

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	KK Advantage Sdn. Bhd. (846961-K)	Reference #	GFSSBH003-215
Contact Person	Jielion Mokuntil (Aspirasi Kristal Estate Manager)	Date of Report	08/09/2023
Office Address	1 st Floor, Lot 73, Block 6, Prima Squares Phase 1, Batu 4, Jalan Utara, 90000 Sandakan, Sabah, Malaysia.	Date of close out	-
Email	kristal1.bonggaya@gmail.com	Telephone	+6089 464 689
		Fax	+6089 210 086
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 160 LVS		
Issuance Date	11 September 2023	Expiration Date	10 September 2024

Assessment Details

Assessment Dates	04 – 08 September 2023
Scope of Assessment	Sabah TLAS P1-4: Agro-Forestry Management License Agreement No. JP(SBN)04/2011(CO)
Species	Not applicable (No harvesting)
Lead Assessor	Priera Bagang
Assessor(s)	Glory Linggou, Aleeza Ho
SFD Staff	Jurimin Ebin (PPW Sandakan), Ag. Adzrul (DFO Beluran), Abu Bakar Bin Usin (SFM Bonggaya Timur), Ahmad Jimadi (KPPM Bonggaya Timur), Saimi Kiju (PPM Bonggaya Timur)

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:

- KK Advantage Sdn. Bhd. (KK Advantage) is a Sandakan based company and its core business is oil palm production. On 27/01/2011, KK Advantage signed an Agroforestry Management License Agreement JP(SBN)04/2011(CO) that permits them to manage an area under sustainable forest management of approximately 500 hectares within Bonggaya Forest Reserve (FMU 18). Management objectives includes rehabilitation, forest harvesting and establishment of Agroforestry crops under sustainable forest management and conservation. The license agreement, between SFD has and KK Advantage is for 60 years from 27/01/2011 until 31/12/2071. The initial plan was to develop the Bonggaya Forest Reserve into industrial tree plantations and oil palm. However, since the licensed area holds some rare, threatened and endangered flora and fauna, the Chief Conservator of Forests decided that the area shall be managed for conservation to protect against biodiversity loss.
- The Chief Conservator of Forests approved the Conservation Area Management Plan (CAMP 2014 – 2023) on 18/11/2013.
- KK Advantage is finalising the 2nd Management Plan (2024 - 2032) for submission to SFD in 2023.
- KK Advantage's management is associated with and supported by Satria Eramaju Sdn. Bhd., Aspirasi Kristal (M) Sdn. Bhd. and Ultra Surge Sdn. Bhd
- The previous assessment was conducted in July 2022 that resulted in 1 gap(s) and 1 observation(s) (Report #: GFSSBH003-136).

Current Operations:

- The licensed area is fully managed for conservation.
- Currently, KK Advantage only conducts patrolling and maintenance of license boundaries.
- Land use classification:

Land classification	CAMP Area (ha)	Current Status (ha)
Total Concession Area	500	500
Land use area	420	Secondary Lowland Forest = 250 Ha Peat Swamp Forest = 100 Ha Mangrove and Nipah Forest = 70 Ha Cultivated Area = 80 Ha by Kg. Bukit Besi

Environmental Context:

- Commercial exploitation in Bonggaya Forest Reserve (FMU 18) started in the 1950s. Based on records, four Special Licenses issued from 1971 to 1974 and at least seven Form 1 licenses issued from 1971 to 2001. The licensed area consists of Lowland Mixed Dipterocarp and Kerangas Forest, Seasonal (or Lowland) Freshwater Swamp Forest and Mangrove and Nipah Mixed Forest types. The forest has a greater mix of dipterocarp species, with the most dominant species being those from the subgenus *Rubroshorea* (Red seraya). Other very common and dominant dipterocarp species include *Parashorea spp.* and *Dryobalanops spp.*
- A team from the SFD Forest Research Centre (FRC) conducted a survey in June 2013. Based on the report, 18 plant species are classified as Borneo endemics, such as Kapur Paji (*Dryobalanops lanceolate*) and another 6 Sabah endemic species, such as *Gnetum leptostacyum*, whereas 10 other species are categorized as endangered, vulnerable and critically endangered according to the IUCN Red List (2013). The FRC Team reported that the conservation area contains abundant wildlife including wild boar, monkeys such as Proboscis

Monkey (*Nasalis larvatus*) and Long-tailed Macaque (*Macaca fascicularis*), wetlands birds along the riparian reserve of the Klagan River. There were 13 bird species observed in the licensed area, where one is endemic to Borneo, the White-crowned Shama (*Copsychus stricklandii*).

- An Environment Impact Assessment for the licensed area is not required as the area is to be managed for conservation and does not involve any harvesting or conversion of land [Refer Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 1987 (Appendix 2)].

Social Context:

- There are no villages within the project area; however, KK Advantage identified 2 villages surrounding the licensed area, namely, Kg Biangkang, comprising not more than 20 houses situated upstream of the licensed area and Kg. Bukit Besi is approximately 2 KM from the licensed area that is only accessible through the river (Sg. Klagan). The nearest township is Beluran Township about 35 km south of the licensed area.
- Based on the Social Baseline Survey data, Kg. Bukit Besi was established in the 1950s and occupied part of the FMU before it was gazetted. Approximately 80 ha of the licensed area was cultivated by the local community. Currently, KK Advantage is working closely with the Sabah Forestry Department and Kg. Bukit Besi's community to resolve the land claim issue. KK Advantage has identified the cultivated land area using paint-marked on the ground as instructed by DFO Beluran. The cultivated area is excluded from the CAMP.
- Kg. Biangkang was identified as a newly established village and is not associated with the licensed area.
- The current CAMP and Social Baseline Survey has defined no significant adverse impact on the community during the implementation of the conservation programme. However, the potential risk to the licensed area by the local community is as follows:
 - The need for timber supply for house construction leads to illegal logging by the locals from Kg. Bukit Besi.
 - Gradual encroachment on remaining forest in the conservation area for shift cultivation.
 - Consumption of wild meat that leads to illegal hunting by the locals from Kg. Bukit Besi.

Scope of Assessment

- The scope of the evaluation is to verify compliance of KK Advantage Sdn. Bhd. with the Agro-Forest Management License Agreement [JP(SBN)04/2011(CO)] for FMU 18 (Partly).
- 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 KK Advantage 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 demonstrate adequate compliance to a criterion.

Itinerary & Mandays: FMU 18 (Partly) / KK Advantage Sdn. Bhd. & Ultra Surge Sdn. Bhd. / Beluran District / 04 – 08 September 2023 (Total Mandays = 19)

Date	Activity	GFS Staff	Mandays
04 September 2023 Monday	Travelling and overnight in Sandakan.	Priera Bagang Glory Linggou Aleeza Ho	3
05 September 2023 Tuesday	Opening meeting at Aspirasi Kristal (M) estate office. Field assessment to Ultra Surge: Boundaries License & Compartment, forest conditions.	Priera Bagang Glory Linggou Aleeza Ho	3
06 September 2023 Wednesday	Field assessment to KK Advantage: Boundaries License & Compartment, forest conditions.	Priera Bagang Glory Linggou Aleeza Ho	3

07 September 2023 Thursday	Document review at Aspirasi Kristal (M) Sandakan office and compiling report.	Priera Bagang Glory Linggou Aleeza Ho	3
08 September 2023 Friday	Closing meeting at PPD Beluran. Travel to home base.	Priera Bagang Glory Linggou Aleeza Ho	3
09-10 September 2023	Reporting GFSSBH 003-215 Reporting GFSSBH 003-216	Dr. Kevin Grace Priera Bagang	4
Total			19

Highlights of Assessment

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

KK Advantage Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 04 – 08 September 2023.

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

Principle 1.

The Agro-Forestry Management License Agreement #: JP(SBN)04/2011(CO) was signed on 27/01/2011 and is valid until 31/12/2071 (60 years). The area is now being managed for conservation to protect habitat for rare and threatened species.

The current Conservation Area Management Plan (2014 – 2023) (CAMP) was approved on 18/11/2013 and expired this year. KK Advantage is finalising the 2nd CAMP (2024 - 2032) for submission to SFD before end of 2023.

An Environment Impact Assessment for the licensed area is not required as the area is managed for conservation and does not involve any harvesting or conversion of forest areas [Refer Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 1987 (Appendix 2)].

Principle 2.

The licensed area is fully managed for conservation.

June 2022: Observation 001-2022 – Checklist 2.3.2 & 2.3.7

Safety and fire training reports lack training photos and attendance records.

September 2023: Observation 001-2022 (Addressed)

Training records on safety and fire are maintained that include photos and attendance.

Aspirasi Kristal (M) Sdn. Bhd previously constructed a log yard under an approved Occupation Permit inside KK Advantage licensed area to facilitate oil palm development inside Aspirasi Kristal (M) Sdn. Bhd. licensed area.

Aspirasi Kristal (M) Sdn. Bhd. has applied for OP cancellation to the SFD on 01/07/2022 (Ref.#: AK/SFDB/OP-18/2022 dated 01/07/2022) as the company stopped salvage logging and log production and acknowledged receipt by DFO on 06/07/2022. The DFO submitted an inspection report and recommended OP cancellation 15/07/2022 (Ref. #: JPHTN/BN 700-2/10/238/90). However, the OP cancellation has not been processed by SFD.

September 2023: Observation 001-2023 – Checklist 2.2.2

The SFD has yet to process the cancellation of the Occupation Permit.

Principle 3.

No log production for royalty payments. No heavy machinery and timber production in the licensed area.

Principle 4.

There are no villages within the project area; however, KK Advantage identified 2 villages surrounding the licensed area, namely, Kg Biangkang comprising not more than 20 houses situated upstream of the licensed area and Kg. Bukit Besi is approximately 2 KM from the licensed area that is only accessible through the river (Sg. Klagan). The nearest township is Beluran Township about 35 km south of the licensed area.

Highlights of Assessment

Based on the Social Baseline Survey data, Kg. Bukit Besi was established in the 1950s and occupied part of the FMU before it was gazetted. Approximately 80 ha of the licensed area was cultivated by the local community. Currently, KK Advantage is working closely with the Sabah Forestry Department and Kg. Bukit Besi's community to resolve the land claim issue. KK Advantage has identified the cultivated land area using paint-marked on the ground as instructed by DFO Beluran. The cultivated area is excluded from the CAMP.

The current CAMP and Social Baseline Survey has defined no significant adverse impact on the community during the implementation of the conservation programme. However, the potential risk to the licensed area by the local community is as follows:

The need for timber supply for house construction leads to illegal logging by the locals from Kg. Bukit Besi. Gradual encroachment on remaining forest in the conservation area for shift cultivation.

Consumption of wild meat that leads to illegal hunting by the locals from Kg. Bukit Besi.

June 2021: Observation 001-2021 - Checklist 4.1.4

KK Advantage was unable to provide records of communication with Kg Besi or other communities in 2020 - June 2021 that was hampered by the COVID 19 Movement Control Order.

June 2022: Gap 001/2022 (Raised to minor) - Checklist 4.1.4

No evidence of planned community meetings and records of consultation conducted by KK Advantage.

September 2023: Gap 001/2022 (Raised to minor) - Outstanding

No evidence of planned community meetings and records of consultation conducted by KK Advantage.

Summary Results:

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

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

GAP	Type	Checklist	Status	Description
001/2022	minor	4.1.4	Outstanding	<p>June 2021: Observation 001-2021 KK Advantage was unable to provide records of communication with Kg Besi or other communities in 2020 - June 2021 due to COVID 19 Movement Control Order.</p> <p>June 2022: No evidence of planned community meetings and records of consultation conducted by KK Advantage.</p> <p>September 2023: No records of consultation conducted by KK Advantage.</p>

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

Obs #	Checklist	Description
001-2022 Addressed	2.3.2 2.3.7	<p>June 2022: Safety and fire training reports lack training photos and attendance records.</p> <p>September 2023: Training records on safety and fire are maintained that include photos and attendance.</p>
001-2023	2.2.2	<p>September 2023: The SFD has yet to process the cancellation of the Occupation Permit.</p>

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

Recommendations

KK Advantage Sdn. Bhd. demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) 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 001/2023 (Raised to minor) Outstanding - Checklist 4.1.4: KK Advantage shall hold meetings with affected communities and maintain records.

Observation 001-2023 – Checklist 2.2.2, 3.1.1: SFD shall process the cancellation of the Occupation Permit.

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

End of Summary Report