable Forest Management License Agreement (SFMLA). The agreement with the State Government took the form of License SFMLA 01/04, (expiry 31/12/2054), for the development and harvest of tree plantations on 1000 ha concession of degraded forest in the Sook Plain Forest Reserve (Class IV). K.M. Hybrid Plantation plans to focus mainly on developing a fast-growing *Acacia hybrid*.
- In October 2007, a First Supplementary License Agreement was signed. The Principal Agreement was amended by adding an area of approximately 436.71 ha to the SFMLA area pursuant to Clause 126 of the Principal Agreement. Hence, the total SFMLA area was approximately 1,436.71 ha. Subject to the amendment, all the terms and conditions of the Principal Agreement remained valid, in full force and effect, between the State Government and K.M. Hybrid Plantation.
- In October 2008, a Second Supplemental Agreement covering 229.50 ha for an additional area under SFMLA 01/04 was signed, resulting in the expansion of the SFMLA area to approximately 1,666.21 ha.
- Approximately 1,242 ha out of the 1,666.21 ha was planted as of mid-2009. Unfortunately, due to agricultural burning that went out of control, 54.4% or 905.60 ha of the plantation was burnt in August 2009 (259 ha) and early 2010 (646.60 ha). The SFD excised 924.73 ha from the SFMLA area within the Sook Plain Forest Reserve, resulting in a balance area of 741.48 ha for the SFMLA.
- In 2014, an additional area of 2,000 ha within the Kuala Tomani Forest Reserve was added to the SFMLA area under the jurisdiction of SFD Keningau, which is currently dormant.
- The second Forest Management Plan (FMP) 2015 – 2024 for Sook Plain FR was approved by the Chief Conservator of Forests (CCF) on 29/07/2016 (Ref.#: JPHTN/SFM 800-1/12(Klt.3)/44).
- The SFD issued a letter dated 27/06/2019 [Ref.#: JPHTN/SFM 800-1/1/12(KLT.3)(87)] advising K.M. Hybrid Plantation to surrender the license back to the Government due to “poor performance” in the Sook Plain Forest Reserve over the past 6 years, and since 2014, K.M. Hybrid Plantation did not undertake any development in the Kuala Tomani Forest Reserve.
- K.M. Hybrid Plantation has the approval to salvage *Acacia* spp. In Compartments 2 and 3 inside the Coupe KGU 21/05 [Ref.#: JPHTN/SFM 800-1/1/12(JILID.4)19 dated 18/06/2021].
- K.M. Hybrid Plantation has appointed Bumi Jadi Resources Sdn. Bhd. as a logging contractor in October 2022 and has yet to be registered as a logging contractor with SFD.
- The previous assessment was conducted in August 2022 that resulted in 5 gap(s) and 1 observation(s) (Report #: GFSSBH003-146a).

Current Operations:

- K.M. Hybrid is harvesting planted compartments 2 & 3 in the Sook Plain Forest Reserve licensed area.
- As of assessment, the area logged was 27.50ha with *Acacia* log production of 5,717.70m³.
- Summary of planting from 2006 to 2010:

Planted species	Compartment (Cpt) #			
	Cpt 2 (ha)	Cpt 3 (ha)	Cpt 5 (ha)	Cpt 6 (ha)
<i>Acacia mangium</i>	40.90	8.50	13.80	-
<i>Acacia hybrid</i>	120.00	31.20	130.70	168.40
Geronggang	-	11.90	1.00	-
Binuang	2.10	-	4.40	-
Laran	2.50	1.80	8.80	2.00
Other species	-	-	0.60	1.10
Total	165.50	53.40	159.30	171.50

- Land use classification:

Land classification	2 nd FMP Area (ha)	Current Status (ha)
Total Concession Area	741.50	741.50
Natural Forest Management Area	0	0
Plantation Forest (ITP)	549.70	549.70
Others (Roads, buffer zones, fire breaks, etc).	191.80	191.80

Note: The current FMP does not include the management plan for the additional 2,000 ha inside the Kuala Tomani Forest Reserve.

Environmental Context:

- The site within Sook Plain Forest Reserve was dominated by grassland or poor form of wild *Acacia mangium* due to repeated forest fires in 1983, 1993, and 1998. Data from site survey conducted for the “Forest Management Plan SFMLA 01/04” was prepared by K.M. Hybrid Plantation and approved on 22/09/2007 by the Chief Conservator of Forests. It was observed that there were no rare or endangered species found in the project site and this area was dominated by secondary vegetation. The faunal study of the area is based on observation and response from the local communities through a social baseline study. According to the local communities in Kg. Bunang Ulu, sambar deer (*Cervus unicolor*), barking deer (*Muntiacus muntjak*), mousedeer (*Tragulus spp.*) and squirrels are common in the licensed area.
- Recently, in June 2021, K.M. Hybrid Plantation has an approved Scoping Note for “Proposed Replanting of *Acacia Hybrid* of Approximately 310.40ha within Sook Plain Forest Reserve, Sub-District of Sook, Sabah” by the EPD to conduct a salvage logging to the *Acacia* plantation [Ref.#: JPAS/PP/SOOK/600-1/11/1/444(3) dated 28/06/2021]. K.M. Hybrid Plantation has an approved PMM report by the EPD for its operation.

Social Context:

- According to the Forest Management Plan, no villages are associated with or claiming areas within the licensed area. However, there are two villages, namely Kg. Bunang Ulu and Kg. Masusun, on the eastern side, is 2 km or less from the licensed area border.
- A social survey was carried out for both villages in 2015. The villages mainly depend on a small scale of rubber and oil palm plantation as their major income. Some of the younger generations work in private and government sector, and some are unemployed.
- Since the SFMLA was a degraded land and some fire incidents happened, the area does not have any vital importance to collecting forest produce (rattan, medicinal plants, etc.), including hunting for wildlife and fishing.
- The adjacent Sook Plain Forest Reserve and the licensed area are of no economic use to the villagers. Besides, they are strictly prohibited from entering the forest reserves.
- The current management plan did not include the social context for the 2,000 ha area in Kuala Tomani Forest Reserve.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **K.M. Hybrid Plantation Sdn. Bhd.** with the Sustainable Forest Management License Agreement (SFMLA 01/04) for FMU 11.
- 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 **K.M. Hybrid Plantation 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 11 / K.M. Hybrid Plantation Sdn. Bhd. / Sook District / 14 – 18 August 2023 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
14 August 2023 Monday	Travel to Sook. Opening meeting at SFD Sook office. Overnight in Keningau.	Priera Bagang Glory Linggou Aleeza Ho	3
15 August 2023 Tuesday	Field visit to licensed area, Sook Plain Forest Reserve; Harvesting compartments, log yard, campsite, protected areas, and licensed boundaries. Compiling report.	Priera Bagang Glory Linggou Aleeza Ho	3
16 August 2023 Wednesday	Field visit to licensed area, Kuala Tomani Forest Reserve, Licensed boundaries. Compiling report.	Priera Bagang Glory Linggou Aleeza Ho	3
17 August 2023 Thursday	Document review and compiling report.	Priera Bagang Glory Linggou Aleeza Ho	3
18 August 2023 Friday	Closing meeting at SFD Keningau office. Travel to home base.	Priera Bagang Glory Linggou Aleeza Ho	3
19-20 August 2023	Reporting GFSSBH 003-212	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

(Major Gaps = 1; Minor Gaps = 5; Observations = 2)

K.M. Hybrid Plantation Sdn. Bhd. has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified Criterion 1.3 during the assessment on 14 – 18 August 2023.

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

Principle 1.

The principal SFMLA 01/04 agreement started on 20/12/2004 to 31/12/2054, for a period of 50 years. The second Forest Management Plan (FMP) 2015 – 2024 for Sook Plain Forest Reserve was approved by the Chief Conservator of Forests (CCF) on 29/07/2016 [Ref.#: JPHTN/SFM 800-1/12(Klt.3)/44)].

K.M. Hybrid Plantation has not demonstrated compliance with requirements for management planning.

August 2023: Observation 001-2023 – Checklist 1.1.1

The total coupe area exceeds the total area defined in the FMP.

August 2023: Gap 001/2023 (minor) – Checklist 1.2.3

Inadequate control against oil spillage.

August 2021: Gap 001/2021 (minor) – Checklist 1.3.3

The FMP mid-term review is scheduled for 2019. However, there is no evidence that the company had started the FMP revision or resolved the status of the concession area in Kuala Tomani FR in respect to the letter issued by the CCF dated 27/06/2019 (Ref.#: JPHTN/SFM 800-1/1/12(KLT.3)(87) advising the company to surrender the license back to the Government.

August 2022: Gap 001/2021 (Raised to Major)

No evidence of FMP revision for Sook Plain Forest Reserve as required or action to develop a PDP for Kuala Tomani Forest Reserve licensed area.

October 2022: Gap 001/2021 (Major) – Outstanding

There is no evidence of a revised FMP for Sook Plain Forest Reserve or action to develop a PDP for Kuala Tomani Forest Reserve licensed area.

August 2023: Gap 001/2021 (Major) – Outstanding

No action taken to revise the FMP for Sook Plain Forest Reserve or develop a draft PDP for Kuala Tomani Forest Reserve licensed area for submission to SFD.

August 2023: Gap 002/2023 (minor) – Checklist 1.6.1

The Compartment Planting Plans (CPP) for Compartments 2 and 3 have yet to be developed by K.M. Hybrid Plantation.

Highlights of Assessment

August 2022: Gap 001/2022 (minor) – Checklist 1.8.2

No evidence of analysis PSP data conducted for the plantation area.

August 2023: Gap 001/2022 (minor) – Closed

The PSP data analysis was conducted.

August 2022: Observation 001-2022 – Checklist 1.7.3

Lack of maintaining identification of riparian reserve.

August 2023: Observation 001-2022 (Addressed)

Observed identification of riparian reserves inside the licensed area was maintained.

Principle 2.

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.

August 2023: Gap 003/2023 (minor) – Checklist 2.1.6

No evidence that the logging sub-contractor, Bumi Jadi Resources Sdn. Bhd. is registered with SFD.

August 2022: Gap 002/2022 (minor) – Checklist 2.1.9, 2.1.14

Inadequate recording of harvesting operational areas and associated volumes in Quarterly Reports for 2022.

August 2023: Gap 002/2022 (minor) – Closed

Production volumes were recorded against the total logged area in Quarterly Reports.

August 2023: Observation 002-2023 – Checklist 2.3.1

The COI renewal and registration for workers are pending approval from SFD.

August 2022: Gap 003/2022 (minor) – Checklist 2.3.2

The company did not conduct training on safety and fire prevention for forest workers.

August 2023: Gap 003/2022 (minor) – Closed

K.M. Hybrid Plantation has conducted safety training for forest workers.

August 2021: Gap 002/2021 (Minor) – Checklist 2.3.7

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

August 2022: Gap 002/2021 (minor) – Outstanding

The Forest Fire Management Plan was submitted to SFD and is pending approval. The licensee did not adequately maintain plantation access with regard to fire management planning and resource protection.

August 2023: Gap 002/2021 (minor) – Outstanding

Forest Fire Management Plan has yet to be approved by SFD, inadequate maintenance of fire extinguishers and first aid kits at the contractor's campsite, lack of training on fire control & safety for forest workers.

Principle 3.

K.M. Hybrid Plantation has paid the licensing fees and other charges to Sook District Forestry office. Records of royalty payment are maintained.

August 2023: Gap 004/2023 (minor) – Checklist 3.1.1

No evidence that the fire tower has been registered under the Occupational Permit, observed the truck transporting logs to the weighbridge station was not registered with SFD as required.

Principle 4.

Not applicable – According to the Forest Management Plan, no villages are associated or claim areas within the licensed area. Kg. Bunang Ulu and Kg. Masusun, are located, about 2 km from the licensed area border. Since the SFMLA was degraded land with fire incidents, the area does not have any vital importance to collecting forest produce (rattan, medicinal plants, etc.), including hunting for wildlife and fishing.

Summary Results:

(Major gap = 1, Minor gap = 5, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2021	Major	1.3.3	Outstanding	<p>August 2021: The FMP mid-term review was scheduled for 2019. However, there is no evidence that the company had started the FMP revision or resolved the status of the concession area in Kuala Tomani FR in respect to the letter issued by the CCF dated 27/06/2019 (Ref.#: JPHTN/SFM 800-1/1/12 (KLT.3)(87) advising the company to surrender the license back to the Government.</p> <p>August 2022: No evidence of FMP revision for Sook Plain Forest Reserve as required or action to develop a PDP for Kuala Tomani Forest Reserve licensed area.</p> <p>October 2022: There is no evidence of a revised FMP for Sook Plain Forest Reserve or action to develop a PDP for Kuala Tomani Forest Reserve licensed area.</p> <p>August 2023: No action taken to revise the FMP for Sook Plain Forest Reserve or develop a draft PDP for Kuala Tomani Forest Reserve licensed area for submission to SFD.</p>
002/2021	minor	2.3.7	Outstanding	<p>August 2021: The Forest Fire Management Plan has yet to be approved by the SFD.</p> <p>August 2022: The Forest Fire Management Plan was submitted to SFD and is pending approval. The licensee did not adequately maintain plantation access with regard to fire management planning and resource protection.</p> <p>August 2023: Forest Fire Management Plan has yet to be approved by SFD, inadequate maintenance of fire extinguishers and first aid kits at the contractor's campsite, lack of training on fire control & safety for forest workers.</p>
001/2022	minor	1.8.2	Closed	<p>August 2021: The PSP data has yet to be analyzed for projections of growth and yield.</p> <p>August 2022: No evidence of analysis PSP data conducted for the plantation area.</p> <p>August 2023: The PSP data analysis was conducted</p>
002/2022	minor	2.1.9 2.1.14	Closed	<p>August 2022: Inadequate recording of harvesting operational areas and associated volumes in Quarterly Reports for 2022.</p> <p>August 2023: Production volumes were recorded against the</p>

GAP	Type	Checklist	Status	Description
				total logged area in Quarterly Reports.
003/2022	minor	2.3.2	Closed	August 2022: The company did not conduct training on safety and fire prevention for forest workers. August 2023: K.M. Hybrid Plantation has conducted safety training for forest workers.
001/2023	minor	1.2.3	New	August 2023: Inadequate control against oil spillage.
002/2023	minor	1.6.1	New	August 2023: The Compartment Planting Plans (CPP) for Compartments 2 and 3 have yet to be developed by K.M. Hybrid Plantation.
003/2023	minor	2.1.6	New	August 2023: No evidence that the logging sub-contractor, Bumi Jadi Resources Sdn. Bhd. is registered with SFD.
004/2023	minor	3.1.1	New	August 2023: No evidence that the fire tower has been registered under the Occupational Permit, observed the truck transporting logs to the weighbridge station was not registered with SFD as required.

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

Obs #	Checklist	Description
001-2022 Addressed	1.7.3	August 2022: Lack of maintaining identification of riparian reserves. August 2023: Observed identification of riparian reserves inside the licensed area was maintained.
001-2023	1.1.1	August 2023: The total coupe area exceeds the total area defined in the FMP.
002-2023	2.3.1	August 2023: The COI renewal and registration for workers are pending approval from SFD.

Highlights of Close Out Visit (if applicable)	Dates
	-
The Major gap 001/2021 shall be addressed within 2 months by October 2023.	

Recommendations
<p>K.M. Hybrid Plantation Sdn. Bhd. has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criterion 1.3 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 October 2023.</p> <p>Gap 001/2021 (Raised to Major) Outstanding – Checklist 1.3.3: K.M. Hybrid shall revise the FMP/PDP in Sook Plain Forest Reserve, develop a draft PDP for Kuala Tomani Forest Reserve and submit it to 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 001/2023 (minor) – Checklist 1.2.3: K.M. Hybrid Plantation shall provide an adequate size oil pan for spillage control.</p>

Gap 002/2021 (minor) Outstanding – Checklist 2.3.7: SFD shall expedite the FFMP approval. K.M. Hybrid Plantation shall provide and maintain fire extinguishers, First Aid kits and conduct fire training to field workers.

Gap 002/2023 (minor) – Checklist 1.6.1: K.M. Hybrid Plantation shall develop the CPP for Compartments 2 and 3 as required by the SFD.

Gap 003/2023 (minor) – Checklist 2.1.6: The logging sub-contractor shall register with SFD as required.

Gap 004/2023 (minor) – Checklist 3.1.1: Register Occupational Permits for the fire tower and ensure that all logging trucks used within the licensed area are registered with the SFD, and maintain the documents.

Observation 001-2023 – Checklist 1.1.1: K.M. Hybrid Plantation shall ensure the total area defined in the FMP is correct against the coupe permit.

Observation 002-2023 – Checklist 2.3.1: K.M. Hybrid Plantation shall renew COIs before the expiry date and register COI for new workers.

The next annual surveillance audit will be scheduled for August 2024.

End of Summary Report