

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Silam Forest Products Sdn. Bhd. 197901000492 (44754-D) Developer: Arus Sawit Sdn. Bhd. 200701028111 (786133-U)	Reference #	GFSSBH 003-342
Contact Person	Mr. Aaron Paul Roland (Senior Estate Manager)	Date of Report	17/04/2025
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 195 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)03/2007(CO)
Species	Agroforestry planted trees: Oil Palm (<i>Elaeis guineensis</i>) Enrichment planting trees: Rambutan (<i>Nephelium</i> spp.), Cempedak (<i>Artocarpus</i> spp.), Bayur (<i>Pterospermum</i> spp.), Kapur (<i>Dryobalanops lanceolata</i>), Durian (<i>Durio</i> spp.), Ketapang (<i>Terminalia</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 10,326 ha in Bonggaya Forest Reserve by the State of Government under a License #: JP(SBN)03/2007(CO) for 60 years. With this license, the State Government has granted permission to Silam Forest Products to plant, establish and harvest forest products and agroforestry crops under the principles of sustainable environmental management and conservation for economic environmental and social purposes.

A Shareholders' Agreement was signed on 19/11/2007 between Silam Forest Products and Arus Sawit Sdn. Bhd. (Arus Sawit), 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.

The ADP was approved by the Director of Forestry on 18/04/2008; however, was later revised (approved on 05/12/2008) because of the change in area size after it was surveyed. The actual total area has changed from 10,326 ha to 10,570 ha, an increase of 244 ha.

Land use classification:

Land classification	2 nd ADP Area (ha)	Current Status (ha)
Total Concession Area	10,570.00	10,570.00
Mature Area (Planted area)	6,166.99	Oil Palm = 5,874.57 Vacant area = 292.42*
Conservation area	135.66	135.66
Road	676.34	676.34
Riparian reserve	591.67	591.67
Infrastructure & Buildings	14.12	14.12
Planted by local villagers	1,395.17	1,395.17
Natural Forest Management	1,590.05	1,590.05

Note* Area initially planted with oil palm; but high mortality and lack of maintenance the area was left vacant with no re-planting.

Based on Revised ADP (2018-2027), Ref. #: ASSB/2024-165 dated 29/04/2024, acknowledged receipt by the SFD Beluran on 29/04/2024.

Prior to development, an area of 1395.17 ha was planted with oil palm by local villagers. Several surveys were carried out since 2008 as well as operation exercise carried out by the SFD on the planted area that encroaches the concession area. The last exercise carried out together with SFD was in mid-2009 including a completion of firebreak for demarcation of the encroached boundary.

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 silviculture treatment and enrichment planting.

Oil Palm Plantation: As of the assessment, no new oil palm planting has occurred. The current status of oil palm planting, based on records, is as follows:

Coupe	Initial planted (ha)	Total oil palm (seedlings)	Year of planting
SDK 19/08	410.34	25,502	2008
SDK 03/09	2,799.16	237,125	2009
SDK 20/09	2,789.94	172,604	2010
SDK 06/11	167.55	19,195	2011
Total	6,166.99	454,426.00	

Coupe #	Land Use	Status	Area (ha)	Geo-location data
SDK 19/08	Oil Palm	Sabah TLAS EUDR	498.70	NE: 675324.1556 N, 851572.4057 E SE: 675705.8875 N, 852962.8056 E SW: 676310.8875 N, 855048.4056 E NW: 674495.8875 N, 851760.6265 E
SDK 03/09	Oil Palm	Sabah TLAS EUDR	3,549.00	NE: 675705.8875 N, 851572.4057 E SE: 676310.8875 N, 855048.4056 E SW: 674495.8875 N, 855043.4056 E NW: 675339.7494 N, 851794.2553 E
SDK 20/09	Oil Palm	Sabah TLAS EUDR	4,388.00	NE: 672483.826 N, 839982.039 E SE: 672717.284 N, 840598.799 E SW: 673614.602 N, 841592.220 E NW: 675799.914 N, 843924.711 E
SDK 06/11	Oil Palm	Sabah TLAS EUDR	193.00	NE: 675777.400 N, 859816.4840 E SE: 674436.120 N, 858945.110 E SW: 674753.990 N, 857651.030 E NW: 676268.240 N, 857900.430 E
		Total	8,628.7	

Environmental Context:

The Agroforestry project involves oil palm plantation establishment and natural forest management. Approximately 6,167 ha (58.3%) have been developed into oil palm plantations and 2,317.38 ha (21.9%) including steep and riparian areas, 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 about 690.46 ha or 6.5% of the total area.

The licensed area is divided into 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.* throughout the entire contract period.

Topography: The licensed area lies between Sg Makopako at its northern boundary and Sg Tungud near the southern boundary. The eastern half is generally flat to undulating and interspersed with small hills, while the western half comprises higher grounds of low hills. The main soil types are nutrient deficient Orthic acrisols.

Hydrology: The licensed area traversed by Sg. Makopako in the north and Sg. Tungud in the south, along with Sg. Botitian, Sg. Rungus, Sg. Menlong-long, and Sg. Fortuna, which converges into Sg. Tungud. All watercourses in the licensed area eventually flow into the larger Sg. Bonggaya. Preserving steep terrains and riparian zones is essential for the sustainable management and maintenance of the watershed areas in this drainage system.

Flora and Fauna: The natural vegetation of the licensed area, part of the greater Bonggaya Forest Reserve, was dominated by Mixed Dipterocarp Forest in the steeper western portion. Whereas larger areas of continuous swamp forest where drainage is impeded by river levees in the northern boundary and in smaller pockets adjacent to the waterways. Direct sightings of animals in the NFM areas were limited to Bornean Gibbon, Monitor Lizard, Slow Loris, Leopard cat, Common palm civet, Long-tailed and short-tailed macaques. However, recorded footprints indicate the presence of wild pigs and barking deer. Footprints of larger wild cats and sun bears were also seen. The site supports at least one, and probably two Totally Protected Animals (Schedule 1, Part 1, Section 25(1) of the Wildlife Conservation Enactment 1997), namely, the Sun Bear (*Helarctos malayanus*) and the Clouded Leopard (*Neofelis nebulosa*).

The EIA study entitled “Environmental Impact Assessment for the Proposed Agroforestry Development at Lot 3, Bonggaya Forest Reserve, Beluran District, Sabah” was conducted by ERM Borneo Sdn. Bhd. and approved by the Environment Protection Department (EPD) on 23/02/2009 (Ref. #: JPAS/PP/17/600-1/11/1/47).

Social Context:

Utopianism Management Consultancy conducted the Social Impact Assessment on 07-08 Nov 2023 (Ref. #: SB/SIA/23060-01). Settlements around Arus Sawit community:

Settlement	Distance (KM)
Kampung Rungus Baru	5
Kampung Cocos	7.8
Kampung Cenderamata	10
Kampung Botiton	13.8

Arus Sawit identified land disputes within the licensed area designated for agricultural production, totalling 1,395.17 hectares. The Sabah Forestry Department (SFD) approved the excision of these areas [Ref. #: JPHTN/BN(S) 700-1/2/1(Jld.3)/26, dated 02/07/2018], and they have been excluded from forest operations. The information was deemed confidential by the SFD during the closing meeting regarding the land dispute.

Scope of Assessment
<ul style="list-style-type: none"> The scope of the evaluation is to verify compliance of Silam Forest Products Sdn. Bhd. (Arus Sawit Sdn. Bhd.) with the Agroforestry Development License Agreement [JP(SBN) 03/2007 (CO)] for 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. (Arus Sawit 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. (Arus Sawit 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 Sintar Jick Miki Riczuhan Richard	4
15 April 2025 Tuesday	Field assessment to licensed area for Arus Sawit's licensed boundary, campsite, workshop, FFB harvesting area, protection area, silviculture treatment area, enrichment planting area & social assessment at Kg. Rungus Baru. Document review at Arus Sawit estate office.	Brandon James Keith Sintar Jick Miki Riczuhan Richard	4
16 April 2025 Wednesday	Field assessment to licensed area for Kelola Maju licensed boundary, campsite, workshop FFB harvesting area, protection areas & enrichment planting area, Document review at Kelola Maju estate office.	Brandon James Keith Sintar Jick Miki Riczuhan Richard	4
17 April 2025 Thursday	Closing meeting at PPD Beluran. Travel back to home base.	Brandon James Keith Sintar Jick Miki Riczuhan 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 = 1; Observations = 2)

Silam Forest Products Sdn. Bhd. (Arus Sawit 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 19/11/2007 between Silam Forest Products and Arus Sawit Sdn. Bhd. (Arus Sawit), where the latter agreed to jointly develop the project area into a large-scale Agroforestry Development Project under a Joint Venture Agroforestry Program. Arus Sawit holds an approved Agroforestry Development Plan (ADP), approved by the Chief Conservator of Forests, effective from 01/01/2018 to 31/12/2027. This 10-year plan pertains to the implementation of agroforestry activities within the partially designated areas of the Bonggaya Forest Reserve, under the provisions of the aforementioned license agreement [JP(SBN)03/2007(CO)].

An Environmental Impact Assessment (EIA) titled "Environmental Impact Assessment for the Proposed Agroforestry Development at Lot 3, Bonggaya Forest Reserve, Beluran District, Sabah" was conducted by ERM Borneo Sdn. Bhd. and subsequently approved by the Environment Protection Department (EPD) on 23 February 2009 (Ref. #: JPAS/PP/17/600-1/11/1/47). Following this approval, EPD-appointed consultants have carried out quarterly environmental monitoring in accordance with regulatory requirements.

April 2025: Observation 001-2025 – Checklist 1.1.3

The total area of NFM differs between the 2nd ADP and the coupe permit.

April 2025: Observation 002-2025 – Checklist 1.3.3

Amendment application for the 2nd Agroforestry Development Plan is still pending from SFD.

Principle 2. Forest Operations

Arus Sawit has demonstrated compliance with regulations concerning workers' safety and health, the security of the licensed area, the maintenance of license boundaries, and the protection of designated protected areas.

April 2025: Gap 001/2025 (minor) – Checklist 2.4.2

The JTK license exceeded the quota for foreign workers and still being processed by the Department of Labour.

Principle 3. Statutory Charges

Arus Sawit demonstrated compliance with the statutory charges. Fresh Fruit Bunch (FFB) royalty is paid and maintained.

Principle 4. Other User Rights

Arus Sawit identified land disputes within the licensed area designated for agricultural development, encompassing a total of 1,395.17 hectares. In response, the Sabah Forestry Department (SFD) approved the excision of the disputed area from forest operations, as documented in Ref. #: JPHTN/BN(S) 700-1/2/1(Jld.3)/26 dated 02/07/2018.

Utopianism Management Consultancy conducted the Social Impact Assessment on 07-08 Nov 2023 (Ref. #: SB/SIA/23060-01). Settlements around Arus Sawit community:

Settlement	Distance (KM)
Kampung Rungus Baru	5
Kampung Cocos	7.8
Kampung Cenderamata	10
Kampung Botiton	13.8

Arus Sawit maintains ongoing engagement with relevant stakeholders, including the surrounding communities. The company demonstrates its corporate social responsibility through goodwill contributions and support in response to local community needs and requests.

Summary Results:

(Major gap = 0, Minor gap = 1, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2025	minor	2.4.2	New	April 2025: The JTK license exceeded the quota for foreign workers and still being processed by the Department of Labour.

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

Obs #	Checklist	Description
001-2025	1.1.3	April 2025: The total area of NFM differs between the 2 nd ADP and the coupe permit.
002-2025	1.3.3	April 2025: Amendment application for the 2 nd Agroforestry Development Plan is still pending from SFD.

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

Recommendations
<p>Silam Forest Products Sdn. Bhd. (Arus Sawit 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 2.4.2: Arus Sawit shall ensure the JTK to hire foreign workers is within the quota and should follow up with JTK on the renewal status.</p> <p>Observation 001-2025 - Checklist 1.1.3: SFD shall expedite the amendment application to address the discrepancy in the NFM area between the coupe permit and the ADP.</p> <p>Observation 002-2025 - Checklist 1.3.3: SFD shall expedite the amendment application of the 2nd ADP.</p> <p>The next annual surveillance audit will be scheduled for April 2026.</p>

End of Summary Report