

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Ang Hong Swee Contractor: JS Emeralds Sdn. Bhd. (1427299-H)	Reference #	GFSSBH003-229a
Contact Person	Mohd Khalid (JS Emeralds Sdn. Bhd.)	Date of Report	03/11/2023
Office Address	JS Emeralds Sdn. Bhd., KM5, Jalan Tuaran Bypass Inanam, 88450 Kota Kinabalu, Sabah, Malaysia.	Date of close out	05/01/2024
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 1.2 & 2.1 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	30 October – 03 November 2023
Scope of Assessment	Sabah TLAS P1-4: Form IIB [JPHTN(FIIB)DPS-2023/02]
Species	<i>Shorea spp.</i> (Red Seraya, Yellow Seraya), <i>Parashorea spp.</i> (White Seraya), <i>Dryobalanops spp.</i> (Kapur), <i>Sapotaceae spp.</i> (Nyatoh), <i>Annonaceae spp.</i> (Kerai), <i>Dialium indum</i> (KerANJI), <i>Pterospermum spp.</i> (Bayur), Myristicaceae (Darah-Darah) and other timber (OT).
Lead Assessor	Glory Linggou
Assessor(s)	Tommy Olui
SFD Staff	Fadzil D. Moxin (SFD Pitas), Jaludin Urubit (SFD Pitas), Raymund Kimlaw (SFD Pitas), Erik M. (SFD Pitas), Roslan Osman (SFD Pitas), Jumadil Jafar (SFD Pitas)

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:

- In 2023, Ang Hong Swee appointed JS Emeralds Sdn. Bhd. (JS Emeralds) as the land developer and logging contractor to extract and sell logs inside Native Title (NT) land consisting of fifty-six (56) lots, with a total area of 313.007 ha. The Power of Attorney was given to JS Emeralds on 21/06/2023 and witnessed by the High Court of Sabah and Sarawak (Ref. #: 1128/2016). Based on the contractor, the area will be converted into an oil palm plantation after salvage logging is completed.
- JS Emeralds 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.
- The total area for development is 313.007 ha. JS Emeralds started operations in July 2023.
- The area is under the jurisdiction of the Pitas District Forestry Office.

Current Operations:

- As of the October 2023 assessment, the SFD has approved one (1) FIIB permit for 13 lots (77.02 ha).
- Based on records, 292 logs (527.59 m³) have been harvested from the licensed area.
- Land use classification:

Land classification	Total Area (ha)	Current Status (ha)
Total Concession Area	56 Native Title land: 313.007	313.007
Production Area	313.007	<u>As of November 2023:</u> Total log production: 292 logs Total volume production: 527.59 m ³

Environmental Context:

- The Form IIB area is located at Kg. Mangkasulap, Sg. Lingkabau, Beluran.
- The nearest forest reserve is Lingkabau Forest Reserve, Class II, located approximately 8km from the licensed area.
- 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.
- For areas of 100 ha or more but less than 500 ha, the landowner shall have a Proposed Mitigation Measure report (PMM) developed by a qualified environmental consultant and approved by the Director of EPD. As of the assessment, PMM has yet to be developed for Ang Hong Swee area.

Social Context:

- There is no settlement identified within the project area. The nearest settlement is Kg. Mangkasulap and Kg. Mantub and located approximately within a radius of 1 km from the project 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 Ang Hong Swee (JS Emeralds Sdn. Bhd.) with the Form IIB permit #: JPHTN(FIIB)DPS-2023/02.
- 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 Ang Hong Swee and JS Emeralds Sdn. Bhd. 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: Form IIB: Ang Hong Swee (JS Emeralds Sdn. Bhd.) / Pitas District / 30 October – 03 November 2023 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
30 October 2023 Monday	Travelling and overnight in Kota Marudu.	Glory Linggou Tommy Olui	2
31 October 2023 Tuesday	Opening meeting at SFD Pitas office and document review. Compiling report.	Glory Linggou Tommy Olui	2
01 November 2023 Wednesday	Field visit to licensed boundary, stumping and campsite. Compiling report.	Glory Linggou Tommy Olui	2
02 November 2023 Thursday	Closing meeting at SFD Pitas office. Travelling back to Kota Kinabalu.	Glory Linggou Tommy Olui	2
03 November 2023 Friday	Finalizing report.	Glory Linggou Tommy Olui	2
04-05 November 2023	Reporting GFSSBH 003-229	Dr. Kevin Grace Glory Linggou	2
Total			12

Highlights of Assessment

(Major Gaps = 2; Minor Gaps = 2; Observations = 0)

January 2024 (Major Gaps = 2; Minor Gaps = 2; Observation = 0)

Ang Hong Swee (JS Emeralds Sdn. Bhd.) has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criteria 1.2 & 2.1 during the assessment on 30 October – 03 November 2023.

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

Principle 1.

The approved Form IIB permit issued by SFD.

Application	Total logs	Total volume, m ³	Total area, ha
JPHTN/PTS 700-2/4/64/95 dated 05/09/2023.	292	527.59	77.02

A Proposed Mitigation Measure report (PMM) is required for areas over 100 ha, which has yet to be developed for Ang Hong Swee area.

November 2023: Gap 001/2023 (Major) – Checklist 1.2.2

There is no evidence that the Proposal Mitigation Measures was developed and approved by the EPD for the 313.007 ha with respect to land conversion as required.

January 2024: Gap 001/2023 (Major) – Outstanding

There is no evidence that the Proposal Mitigation Measures was developed and approved by the EPD for the 313.007 ha with respect to land conversion as required.

November 2023: Gap 002/2023 (Major) – Checklist 1.2.3

ECR monitoring reports were not submitted since the PMM was not developed as required. There was evidence of littering, burning plastic waste.

January 2024: Gap 002/2023 (Major) – Outstanding

ECR monitoring reports were not submitted since the PMM was not developed as required. There is no evidence that JS Emeralds has addressed the issues of littering and proper waste disposal in the campsite.

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.

The logging is based on clear cutting of all trees for conversion to agriculture.

Ang Hong Swee has appointed JS Emeralds as the land developer and logging contractor to extract and sell logs inside the licensed area. The Power of Attorney was given to JS Emeralds on 21/06/2023 and witnessed by the High Court of Sabah and Sarawak (Ref. #: 1128/2016).

Highlights of Assessment

November 2023: Gap 003/2023 (minor) – Checklist 2.1.7

The Property hammer Mark has expired.

November 2023: Gap 002/2023 (Major) – Checklist 2.1.11

ECR monitoring reports were not submitted since the PMM was not developed as required. There was evidence of littering and burning plastic waste.

January 2024: Gap 002/2023 (Major) – Outstanding

ECR monitoring reports were not submitted since the PMM was not developed as required. There is no evidence that JS Emeralds has addressed the issues of littering and proper waste disposal in the campsite.

November 2023: Gap 004/2023 (minor) – Checklist 2.3.2, 2.3.7

No evidence of safety and fire training conducted for workers, and no evidence of first aid kit and fire extinguishers at the campsite compound.

Principle 3.

JS Emeralds has paid all the associated fees to the SFD.

Principle 4.

There is no settlement identified within the project area. The nearest settlement is Kg. Mangkasulap and Kg. Mantub, located approximately within a radius of 1 km from the project area. There is no other Native Customary Right (NCR) claim area inside the titled land.

Summary Results:

(Major gap = 2, Minor gap = 2, Observation = 0)

January 2024 (Major gap = 2, Minor gap = 2, Observation = 0)

Gap raised against indicators & criteria during the November 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2023	Major	1.2.2	Outstanding	<p>November 2023: There is no evidence that the Proposal Mitigation Measures was developed and approved by the EPD for the 313.007 ha with respect to land conversion as required.</p> <p>January 2024: There is no evidence that the Proposal Mitigation Measures was developed and approved by the EPD for the 313.007 ha with respect to land conversion as required.</p>
002/2023	Major	1.2.3 2.1.11	Outstanding	<p>November 2023: ECR monitoring reports were not submitted since the PMM was not developed as required. There was evidence of littering, burning plastic waste.</p> <p>January 2024: ECR monitoring reports were not submitted since the PMM was not developed as required. There is no evidence that JS Emeralds has addressed the issues of littering and proper waste disposal in the campsite.</p>
003/2023	minor	2.1.7	New	<p>November 2023: The Property hammer Mark has expired.</p>
004/2023	minor	2.3.2 2.3.7	New	<p>November 2023: No evidence of safety and fire training conducted for workers, and no evidence of first aid kit and fire extinguishers at the campsite compound.</p>

Observation raised against indicators & criteria during the November 2023 assessment.

Obs #	Checklist	Description
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Highlights of Close Out Visit (if applicable)	Dates
	05 January 2024
The Major Gap 001/2023 and 002/2023 shall be addressed within 2 months by January 2024. Ang Hong Swee & JS Emeralds have yet to act in addressing the Major Gaps. Thus, Major gaps remain outstanding.	

Recommendations
<p>Ang Hong Swee (JS Emeralds Sdn. Bhd.) has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criteria 1.2 & 2.1 and is NOT eligible 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 January 2024.</p> <p>Gap 001/2023 (Major) Outstanding – Checklist 1.2.2: Ang Hong Swee shall develop a Proposal Mitigation Measures for the project area and submit it to the EPD.</p> <p>Gap 002/2023 (Major) Outstanding – Checklist 1.2.3, 2.1.11: ECR monitoring reports shall be developed and submitted to the EPD to convert the 313.007 ha to agricultural land use. JS Emeralds shall maintain cleanliness, establish a dumping pit for a proper waste disposal.</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 003/2023 (minor) – Checklist 2.1.7: JS Emeralds shall renew the Property hammer Mark before the expiry date.</p> <p>Gap 004/2023 (minor) – Checklist 2.3.2, 2.3.7: JS Emeralds shall conduct safety and fire training prior to the logging operations and provide first aid kits and fire extinguishers at the campsite compound.</p> <p>The next annual surveillance audit will be scheduled for November 2024.</p>

End of Summary Report