

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 003-401
Contact Person	Mr. Aaron Paul Roland (Senior Estate Manager)	Date of Report	15/05/2026
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 195 LVS		
Issuance Date	18 May 2026	Expiration Date	17 May 2027

Assessment Details

Assessment Dates	11-15 May 2026
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: Laran (<i>Neolamarckia cadamba</i>), Ketapang (<i>Terminalia spp.</i>), Talisai (<i>Terminalia catappa</i>), Gaharu (<i>Aquilaria malaccensis</i>), Seraya (<i>Shorea spp.</i>), Sentang (<i>Azadirachta excelsa</i>), Kapur (<i>Dryobalanops lanceolata</i>), Durian (<i>Durio spp.</i>)
Lead Assessor	Sheanna Kehong, (Acting Lead Auditor) Soliano Andrew
Assessor(s)	Eljipy Sualim, (UMS Internship) Stacy Robert
SFD Staff	SH Mohd Roslie Bin SH Ameeril (ADFO Beluran), Ahmad Dul Sharif (PPD Beluran), Muhammad Zulsyazwan Mohd Arif (PPD Beluran), Sharifah Hazirah Syamimi Binti Sharif Abdul Hamil (PPD Beluran), Mohd Husin Rahim (PPD Beluran), Mohd Shahrin Bin Shakirin (PPD Beluran), Ali Shah Bidin (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.

The ADP (01/01/2018 to 31/12/2027) 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.

The previous assessment was conducted in April 2025 that resulted in 1 gap(s) and 2 observation(s) (Report #: GFSSBH 003-342).

Land use classification: 2nd ADP, Pg. 15, Table 3.0: Project Area Zoning before and after amendment.

Land classification	2 nd ADP Area (ha)	Current Status (ha)
Total Project Area	10,570.00	10,570.00
Plantation 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
Disputed Area - Encroachment	1,395.17	1,395.17
Natural Forest Management	1,590.05	1,590.05

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

Current Operations:

List of activities based on AWP 2026.

Activity	Remark
Crop Production	FFB harvesting (5,874.57 ha): Coupe SDK.19/08 = 401.02 ha, Coupe SDK.03/09 = 2741.10 ha, Coupe 20/09 = 2567.93 ha, Coupe SDK.06/11 = 164.52 ha
NFM & Riparian Silviculture	Silviculture (517.27 ha)
Enrichment Planting	18.88 ha: 2000 tree planting as targeted

List AWP 2026 planned FFB harvesting.

Coupe #	NFM / ITP	Status	Area (ha)	Geo-location data
SDK.20/09	Oil palm	Sabah TLAS	4,388.00	NE: 6° 2' 25.47" N 117° 21' 52.55" E SE: 6° 4' 47.81" N 117° 22' 19.92" E SW: 6° 4' 24.88" N 117° 21' 39.51" E NW: 6° 5' 49.81" N 117° 25' 20.17" E
SDK.06/11	Oil palm	Sabah TLAS	193.00	NE: 6° 4' 55.93" N 117° 26' 12.54" E SE: 6° 5' 39.48" N 117° 26' 40.75" E SW: 6° 5' 58.04" N 117° 25' 27.89" E NW: 6° 5' 6.27" N 117° 25' 30.63" E
SDK.19/08	Oil palm	Sabah TLAS	498.70	NE: 6° 5' 36.78" N 117° 22' 5.88" E SE: 6° 5' 36.81" N 117° 22' 50.97" E SW: 6° 5' 56.43" N 117° 23' 58.67" E NW: 6° 4' 57.42" N 117° 23' 58.58" E

SDK.03/09	Oil palm	Sabah TLAS	3,549.00	NE: 6° 5' 36.78" N, 117° 22' 5.88" E SE: 6° 5' 56.43" N, 117° 23' 58.67" E SW: 6° 4' 57.42" N, 117° 23' 58.58" E NW: 6° 4' 57.46" N, 117° 22' 12.04" E
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Environmental Context:

Existing EIA report & key elements for protection / mitigation:

EIA	Ref. #	Consultant
Environmental Impact Assessment for Agroforestry Development at Lot 3 Bonggaya Forest Reserve Beluran District, Sabah	JPAS/PP/17/600-1/11/1/47	ERM Borneo Sdn. Bhd.

Forest type and short history of management:

The project site consists of degraded forest, logged MDF, Kerangas Forest, oil palm, swamp forest and over logged forest. The natural vegetation of Lot 3 of Bonggaya Forest Reserve is dominated by Mixed Dipterocarp Forest, with a hilly component in the steeper western portion. Over the past several years since the inception of the Oil Palm Plantation, the management had developed a total area of 6,993.11 Ha with a total planted area of 6,166.99 Ha. However, the said developed area of 6,993.11 Ha is exclusive of conservation area (727.33 Ha). Natural forest management area as well as encroachment area (1,395.17 Ha). During the initial years of development (2009-2011), salvage logging was carried out.

Principal commercial species currently existing:

Agroforestry planted trees: Oil Palm (*Elaeis guineensis*)

Enrichment planting trees: Laran (*Neolamarckia cadamba*), Ketapang (*Terminalia spp.*), Talisai (*Terminalia catappa*), Gaharu (*Aquilaria malaccensis*), Seraya (*Shorea spp.*), Sentang (*Azadirachta excelsa*), Kapur (*Dryobalanops lanceolata*), Durian (*Durio spp.*).

Specific biological values (e.g., rare or endangered species):

Based on the EIA, within the project site, direct sightings of animals were limited to Bornean Gibbon, Monitor Lizard, Slow Loris. However, recorded footprints indicated large populations of wild pig, barking deer and civet. Footprints of larger wild cats and sun bear were also seen within the site. 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*).

Environmental services (e.g., critical watersheds, wildlife habitat, peat swamp, etc.):

Based on the EIA, the project site lies between Sg. Makopako at its northern boundary and Sg. Tungud proximate to its southern boundary.

Social Context:

Social assessment **SBS / SIA / EIA** summary:

Utopianism Management and Consultancy conducted the Social Impact Assessment on 07-08 Nov 2023 and there are settlements around Arus Sawit.

Settlement	Distance (KM)
Kampung Rungus Baru	5
Kampung Basai Baru	7
Kampung Cocos	7.8
Kampung Cenderamata	10
Kampung Botiton	13.8

Based on the EIA, the villages located within the project site are Kg. Sg. Rungus Baru, Kg. Tampasak and Kg. Menglong-long. There are a few other villages located within the 3 KM radius from the project boundary i.e., Kg. Basai, Kg. Botitian, Kg. Cenderamata and Kg. Cocos.

Identified communities that are dependent on the FMU:

None

Land claims, disputes & communication system:

Arus Sawit identified land disputes within the licensed area designated for agricultural production, totalling 1,395.17 hectares and excluded it from the operation. 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].

Community Forestry Projects:

None

Scope of Assessment	
- 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: 11 – 15 May 2026 / FMU 18 (partly): Silam Forest Products Sdn. Bhd. (Arus Sawit Sdn. Bhd. & Kelola Maju Sdn. Bhd.) / Beluran District

Date	Activity	GFS Staff	Mandays
11 May 2026 Monday	Travel to Beluran. Opening meeting at PPD Beluran for Arus Sawit Sdn. Bhd. and Kelola Maju Sdn. Bhd. Document review. Overnight at Arus Sawit Guesthouse.	Sheanna Kehong, Eljipy Sualim, Soliano Andrew, Stacy Robert	4
12 May 2026 Tuesday	Field assessment to operation areas for Arus Sawit (FFB harvesting), NFM area, licensed boundary, protected area (riparian reserve & steep area) & enrichment planting. Field assessment to worker quarters, workshop, store, genset room, landfill & basecamp. Document review. Overnight at Arus Sawit Guesthouse.	Sheanna Kehong, Eljipy Sualim, Soliano Andrew, Stacy Robert	4
13 May 2026 Wednesday	Field assessment to operation areas for Kelola Maju (FFB harvesting), licensed boundary, protected area (riparian reserve & steep area) & NFM area. Field assessment to worker quarters, workshop, store, genset room, landfill & basecamp. Document review. Overnight at Arus Sawit Guesthouse.	Sheanna Kehong, Eljipy Sualim, Soliano Andrew, Stacy Robert	4
14 May 2026 Thursday	Social assessment and interview with representative from Kg. Basai Baru. Document review. Overnight at Arus Sawit Guesthouse.	Sheanna Kehong, Eljipy Sualim, Soliano Andrew, Stacy Robert	4
15 May 2026 Friday	Closing meeting at Arus Sawit campsite office and travel back to home base.	Sheanna Kehong, Eljipy Sualim, Soliano Andrew, Stacy Robert	4
16-17 May 2026	Reporting/Administration: GFSSBH 003-401 Reporting/Administration: GFSSBH 003-402	Dr. Kevin Grace Sheanna Kehong	4
Total			24

Highlights of Assessment

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

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 11-15 May 2026.

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.

The ADP (01/01/2018 to 31/12/2027) was approved by the Director of Forestry on 18/04/2008.

April 2025: Observation 001-2025 – Checklist 1.1.3

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

May 2026: Observation 001-2025 (Addressed)

SFD has approved the amendment application included with justification to address the discrepancy in the NFM area between the coupe permit and the ADP.

April 2025: Observation 002-2025 – Checklist 1.3.3

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

May 2026: Observation 002-2025 (Addressed)

SFD has approved the amendment application of the 2nd Agroforestry Development Plan.

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.

May 2026: Gap 001/2025 (minor) – Outstanding

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

May 2026: Gap 001/2026 (minor) – Checklist 2.4.8

Inconsistent in registering and contributing KWSP for foreign workers.

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

Utopianism Management Consultancy conducted the Social Impact Assessment on 07-08 Nov 2023 and settlements around the project area are Kg. Rungus Baru, Kg. basai Baru, Kg. Cocos, Kg. Cenderamata, Kg. Botiton.

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.

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 = 2, Observation = 0)

Gap raised against indicators & criteria during the May 2026 assessment.

GAP	Type	Checklist	Status	Description
001/2025	minor	2.4.1, 2.4.2	Outstanding	April 2025: The JTK license exceeded the quota for foreign workers and still being processed by the Department of Labour. May 2026: The JTK license exceeded the quota for foreign workers and application for additional quota still being processed by the Department of Labour.
001/2026	minor	2.4.8	New	May 2026: Inconsistent in registering and contributing KWSP for foreign workers.

Observation raised against indicators & criteria during the May 2026 assessment.

Obs #	Checklist	Description
001-2025 Addressed	1.1.3	April 2025: The total area of NFM differs between the 2 nd ADP and the coupe permit. May 2026: SFD has approved the amendment application included with justification to address the discrepancy in the NFM area between the coupe permit and the ADP.
002-2025 Addressed	1.3.3	April 2025: Amendment application for the 2 nd Agroforestry Development Plan is still pending from SFD. May 2026: SFD has approved the amendment application of the 2 nd Agroforestry Development Plan.

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

Recommendations
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. 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 001/2025 (minor) Outstanding – 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 application status. Gap 001/2026 (minor) – Checklist 2.4.8: Foreign workers should be registered and contribute under EPF based on the statutory requirement. The next annual surveillance audit will be scheduled for May 2027.

End of Summary Report