

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	K.M. Hybrid Plantation Sdn. Bhd. 200301032613 (635034-U)	<b>Reference #</b>	GFSSBH 003-322a
<b>Contact Person</b>	Kenneth Areson Kuansin (Plantation Manager)	<b>Date of Report</b>	29/11/2024
<b>Office Address</b>	Suite # 8, 9 <sup>th</sup> Floor, Wisma Perindustrian, Jalan Istiadat, Likas Bay, 88400 Kota Kinabalu, Sabah, Malaysia.	<b>Date of close out</b>	24/01/2025
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	GFS 024 LVS		
Issuance Date	27 January 2025	Expiration Date	01 December 2026

### Assessment Details

Assessment Dates	25-29 November 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/04 (FMU 11)
Species	Acacia ( <i>Acacia hybrid</i> , <i>Acacia mangium</i> ), <i>Cratoxylum spp.</i> (Geronggang)
Lead Assessor	Brandon James
Assessor(s)	Priera Bagang, Teddy Quintin
SFD Staff	Jaime Gampawi (PPW Keningau), Mazlan Azman (PPW Keningau), Bonaventure Oliver Boyou (DFO Sook), Victor Gadius (ADFO Sook), Hj. Norjain Hj. Matali (PPD Sook), Andrew Adirianus (PPD Sook), Cornelius Pius (PPD Sook)

### 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 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 1,000 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. However, in 2022, K.M. Hybrid Plantation has surrendered the licensed area to the State Government.

K.M. Hybrid Plantation has appointed JS Enterprise as a logging and planting contractor in November 2023.

Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	741.50	741.50
Plantation Forest (ITP)	549.70	Net planted area: 549.70 ha <i>Acacia mangium</i> = 63.20 ha <i>Acacia hybrid</i> = 450.30 ha Geronggang = 12.90 ha Binuang = 6.5 ha Laran = 15.1 ha Other species = 1.7 ha
Other (Roads, buffer zones, fire breaks, etc).	191.80	191.80

### Current Operations:

Currently, harvesting operations and planting activities are ongoing in Compartment 2. However, Compartment 2 is not included in the planned activities for 2024.

SFMLA #	NFM/ITP	Status	Area (ha)	Geo-location data
SFMLA 01/04	ITP	Sabah TLAS EUDR	741.50	NW: RX 731229 BOR 574206 NE: RX 733735 BOR 573955 SW: RX 733252 BOR 572930 SE: RX 733318 BOR 573073

### Environmental Context:

The project area is a logged-over and is repeatedly burnt areas covered with tree plantation species such as *Acacia mangium*, *Acacia hybrid*, geronggang, binuang, laran and other species.

Dipterocarp species mainly found at the riparian reserves. Other natural vegetation are non-tree species group, such as creepers and weeds.

The project area is mainly underlain by Brantian Associations. The major soil type is the acidic and nutrient poor Orthic Acrisols.

Wildlife survey identifies several commonly sighted mammals such are Sambar Deer, Borneon Yellow Muntjac, Bearded Pig, Malayan Civet, Common Palm Civet, Long-tailed Macaque. Avian species identified through calls and sightings: Slender-billed Crow, Junglefowl, Plaintive Cuckoo and Crested Serpent Eagle. Reptiles species identified are snakes, lizards and fresh water crocodiles. The biggest threat to wildlife in the licensed area is poaching.

Significant impacts:

- Soil erosion exacerbated by clear felling practice.
- Water quality deterioration and sedimentation.
- Refugia disturbance.
- Ease of ignition due to increase in fuel loads (logging residue).

K.M. Hybrid Plantation has 2 separate PMMs that was approved by the EPD covering the entire area namely, "Proposed Replanting of *Acacia Hybrid* of Approximately 310.40ha within Sook Plain Forest Reserve, Sub-District of Sook, Sabah and Proposed Replanting of *Acacia Hybrid* of Approximately 437 hectares within Sook Plain Forest Reserve, Sub-District of Sook, Sabah".

### Social Context:

There are no villages associated or claimed areas within the licensed area. However, there are two villages, Kg. Bunang Ulu and Kg. Masusun, on the eastern side, about 2 km 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 non-timber forest products (rattan, medicinal plants, etc.).

Scope of Assessment	
•	The scope of the evaluation is to verify compliance of <b>K.M. Hybrid Plantation Sdn. Bhd.</b> with the Sabah Forest Management License Agreement (SFMLA 01/04) for FMU 11.
•	The assessment is in accordance with the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 1 January 2024 ( <b>SFD-TLAS-006</b> ).
•	Site evaluation to verify and report the level of compliance by <b>K.M. Hybrid Plantation Sdn. Bhd.</b> 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: 25-29 November 2024 / FMU 11: K.M. Hybrid Plantation Sdn. Bhd. / Sook District

Date	Activity	GFS Staff	Mandays
25 November 2024 Monday	Travel to Keningau. Opening meeting at SFD Keningau office. Overnight in Keningau.	Brandon James Piera Bagang Teddy Quintin	3
26 November 2024 Tuesday	Field visit to licensed area, Sook Plain Forest Reserve, Harvesting compartments, log yard, campsite, protected areas, and licensed boundaries.	Brandon James Piera Bagang Teddy Quintin	3
27 November 2024 Wednesday	Field visit to licensed area and licensed boundaries at Kuala Tomani Forest Reserve. Document review at SFD Sook office.	Brandon James Piera Bagang Teddy Quintin	3
28 November 2024 Thursday	Document review at SFD Keningau office. Compiling report.	Brandon James Piera Bagang Teddy Quintin	3
29 November 2024 Friday	Closing meeting at SFD Keningau office. Travel back to home base.	Brandon James Piera Bagang Teddy Quintin	3
30 November-01	Reporting/Administration: GFSSBH003-322	Dr. Kevin Grace	2

December 2024		Brandon James	
<b>Total</b>			<b>17</b>

### Highlights of Assessment

**(Major Gaps = 3; Minor Gaps = 6; Observations = 3)**

**January 2025: (Major Gaps = 0; Minor Gaps = 7; Observations = 4)**

K.M. Hybrid Plantation Sdn. Bhd. has not complied with the Sabah TLAS requirements (FDS TLAS-006), as non-compliance was identified under Criteria 1.5 & 2.4 during the assessment on 25-29 November 2024.

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

#### **Principle 1. Right to Harvest**

The tenure is based on SFMLA 01/04 with an expiry date of 31/12/2054. The previous total SFMLA area was 2,741.50 ha, covering Sook Plain FR Class IV and Kuala Tomani FR Class II. Based on the SFD HQ, it was confirmed that the licensed area in Kuala Tomani FR was surrendered in 2022 to the state government, and currently awaiting for the SFMLA supplemental agreement from the State Attorney General.

#### **November 2024: Gap 001/2024 (minor) – Checklist 1.1.3**

No evidence of amendment of coupe permits after the land excision to Sook Lake FR in 2018.

#### **November 2024: Gap 002/2024 (minor) – Checklist 1.2.5**

The ECR monitoring report for Q1 (Dec 2023 - May 2024) has yet to be submitted to the EPD.

#### **November 2024: Observation 001-2024 – Checklist 1.3.1, 1.4.1**

The 3<sup>rd</sup> FMP for Sook Plain Forest Reserve has yet to be approved by the SFD.

#### **November 2024: Gap 003/2024 (minor) – Checklist 1.3.2.13**

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

#### **November 2024: Observation 002-2024 – Checklist 1.4.6**

K.M. Hybrid Plantation has yet to define and include chemical use in their plantation operation in the 3<sup>rd</sup> FMP.

#### **November 2024: Gap 004/2024 (Major) – Checklist 1.5.1, 1.5.2**

No evidence that the SFD approved harvesting inside Compartment 2 & 3, and the remedial plan for the Backlog AWP 2023 was not included in the current AWP 2024, as advised by the SFD.

#### **January 2025: Gap 004/2024 (Major) – Closed**

Backlog since 2022 including compartments 2 & 3 was included in the AWP 2025.

#### **January 2025: Observation 001-2025 – Checklist 1.5.1**

The AWP 2025 has yet to be approved 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.

#### **November 2024: Gap 002/2024 (minor) – Checklist 2.3.4**

The ECR monitoring report for Q1 (Dec 2023 - May 2024) has yet to be submitted to the EPD.

#### **November 2024: Gap 005/2024 (minor) – Checklist 2.3.5**

K.M. Hybrid Plantation has yet to conduct monitoring of pest & disease and forest fire.

#### **November 2024: Gap 006/2024 (Major) – Checklist 2.4.1, 2.4.1**

No evidence of work permit and passport for foreign workers, employment agreement, a valid JTK license & COI for foreign workers.

#### **January 2025: Gap 006/2024 (Major) – Closed**

All workers have an employment agreement and foreign workers under JS Enterprise are no longer

### Highlights of Assessment

employed

**November 2024: Gap 007/2024 (minor) – Checklist 2.4.5**

No evidence of safety training conducted for forest workers.

**November 2024: Observation 003-2024 – Checklist 2.4.6**

No evidence of record of PPE distribution to forest workers.

**November 2024: Gap 008/2024 (Major) – Checklist 2.4.8**

JS Enterprise could not provide SOCSO and EPF for workers.

**January 2025: Gap 008/2024 (Major) – Closed**

JS Enterprise terminated 4 workers including 2 foreign workers as of the close-out assessment leaving 2 local staff for which SOCSO & EPF payments were made as required.

**January 2025: Gap 001/2025 (minor) – Checklist 2.4.8**

All employees need to contribute SOCSO as stipulated under Employees' Social Security Act 1969.

**Principle 3. Statutory Charges**

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

**November 2024: Gap 009/2024 (minor) – Checklist 3.1.1**

There is no evidence that the fire observatory tower has been registered under the Occupational Permit.

**Principle 4. Other User Rights**

**Not applicable** – According to the Forest Management Plan, no villages are associated or claimed 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 = 3, Minor gap = 6, Observation = 3)

January 2025: (Major gap = 0, Minor gap = 7, Observation = 4)

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

GAP	Type	Checklist	Status	Description
001/2024	minor	1.1.3	New	<b>November 2024:</b> No evidence of amendment of coupe permits after the land excision to Sook Lake FR in 2018.
002/2024	minor	1.2.5, 2.3.4	New	<b>November 2024:</b> The ECR monitoring report for Q1 (Dec 2023 - May 2024) has yet to be submitted to the EPD.
003/2024	minor	1.3.2.13	New	<b>November 2024:</b> Forest Fire Management Plan (FFMP) has yet to be approved by the SFD.
004/2024	<b>Major</b>	1.5.1, 1.5.2	Closed	<b>November 2024:</b> No evidence that the SFD approved harvesting inside Compartment 2 & 3, and the remedial plan for the Backlog AWP 2023 was not included in the current AWP 2024, as advised by the SFD. <b>January 2025:</b> Backlog since 2022 including compartments 2 & 3 was included in the AWP 2025.
005/2024	minor	2.3.5	New	<b>November 2024:</b> K.M. Hybrid Plantation has yet to conduct monitoring

GAP	Type	Checklist	Status	Description
				of pest & disease and forest fire.
006/2024	Major	2.4.1, 2.4.2	Closed	<b>November 2024:</b> No evidence of work permit and passport for foreign workers, employment agreement, a valid JTK license & COI for foreign workers. <b>January 2025:</b> All workers have an employment agreement and foreign workers under JS Enterprise are no longer employed
007/2024	minor	2.4.5	New	<b>November 2024:</b> No evidence of safety training conducted for forest workers.
008/2024	Major	2.4.8	Closed	<b>November 2024:</b> JS Enterprise could not provide SOCSO and EPF for workers. <b>January 2025:</b> JS Enterprise terminated 4 workers including 2 foreign workers as of the close-out assessment leaving 2 local staff for which SOCSO & EPF payments were made as required.
009/2024	minor	3.1.1	New	<b>November 2024:</b> There is no evidence that the fire observatory tower has been registered under the Occupational Permit.
001/2025	minor	2.4.8	New	<b>January 2025:</b> All employees need to contribute SOCSO as stipulated under Employees' Social Security Act 1969.

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

Obs #	Checklist	Description
001-2024	1.3.1, 1.4.1	<b>November 2024:</b> The 3 <sup>rd</sup> FMP for Sook Plain Forest Reserve has yet to be approved by the SFD.
002-2024	1.4.6	<b>November 2024:</b> K.M. Hybrid Plantation has yet to define and include chemical use in their plantation operation in the 3 <sup>rd</sup> FMP.
003-2024	2.4.6	<b>November 2024:</b> No evidence of record of PPE distribution to forest workers.
001-2025	1.5.1	<b>January 2025:</b> The AWP 2025 has yet to be approved by the SFD.

Highlights of Close Out Visit (if applicable)	Dates	24 January 2025
Major Gaps <b>004/2024</b> , <b>006/2024</b> & <b>008/2024</b> are now closed based on documents provided by K.M. Hybrid Plantation and JS Enterprise via What's App communications.		

Recommendations
<b>K.M. Hybrid Plantation Sdn. Bhd.</b> has demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) as non-compliance was addressed under Criteria 1.5 & 2.4 and it is eligible to receive a GFS Statement of Compliance or 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: <b>Gap 001/2024 (minor) – Checklist 1.1.3:</b> The SFD shall revise the coupe permit area to reflect the current SFMLA licensed area.

**Gap 002/2024 (minor) – Checklist 1.2.5, 2.3.4:** K.M. Hybrid Plantation shall conduct the ECR monitoring and submit the ECR to the EPD.

**Gap 003/2024 (minor) – Checklist 1.3.2.13:** K.M. Hybrid Plantation shall follow-up on the status of the Forest Fire Management Plan and SFD shall expedite the approval of the Forest Fire Management Plan.

**Gap 005/2024 (minor) – Checklist 2.3.5:** K.M. Hybrid Plantation shall conduct the pests and disease monitoring program and implement the forest fire management plan as appropriate.

**Gap 007/2024 (minor) – Checklist 2.4.5:** K.M. Hybrid Plantation shall conduct safety training for all forest workers annually.

**Gap 009/2024 (minor) – Checklist 3.1.1:** K.M. Hybrid Plantation shall register the Occupational Permit for the fire observatory tower as required.

**Gap 001/2025 (minor) – Checklist 2.4.8:** JS Enterprise should seek advice from PERKESO regarding SOCSO contribution for owners. K.M. Hybrid Plantation shall ensure the contractor complies with the Sabah Labor Ordinance.

**Observation 001-2024 – Checklist 1.3.1, 1.4.1:** SFD shall approve the 3<sup>rd</sup> FMP For Sook Plain Forest Reserve (Class IV).

**Observation 002-2024 – Checklist 1.4.6:** K.M. Hybrid Plantation shall define and include chemical use in their plantation operation in the 3<sup>rd</sup> FMP.

**Observation 003-2024 - Checklist 2.4.6:** K.M. Hybrid shall retain all records of PPE distribution for forest workers.

**Observation 001-2025 – Checklist 1.5.1:** The SFD shall review and expedite the AWP 2025 approval.

The next annual surveillance audit will be scheduled for **November 2025**.

**End of Summary Report**