

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Sabah Land Development Board Contractor: Teraju Hijau Plantations Sdn. Bhd. 201101011984 (940123-H)	Reference #	GFSSBH 003-312a
Contact Person	Yap Su Hen (Teraju Hijau Plantations Director)	Date of Report	04/10/2024
Office Address	Tawau Office: TB17897, Lot B1, BLK B, Pusat Komersial Gaya, KM 3.5, Jalan Guru, Jalan Kuhara, 91000 Tawau, Sabah, Malaysia. Site Office: Mile 22 Keningau - Sook Road, Jalan Karamatoi Off Kampung Lumiri, Nabawan, Sabah, Malaysia.	Date of close out	06/12/2024
		Telephone	+6089 749 113
Email	jolis.topoyong@gmail.com DFO Keningau:Narbert.Nasly@sabah.gov.my PPW Keningau:Jaime.Gampawi@sabah.gov.my	Fax	-
		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	NC: Non-Compliance – Criteria 2.4, 3.1, 4.1 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	30 September - 04 October 2024
Scope of Assessment	Form 1: JP(NKG)004/2022(F1)
Species	Drybalanops spp. (Kapur), Dipterocarpus spp. (Keruing), Parashorea spp. (White seraya), Shorea spp. (Red seraya, Yellow seraya, Melapi, Selangan batu), Sapotaceae (Nyatoh), Eugenia spp. (Obah), Lauraceae (Medang), Lithocarpus & Quercus spp. (Mempening), Hopea sangal (Gagil), Tristaniopsis merguensis (Pelawan-pelawan), Cotylelobium spp. (Resak batu), Dialium indum (KerANJI), Castanopsis motleyana (Berangan), Pterospermum spp. (Bayor), Duabanga moluccana (Magas), Octomeles sumatrana (Binuang), Neolamarckia spp. (Laran), Other timber (OT).
Lead Assessor	Priera Bagang
Assessor(s)	Anis Andrew, Evelyn Chong
SFD Staff	Narbert Nasly (DFO Keningau), David Diosing (ADFO Keningau), Peter Abdullah (KPPM Ansip/Dalit), Mazlan Azman (PPW Keningau)

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 State Government of Sabah, through the Land and Survey Department, awarded the land title, Country Lease (CL) No. 155310580, to the Sabah Land Development Board on 23/07/2019 for the purpose of oil palm plantation development. The tenure is from 01/01/2015 to 31/12/2113, subject to the provisions and conditions outlined in the Land Ordinance, Cap. 68.

Based on the land title, the estimated CL total area is 5,316 hectares located at Kg. Lumiri, Nabawan. Subsequently, Sabah Land Development Board has granted the power of attorney to Teraju Hijau Plantations Sdn. Bhd. (Teraju Hijau Plantations) as their logging contractor to conduct the logging activities and payment of any statutory charges. Teraju Hijau Plantations engaged KBC Project to provide manpower within the licensed area.

In 2023, the SFD has granted the Form 1 license to Sabah Land Development Board that will lapse on 01/02/2025 (Ref.#: JPHTN/FRM 700-2/3/123/JLD.4/50 dated 02/02/2023). However, the operation only started in January 2024.

The licensed area is under the jurisdiction of the Keningau District Forestry Office.

Land use classification:

Land classification	Form 1 (ha)	Current Status (ha) as of Sep 2024
Total Concession Area	5,316	EIA total area = 5,752.00**
Production area	5,316	EIA net production area = 3,526.40 Total block = 90 blocks Total logged area = 220.30ha Total log production = 13,548.81m ³
Steep area	*	EIA report = 1,725.60
Riparian reserve	*	EIA report = 300.00
Basecamp	*	EIA report = 200.00

*The information is not available in the Form 1 license document.

**According to the SFD, before the Form 1 license approval, the initial project area was 5,752 ha; however, in 2019, approximately 436 ha of the area has been excised to *Mini Estate Sejahtera* (MESEJ) Kg. Lumiri, Nabawan, for the development of oil palm plantation.

Current Operations:

As of the assessment, Teraju Hijau Plantations is still conducting logging operations. Based on records, 26 blocks have been completed for logging, and 7 blocks are undergoing logging operations.

Land title	NFM/ITP	Status	Area (ha)	Geo-location data
CL.155310580	Form 1	Sabah TLAS	5,316.00	NE: E116° 8'5.35", N4° 50'45.89" NW: E116° 7'27.14", N4°47'44.41" SE: E116° 13'31.04", N4°48'45.08" SW: E116° 13'6.96", N4°51'33.83"

Environmental Context:

The area is logged over mixed highland dipterocarp forest consisting of Dipterocarps such as *Urat mata*, *Seraya kuning*, *Seraya merah*, *Keruing* and *Oba suluk* and, other lesser-known species such as *Laran*, *Pelawan-Pelawan*, *Mempening*, *Medang*, *KerANJI*, *Magas*, *Rengas*, etc.

The altitude varies between 493m to 1,257m a.s.l.

The nearest forest reserves are Pensiangan Forest Reserve (Class I) in the north, Sg. Tagul Forest Reserve (Class II) in the south, and Sg. Telekosang Forest Reserve (Class II) in the southwest.

The main river in the licensed area is Sg. Talangkai and its tributaries, which flow towards Sg. Sapulut.

The project area is mainly underlain by Crocker and Maliau Association. The major soil type is the acidic and nutrient poor Orthic Acrisols.

Terrestrial mammals commonly sighted are Sambar Deer, Bornean Yellow Muntjac, Bearded Pig, Malayan Civet, Common Palm Civet, and Long-tailed Macaque. Avian species identified through calls and sightings: Great Argus, Plaintive Cuckoo and Crested Serpent Eagle. The biggest threat to wildlife in the licensed area is poaching.

Significant impacts:

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

The EIA study titled “Proposed 5,752 Hectares of Logging & Oil Palm Plantation at PT.20-10151023, Lumiri, Pensiangan, Sabah” was prepared and approved by the EPD (Ref. #: JPAS/PP/03/600-1/01/1/296(58) dated 03/11/2022).

Social Context:

Based on the EIA, there are 7 villages associated with the licensed area. The list of villages as follows:

#	Village name	Location
1	Kg. Binanun	Within the project area
2	Kg. Sumbiling	Within the project area
3	Kg. Nangkawangan	Distance 0.27 KM northeast
4	Kg. Lumiri Tengah	Distance 1.54 KM north
5	Kg. Pohon Batu	Distance 1.79 KM south
6	Kg. Mamagun	Distance 3.20 KM north
7	Kg. Ponontomon	Distance 4.40 KM northeast

Based on the EIA document, the potential impacts on the community include soil erosion, water pollution, sedimentation, agro-chemical impacts, waste management, and socio-economic effects. The mitigation measures include community engagement meetings to establish local understanding, the employment of legal foreigners, prioritizing employment and business opportunities for local communities, and the proper implementation of environmental control measures.

Scope of Assessment
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Sabah Land Development Board with the Form 1 License No. JP(NKG)004/2022(F1). • 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 Sabah Land Development Board 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: 30 September – 04 October 2024 / Form 1: Sabah Land Development Board (Teraju Hijau Plantations Sdn. Bhd.) / Keningau District

Date	Activity	GFS Staff	Mandays
30 September 2024 Monday	Travel to Keningau, and opening meeting at PPD Keningau. Document review at PPD Keningau.	Priera Bagang Anis Andrew Evelyn Chong	3
01 October 2024 Tuesday	Field assessment to licensed area: Logging operations, protection areas, licensed boundary and campsite. Document review at Teraju Hijau Plantations basecamp office. Community visit to Kg. Binanun, Kg. Sumbiling & Kg. Lumiri Tengah	Priera Bagang Anis Andrew Evelyn Chong	3
02 October 2024 Wednesday	Field assessment to stumping area. Document review at PPD Keningau office.	Priera Bagang Anis Andrew Evelyn Chong	3
03 October 2024 Thursday	Document review at PPD Keningau office.	Priera Bagang Anis Andrew	3

		Evelyn Chong	
04 October 2024 Friday	Closing meeting at PPD Keningau. Travel to homebase.	Priera Bagang Anis Andrew Evelyn Chong	3
05-06 October 2024	Reporting/Administration: GFSSBH003-312	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

(Major Gaps = 5; minor Gaps = 3; Observations = 1)

December 2024: (Major Gaps = 5; minor Gaps = 3; Observations = 1)

Sabah Land Development Board (Teraju Hijau Plantations Sdn. Bhd.) has not complied with the Sabah TLAS requirements (FDS TLAS-006), as non-compliance was identified under Criteria 2.4, 3.1 and 4.1 during the assessment on 30 September-04 October 2024.

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

Principle 1. Right to Harvest

Teraju Hijau Plantations demonstrated compliance with the Form 1 license requirements. However, non-compliance was identified based on environmental impact assessment requirements.

October 2024: Gap 001/2024 (Major) – Checklist 1.2.5

No evidence that the ECR has been conducted and submitted to the EPD as required.

December 2024: Gap 001/2024 (Major) – Outstanding

ECR has not been conducted through Q2 & Q3 of 2024 whereby the company has yet to address the issues raised the ECR consultant.

October 2024: Observation 001-2024 – Checklist 1.7.1

Lack of maintenance for boundary demarcation between the licensed area and Sg. Tagul Forest Reserve (Class II).

Principle 2. Forest Operations

Teraju Hijau Plantations maintained adequate records of logs production and transportation. However, non-compliance was identified in relation to EIA requirements, and regulatory requirements for workers.

October 2024: Gap 002/2024 (Major) – Checklist 2.4.1, 2.4.2

No evidence of passport, work permit, employment agreement, COI, foreign workers exceeded the quota of the expired JTK license.

December 2024:

Records of work permits for foreign workers, employment agreements and COI for all workers remain incomplete. Claims that the undocumented workers are no longer working without evidence are not justified. Inadequate action taken to address Gap 002/2024 (Major).

December 2024: Gap 002/2024 (Major) – Outstanding

Inadequate evidence that all workers are legally employed with work permits, employment agreements and COI.

October 2024: Gap 003/2024 (minor) - Checklist 2.4.3

Lack of fire extinguishers at the Teraju Hijau Plantations workers' quarters.

October 2024: Gap 004/2024 (minor) - Checklist 2.4.5

Inadequate work and fire safety training by Teraju Hijau Plantations.

October 2024: Gap 005/2024 (Major) - Checklist 2.4.8

No evidence that all workers have been registered and contributed under SOCSO/EPF where required. Lack of DOSH registration.

December 2024: Gap 005/2024 (Major) - Outstanding

Teraju Hijau Plantations could not provide the SOCSO and EPF to team GFS. Lack of DOSH registration.

Highlights of Assessment

Principle 3. Statutory Charges

Teraju Hijau Plantations payment of royalties was current. Non-compliance was identified for lack of FD registration of machinery.

October 2024: Gap 006/2024 (Major) - Checklist 3.1.1

No evidence of FD registration of machinery by Teraju Hijau Plantations.

December 2024: Gap 006/2024 (Major) - Outstanding

No evidence of FD registration of machinery and expired FD.

Principle 4. Other User Rights

Based on the EIA, there are 7 villages associated with the licensed area, namely, Kg. Binanun, Kg. Sumbiling, Kg. Nangkawangan, Kg. Lumiri Tengah, Kg. Pohon Batu, Kg. Mamagun, and Kg. Ponontomon. Based on the EIA document, the potential impacts on the community include soil erosion, water pollution, sedimentation, agro-chemical impacts, waste management, and socio-economic effects. The mitigation measures include community engagement meetings to establish local understanding, the employment of legal foreigners, prioritizing employment and business opportunities for local communities, and the proper implementation of environmental control measures.

October 2024: Gap 007/2024 (minor) - Checklist 4.1.1, 4.1.3

No evidence that the community areas was mapped and identified by Teraju Hijau Plantations.

October 2024: Gap 008/2024 (Major) - Checklist 4.1.4, 4.1.5, 4.1.6, 4.1.7

A significant dispute exists and there is no evidence that a formal system for conflict resolution and communication with the community resulting in no community meetings.

December 2024: A stakeholder meeting was conducted on 19/11/2024 where discussions were held on the provision of goods and services, alongside initiatives to promote the health and well-being of the villages. However, no system of conflict resolution or community support was developed.

December 2024: Gap 008/2024 (Major) - Outstanding

Formal system has not been established for conflict resolution and communications with the community to address current disputes and define system to collaborate with the community.

Summary Results:

(Major gap = 5, minor gap = 5, Observation = 1)

December 2024: (Major gap = 5, minor gap = 5, Observation = 1)

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

GAP	Type	Checklist	Status	Description
001/2024	Major	1.2.5	Outstanding	<p>October 2024: No evidence that the ECR has been conducted and submitted to EPD as required.</p> <p>December 2024: ECR has not been conducted through Q2 & Q3 of 2024 whereby the company has yet to address the issues raised the ECR consultant.</p>
002/2024	Major	2.4.1, 2.4.2	Outstanding	<p>October 2024: No evidence of passport, work permit, employment agreement, COI, foreign workers exceeded the quota of the expired JTK license.</p> <p>December 2024: Inadequate evidence that all workers are legally employed with work permits, employment agreements and COI.</p>
003/2024	minor	2.4.3	New	<p>October 2024: Lack of fire extinguishers at the Teraju Hijau Plantations workers' quarters.</p>
004/2024	minor	2.4.5	New	<p>October 2024:</p>

GAP	Type	Checklist	Status	Description
				Inadequate work and fire safety training by Teraju Hijau Plantations.
005/2024	Major	2.4.8	Outstanding	October 2024: No evidence that all workers have been registered and contributed under SOCSO/EPF where required. Lack of DOSH registration. December 2024: Teraju Hijau Plantations could not provide the SOCSO and EPF to team GFS. Lack of DOSH registration.
006/2024	Major	3.1.1	Outstanding	October 2024: No evidence of FD registration of machinery by Teraju Hijau Plantations. December 2024: No evidence of FD registration of machinery and expired FD.
007/2024	minor	4.1.1, 4.1.3	New	October 2024: No evidence that the community areas was mapped and identified by Teraju Hijau Plantations.
008/2024	Major	4.1.4, 4.1.5	Outstanding	October 2024: A significant dispute exists and there is no evidence that a formal system for conflict resolution and communication with the community resulting in no community meetings. December 2024: Formal system has not been established for conflict resolution and communications with the community to address current disputes and define system to collaborate with the community.

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

Obs #	Checklist	Description
001-2024	1.7.1	October 2024: Lack of maintenance for boundary demarcation between the licensed area and Sg. Tagul Forest Reserve (Class II).

Highlights of Close Out Visit (if applicable)	Dates
	06 December 2024
The Major Gaps 001/2024 , 002/2024 , 005/2024 , 006/2024 , 008/2024 were to be addressed by December 2024. Inadequate actions were taken to address the major Gaps thus all remain outstanding.	

Recommendations
<p>Sabah Land Development Board (Teraju Hijau Plantations Sdn. Bhd.) has not demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) as non-compliance was identified under Criteria 1.2, 2.3, 2.4, 3.1, 4.1 and it is NOT eligible to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gap shall be addressed within two months by December 2024.</p> <p>Gap 001/2024 (Major) Outstanding – Checklist 1.2.5: Teraju Hijau Plantations shall conduct ECR for Q2-3 of 2024 and address issued raised by the EIA consultant.</p> <p>Gap 002/2024 (Major) Outstanding - Checklist 2.4.1, 2.4.2: SLDB to provide evidence that all workers are legally employed with employment agreements and COI as required.</p> <p>Gap 005/2024 (Major) Outstanding - Checklist 2.4.8: KBC Project shall ensure that all workers contribute to SOCSO/EPF and register under DOSH.</p> <p>Gap 006/2024 (Major) Outstanding - Checklist 3.1.1: Teraju Hijau Plantations shall ensure that all heavy machinery is registered with the SFD.</p> <p>Gap 008/2024 (Major) Outstanding - Checklist 4.1.4, 4.1.5: A formal system shall be established for conflict resolution and communications with the community to address current disputes.</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:

Gap 003/2024 (minor) – Checklist 2.4.3: Teraju Hijau Plantations shall provide an adequate number of fire extinguishers in the dwelling area.

Gap 004/2024 (minor) - Checklist 2.4.5: Teraju Hijau Plantations shall conduct the work and fire safety training annually and develop formal training reports.

Gap 007/2024 (minor) - Checklist 4.1.1, 4.1.3: The community used areas shall be mapped and identified for protection as per the EIA requirements.

Observation 001–2024 Checklist 1.7.1: Teraju Hijau Plantations shall maintain boundary demarcation between the licensed area and the Sg. Tagul Forest Reserve (Class II).

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

End of Summary Report