

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Licensee: Silam Forest Products Sdn. Bhd. (044754-D) Developer: Ikatán Kayangan Sdn. Bhd. (769269-A)	<b>Reference #</b>	GFSSBH 003-195a
<b>Contact Person</b>	Rebet Matau (Senior Asst. Manager)	<b>Date of Report</b> <b>Date of close out</b>	05/05/2023 07/07/2023
<b>Office Address</b>	<u>Ikatán Kayangan Sdn. Bhd.</u> Room 1, 1 <sup>st</sup> Floor, Lot G504, Block 62, Lorong Airport 9, Taman Airport, Batu 7, Jalan Airport, 90000 Sandakan, Sabah, Malaysia.	<b>Telephone</b>	+6089 220 449 +6089 290 620
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Audit Statement	NC: Non-Compliance - Criterion 1.2 and 2.1 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

### Assessment Details

Assessment Dates	01-05 May 2023
Scope of Assessment	Sabah TLAS P1-4: Agro-Forestry Management License Agreement No. JP(SBN)01/2007(CO)
Species	Oil Palm ( <i>Elaeis guineensis</i> )
Lead Assessor	(Acting) Glory Linggou
Assessor(s)	Priera Bagang, Asraf Mahmud
SFD Staff	Jurimin Ebin (PPW Sandakan), Ag Mohd Adzrul (DFO Beluran), SH Mohd Roslie (SFM Bonggaya Barat), Mohd Hussin (PPM Bonggaya Barat), Isran (PPW Sandakan), Maulana (PPW Sandakan), Brian Fred (PPM Bonggaya Barat)

### 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:

- On 25/07/2007, the State Government granted Silam Forest Products Sdn. Bhd. (Silam Forest Products) a licensed area of approximately 10,550 ha at FMU 18 Bonggaya Forest Reserve (partly) under license #: JP(SBN)01/2007(CO).
- With this license, Silam Forest Products is permitted 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. This license is valid for 60 years, starting from 25/07/2007 to 25/07/2068.
- Silam Forest Products and Ikatan Kayangan Sdn. Bhd. (Ikatan Kayangan) signed the shareholders' agreement on 27/04/2007 and, the latter agreed to jointly develop the project area into a large-scale Agro-Forestry Development Project under a Joint Venture Agroforestry Program.
- Ikatan Kayangan appointed Golden Maxim Resources Sdn. Bhd. as their subcontractor to extract stones from its quarry and build and maintain all roads within the licensed area. Ikatan Kayangan also appointed Sinar Mandiri Sdn. Bhd. as their subcontractor for transporting Fresh Fruit Bunch (FFB) to a nearby palm oil mill.
- Ikatan Kayangan is MSPO certified since 2019.
- The previous assessment was conducted in May 2022 that resulted in 0 gap(s) and 2 observation(s) (Report #: GFSSBH003-130).

### Current Operations:

- The current operations are according to ADP and AWP schedules.
- Natural Forest Management (NFM): No harvesting and planting in NFM area from 2022 to 2023.
- Oil Palm Plantation: No new planting from 2022 to 2023.
- List of coupe permits.

Phase	Lot #	Coupe #	Area (ha)	Validity	Remark(s)
A	1	SDK.10/08	2,654.00	07/05/2038	Agro-Forestry (Oil Palm Plantation)
B		SDK.06/09	2,526.00	16/06/2039	
C		SDK.09/10	3,613.50	20/06/2040	

- Land use classification:

Land classification	2 <sup>nd</sup> ADP Area (ha)	Block Map current status (ha)
Total Concession Area	10,550.00	10,128.69
Production Area	7,218.70	7,218.70
Zone 1: Forest Management		<b>2,368.71</b>
- Natural Forest Management (NFM)	3,232.37	Natural Forest Management (Silviculture) area = 653.42 ha Steep Area = 946.49 ha Riparian reserve = 768.80 ha
- Conservation (Riparian reserve & slope >20)		
Zone 2: Oil Palm development	7,317.63	<b>7,759.98</b>
- Oil palm Plantation (Planted)	7,218.70	Oil Palm planted = 7218.70 ha Total seedling planted = 779,247 Quarry = 22.68 ha Swampy area = 30.14 ha Campsite/office = 47.11 ha Unplantable area (rocky/ravine) = 441.35 ha
- Unplantable (Swamp, linesite, quarry)	98.93	

Note: Area discrepancy 421.31ha between the 2<sup>nd</sup> ADP land use and Block Map.

**Environmental Context:**

- The NFM area in the licensed area has been repeatedly logged, leaving behind a residual forest of very low stocking.
- Enrichment planting is carried out in the NFM areas due to the poor quality of the forests in terms of species diversity and stocking.
- The NFM area serves as a wildlife corridor to Timimbang Forest Reserve and Bonggaya Forest Reserve, respectively, and riparian reserves to 2 main tributaries of Sg. Bonggaya i.e., Sg. Pagata and Sg. Tangga-Tangga.
- Despite the degree of degradation, the forest still harbours some large, medium and small mammalian species such as Bornean gibbon (*Hylobates mulleri*), Sambar deer (*Cervus unicolor*), Wild boar (*Sus barbatus*), Malay civet (*Viverra zibetha*), Leopard cat (*Prionailurus planiceps*) Sun bear (*Helarctos ussurianus*) and Red muntjak (*Muntiacus muntjac*).
- EIA study was approved by EPD on 31/03/2008 [Ref.#: JPAS/PP/02/600-1/11/1/36 Jld.2(22)].

**Social Context:**

- Based on the ADP and EIA study, no communities are settling inside or adjacent to the licensed area.

Scope of Assessment
<ul style="list-style-type: none"> <li>• The scope of the evaluation is to verify compliance of <b>Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.)</b> with the Agro-Forestry Management License Agreement (JP(SBN)01/2007(CO)) for FMU 18 (partly).</li> <li>• 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).</li> <li>• Site evaluation to verify and report the level of compliance by <b>Silam Forest Products Sdn. Bhd.</b> and contractors to the standard in respect to each of the criteria within this report.</li> <li>• 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.</li> </ul>

**Itinerary & Mandays: FMU 18 (Partly) / Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.) / Beluran District / 01 – 05 May 2023 (Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
01 May 2023 Monday	Public Holiday - Labor Day	Priera Bagang, Glory Linggou, Asraf Mahmud	3
02 May 2023 Tuesday	Travel to Timimbang Forestry office and overnight.	Priera Bagang, Glory Linggou, Asraf Mahmud	3
03 May 2023 Wednesday	Opening meeting at Ikatan Kayangan Phase 2 estate office. Field assessment to the licensed area, operational areas (Phase 1,2,3 and 4), campsites (Phase 1 and 2) and protected areas. Document review.	Priera Bagang, Glory Linggou, Asraf Mahmud	3
04 May 2023 Thursday	Public Holiday - Wesak Day Overnight at Timimbang.	Priera Bagang, Glory Linggou, Asraf Mahmud	3
05 May 2023 Friday	Closing meeting at PPD Beluran office. Travel to home base.	Priera Bagang, Glory Linggou, Asraf Mahmud	3
06-07 May 2023	Reporting GFSSBH 003-195	Dr. Kevin Grace, Glory Linggou	2
<b>Total</b>			<b>17</b>

### Highlights of Assessment

**(Major Gaps = 1; Minor Gaps = 3; Observations = 0)**

**July 2023: (Major Gaps = 1; Minor Gaps = 3; Observations = 0)**

**Silam Forest Products Sdn. Bhd. (Ikatan Kayangan 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 01-05 May 2023.

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

**Principle 1.**

The land developer, Ikatan Kayangan demonstrated compliance with coupe permits and Agro-Forestry Development Plan (ADP). The 2<sup>nd</sup> ADP midterm review was approved by the SFD on 08/07/2022 [Ref.#: JPHTN/SFM 800-1/1/21(JILID.5)(85)]. An Annual Work Plan was produced and approved by the SFD on 11/01/2023.

**May 2022: Observation 002-2022 – Checklist 2.1.11**

Ikatan Kayangan has yet to address the issues raised by the EPD.

**May 2023: Gap 001/2023 (Raised to Major) - Checklist 1.2.3, 2.1.11**

No actions were taken to address non-compliances raised in Environmental Compliance reports in 2022.

**July 2023:**

DFO Beluran had acknowledged that Ikatan Kayangan complied with the environmental compliance conditions [Ref.#: JPHTN/SFM 800-1/1/21(JILID.5)/128, dated 22/05/2023].

The licensee provided the 1<sup>st</sup> Quarter of ECR report 2023. However, based on the ECR report, Ikatan Kayangan has not addressed the non-compliances raised by the EPD and has not adequately implemented the mitigation measures as recommended in the EIA study.

**July 2023: Gap 001/2023 (Raised to Major) – Outstanding**

No actions were taken to address non-compliances raised in Environmental Compliance reports in 2022.

**May 2023: Gap 002/2023 (minor) - Checklist 1.3.2.4**

Discrepancy of 421.31ha between the 2<sup>nd</sup> ADP land use and Block Map

**May 2022: Observation 001-2022 - Checklist 1.3.2.9**

The current land use map in the 2<sup>nd</sup> ADP lacks identification of Zone 1 (Forest Management) and Zone 2 (Oil Palm Development) areas.

**May 2023: Observation 001-2022 (Addressed)**

Ikatan Kayangan revised the land use map in the 2<sup>nd</sup> ADP to identify Zone 1 (Forest Management) and Zone 2 (Oil Palm) areas.

Licensed boundaries are identified and marked on the ground. The riparian zone is clearly marked on the ground with red paint.

**Principle 2.**

Ikatan Kayangan demonstrated compliance with workers' safety and health, FFB transportation, licensed area security, maintenance of license boundary and protection of riparian reserve and steep area.

**May 2023: Gap 003/2023 (minor) - Checklist 2.3.1**

No evidence of the COI renewal for workers.

**Principle 3.**

Ikatan Kayangan demonstrated compliance with the statutory charges. FFB royalty is paid and maintained.

**May 2023: Gap 004/2023 (minor) - Checklist 3.1.1**

Inconsistent in displaying the FD plate number and no evidence of FD registration for several heavy

### Highlights of Assessment

machinery and the lorry transporting fertilizer. New FD registration is pending payment.

**Principle 4.**

**Not applicable** – No village settlement is located within and adjacent to the project site or within 10 KM of the project boundary.

### Summary Results:

(Major gap = 1, Minor gap = 3, Observation = 0)

Gap raised against indicators & criteria during the May, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2023	Raised to Major	1.2.3 2.1.11	Outstanding	<p><b>May 2022:</b> Ikatan Kayangan has yet to address the issues raised by the EPD.</p> <p><b>May 2023:</b> No actions were taken to address non-compliances raised in Environmental Compliance reports in 2022.</p> <p><b>July 2023:</b> No actions were taken to address non-compliances raised in Environmental Compliance reports in 2022.</p>
002/2023	minor	1.3.2.4	New	<p><b>May 2023:</b> Discrepancy of 421.31ha between the 2<sup>nd</sup> ADP land use and Block Map.</p>
003/2023	minor	2.3.1	New	<p><b>May 2023:</b> No evidence of the COI renewal for workers.</p>
004/2023	minor	3.1.1	New	<p><b>May 2023:</b> Inconsistent in displaying the FD plate number and no evidence of FD registration for several heavy machinery and the lorry transporting fertilizer. New FD registration is pending payment.</p>

Observation raised against indicators & criteria during the May, 2023 assessment.

Obs #	Checklist	Description
001-2022 Addressed	1.3.2.9	<p><b>May 2022</b> The current land use map in the 2<sup>nd</sup> ADP lacks identification of Zone 1 (Forest Management) and Zone 2 (Oil Palm Development) areas.</p> <p><b>May 2023:</b> Ikatan Kayangan revised the land use map in the 2<sup>nd</sup> ADP to identify Zone 1 (Forest Management) and Zone 2 (Oil Palm) areas.</p>

Highlights of Close Out Visit (if applicable)	Dates	07 July 2023
Major Gap <b>001/2023</b> shall be addressed within 2 months by July 2023. Ikatan Kayangan has not addressed the non-compliances raised by the EPD and has not adequately implemented the mitigation measures as recommended in the EIA study. Thus, the Major gap remains outstanding.		

### Recommendations

**Silam Forest Products Sdn. Bhd. (Ikatan Kayangan Sdn. Bhd.)** has not demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was addressed under Criteria 1.2 & 2.1 and is not recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.

The Major Gap shall be addressed within two months by **July 2023**.

**Gap 001/2023 (Raised to Major) – Checklist 1.2.3, 2.1.11:** Ikatan Kayangan shall address non-compliances raised inside the ECR reports in 2022 and practice scheduled waste segregation and oil spillage mitigation at the licensed area.

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 002/2023 (minor) - Checklist 1.3.2.4:** Ikatan Kayangan shall revise the current detail Block map and define the actual land use based on the approved ADP.

**Gap 003/2023 (minor) – Checklist 2.3.1:** Ikatan Kayangan shall renew the COI for workers before the expiry date.

**Gap 004/2023 (minor) - Checklist 3.1.1:** Ikatan Kayangan shall register heavy machinery with SFD, make payment for the new FD registration and display the FD registration number.

The next annual surveillance audit will be scheduled for May 2024.

**End of Summary Report**