Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	TSH Resources Berhad (49548-D)	**Reference #**	GFSSBH 003-014
Contact Person	M. Sellappah (Senior Plantation Manager) Johnny Vun Tet Foh (Forest Manager)	**Date of Report** **Date of close out**	05/04/2019 -
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Statements			
Audit Statement	NA: Non Conformance – Checklist 2.6.1		
Issuance Date	NA	Expiration Date	NA

Assessment Details	
Assessment Dates	1st – 5th April 2019
Scope of Assessment	TLAS Principles 1 – 4 (SFMLA 07/97)
Species	**RIL Logging:** *Drybalanops spp.* (Kapur), *Dipterocarp spp.* (Keruing), *Shorea inappendiculata* (Selangan batu), *Parashorea spp.* (White seraya), *Shorea spp.* (Red seraya, Yellow seraya, Melapi), *Heritiera simplicifolia* (Kembang), *Scaphium spp.* (Kembang semangkuk), *Sapotaceae spp.* (Nyatoh), *Shorea pauciflora* (Oba suluk), *Neolamarckia cadamba* (Laran), *Duabanga moluccana* (Magas), *Octomeles sumatrana* (Binuang), *Alstonia spp.* (Pulai), *Annonaceae spp.* (Karai), *Eugenia spp.* (Obah), Lauraceace (Medang), *Planchonia valida* (Putat), *Cotylelobium spp.* (Resak batu), *Pentace spp.* (Takalis), *Hopea sangal* (Gagil), *Macaranga spp.* (Sedaman), *Dyera spp.* (Jelutong), Gluta/ Semecarpus/Melanochyla & Swintonia (Rengas), Annonaceae (Pisang-pisang), *Azadirachta excels (*Bawang-bawang) **ITP:** *Hevea brasiliensis* (Rubber), *Acacia mangium* **Enrichment Planting:** *Shorea spp.* (Seraya), *Drybalanops spp.* (Kapur), *Dipterocarp spp.* (Keruing), *Scaphium spp.* (Kembang semangkuk)
Lead Assessor	Lai Jia Woei
Assessor(s)	Mohd. Akram Mansur, Siti Radiah Mohamad
FDS Staff	Ismailey Ismail (DFO Beluran), Jinipin Barangin (ADFO Beluran), RH Bigu Madi (KPPM Ulu Tungod), PH Jinis Ambong (PPM Ulu Tungod)

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 01st January 2015 **(FDS-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:

- TSH Resources Berhad (TSH) is the signatory to the Sustainable Forest Management License Agreement (SFMLA) No. 07/1997. The company is managing Natural Forest Management (NFM) and Industrial Tree Plantation (ITP) development, mainly using *Hevea brasiliensis* (Rubber), *Acacia mangium*, and *Falcataria moluccana*.
- The land tenure is based on the SFMLA 07/1997, which started on 10th September 1997 and expires on 9th September 2097 for all activities within the concession.
- The SFMLA area for FMU 4 is located within the Ulu Tungud Forest Reserve (123,385 ha), which is a Commercial Class II Forest Reserve. To date, TSH has classified total of 28,375 ha from their conservation area as a Class 1 Forest Reserve.
- TSH is managing the SFMLA area based on the 2nd Forest Management Plan (2010 – 2019).
- TSH engages Trillion Quality Sdn. Bhd. as CHP and RIL logging contractor which registered with Forestry Department of Sabah (FDS) with registration # FD/CON/CHP(74)2018 and FD/CON/RIL (73) 2018 respectively.
- The previous assessment was conducted in March 2018 that resulted in 2 gap(s) and 2 observation(s) (Report #: G161-228).
- Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	123,385	123,385
Production Area		
- Natural Forest Management	50,891	*47,114.94** 4,457.4 - Coupe Permits
– Plantation (ITP)	42,491 - FMP 13,263 - PDP	**18,967.25 ha – Coupe permit** **9,767** - **Planted** (between 2002 to 2018) Rubber – 4,700 ha *Acacia mangium* – 2,950 ha Albizia – 1,833 ha Teak – 165 ha Binuang – 113 ha Laran – 6 ha
- Restoration / Planting		
Protected Forest & Conservation Areas	30,003	5,309.81*
Class 1 Forest Reserve	0	28,375 (Area reclassified to Class 1 Forest Reserve - Bukit Monkobo & Bukit Mentapok FR. and Meliau Range FR.)
Social Community & Agriculture	0	0
Infrastructure, Roads Buildings, etc.	NA	NA

*Note: Data is based on the 3rd FMP draft land use map during the document review.

Environmental Context:

- The topography of the area is characterized by high hills and mountains interspersed with valleys along the rivers, which pass through the area. Mixed Dipterocarp Forests occupy about two-third of the Forest Reserve, whereas the balance area is covered by forests developed on Ultrabasic Rocks, and Lower Montane Forest. The area is drained by two major rivers, which are Sungai Labuk and Sungai Sugut.

- TSH had conducted a wildlife survey during the creation of the book titled "Biodiversity and Conservation of The Meliau Range: A Rain Forest in Sabah's Ultramafic Belt" which was published in 2006. The book described the major identified species occurring in the area, such as Orang Utan, the Bornean gibbon, maroon langur, sun bear, otter, pangolin, wild boar, long tail macaque, pig tail macaque and mouse deer.
- The existing Special Environmental Impact Assessment (SEIA) reported a common mammal species such as bearded pig, common palm civets and gibbons.
- A diverse birdlife is also present with as many as 170 bird species in the area.
- There are also a number of amphibian species located in the FMU, including various species of frogs, snakes and river toads.

Social Context:

- According to the 2nd FMP, there are 5 villages located adjacent to the FMU which is Kg. Ensuan and Kg. Baba are located near the south-eastern boundary, whereas Kg. Paginatan, Kg. Matupang and Kg. Nalapak are located near the western boundary, comprising an estimated total population of 2,013 inhabitants in 296 families. Almost all the inhabitants of these villages belong to Kadazandusun ethnic group.
- Since the allocation of the FMU to TSH, the company had implemented an independent social impact assessment during the preparation of the 1st FMP (December 1999) and a second social assessment, which formed part of the Special Environment Impact Assessment Study for the FMU conducted in June 2003.
- The potential impact from the FMU 4 activities on the communities are said to be minimal since the communities conduct their own agricultural activities in the state land area.
- PACOS Trust (a Sabah based NGO focusing on community support and enhancement) had identified three cultural sites, which are located in Compartments 93 and 94. These sites were estimated to be not more than 30 ha in size and would not impact the forest activities as these compartments had already been allocated for Conservation under the Natural Forest Management (NFM) scheme. A buffer zone will be demarcated on the ground and the sites will be subsequently excluded from preparation of Comprehensive Harvest Plans (CHP) and harvesting.

Scope of Assessment
• The scope of the evaluation is to verify compliance of TSH Resources Berhad with the Sabah Forest Management License Agreement (SFMLA 07/1997) for FMU 4. • The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 **(FDS-TLAS-002)**. • Site evaluation to verify and report the level of compliance by TSH Resources Berhad 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 4 / TSH Resources Berhad / Beluran District / 1st – 5th April 2019 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
01 April 2019 Monday	Travelling to Ranau. Opening meeting at TSH Nalapak stumping and logs sampling.	Lai Jia Woei, Mohd. Akram Mansur, Siti Radiah Mohamad	3
02 April 2019 Tuesday	Field visit to NFM area Compartment 45 (FR 1, LFT 11, LFT 22, LFT 23, riparian reserves); Trillion Quality campsite; manned gate Nalapak; licensed boundary and Kg. Segindai Baru. Document review and travel to Telupid.	Lai Jia Woei, Mohd. Akram Mansur, Siti Radiah Mohamad	3
03 April 2019	Field visit to ITP area for rubber	Lai Jia Woei,	3

Wednesday	maintenance activities at Compartment 149, 148, 174; enrichment planting silviculture maintenance at Compartment 143; workers quarters at Compartment 149, rubber tapping area at Compartment 142 and 126, chemical store at Compartment 126. Document review.	Mohd. Akram Mansur, Siti Radiah Mohamad	
04 April 2019 Thursday	Document review at TSH base camp and Closing meeting. Travel to Sandakan.	Lai Jia Woei, Mohd. Akram Mansur, Siti Radiah Mohamad	3
05 April 2019 Friday	Document review at TSH Sandakan office.	Lai Jia Woei, Mohd. Akram Mansur, Siti Radiah Mohamad	3
06-07 April 2019	Reporting GFSSBH 003-014	Dr. Kevin T. Grace Lai Jia Woei	2
Total			**17**

Highlights of Assessment

(Major Gap = 1; Minor Gap = 4; Observation = 1)

TSH Resources Berhad has not complied with the Sabah Legality Standard (**FDS-TLAS-002**) as non-compliance was identified for Checklist 2.6.1 during the assessment on 1st – 5th April 2019.

Summary of status of operations by **Principle**:
Principle 1.
TSH demonstrated compliance with the license requirements, management planning, and submission of the documents or reports to the respective authorities. The company has an Annual Work Plan 2019 draft that is pending for approval from the Chief Conservator of Forests. TSH ceased ITP salvage logging and planting activity since 2017. TSH focuses its log production in NFM area. There are 2 compartments having harvesting operation, which are Compartment 48 and 49; whereas 5 compartments are in the process of closing; Compartment 41, 45, 47, 65 and 66.

March 2018: Observation 001-2017 (Outstanding) - Checklist 1.4.3
TSH stated that the company is in the process of preparing a new FMP, however, no supporting document was provided during the document review in regards to approval from FDS or under planned activities in the AWP 2018.

April 2019: Observation 001-2017 (Addressed)
TSH included its 3rd FMP preparation activity in AWP 2018 and approved by FDS on 23rd April 2018 and plan to submit to FDS in 2019 according to the AWP 2019 draft.

April 2019: Gap 020/2019 (minor) - Checklist 1.4.2
To date, there are 3 NFM compartments that completed harvesting; Compartment 43A (harvesting completed in 2017), 46 and 42 (harvesting completed in 2018) since NFM harvesting resumed in 2017. However, no PSP was established thus far in line with 2nd FMP. And also, there was no record of PSP data for Compartment 156 which was to be collected in 2017
The current 2nd FMP does not include ITP growth monitoring.

April 2019: Observation 001-2019: Checklist 1.6.1: The draft PDP for 2019 does not adequately consider the current forest quality strata in areas planned for planting to avoid conversion of good natural forest stands to ITP. Areas planned for ITP development should be limited to very degraded forest areas (Strata IV). The draft PDP should justify the integration of intensive planting of trees (exotic or local) to support the economic viability of management of the FMU as a whole while minimizing environmental impacts.

April 2019: Gap 021/2019 (minor) - Checklist 1.9.1: No evidence of a revised forest inventory in relation to the current revision of the FMP (3rd version) and planned development of ITP areas

Highlights of Assessment

Principle 2.
The assessing team visited the Compartment 45 and observed the company consistently maintains a record of all trees felled and extracted that includes species, diameters and volume traceable to the tree using Daily Felling Record (DFR). Demarcation of riparian reserves was observed without disturbance. All 30 logs sampled at Nalapak stumping were incised with a clear serial number, Property Hammer Mark and FDS Inspection Hammer Mark. 15 royalty paid logs sampled carry FDRP hammer mark.

Stumping is located outside of the licensed area at Nalapak stumping. Trillion Quality Sdn. Bhd. (on behalf of TSH), has an agreement with the land owner starting from 1st June 2017 until the logging operation is completed. TSH is allowed to transport logs from the licensed area to the leased land owned by Mr. Adzmain Bin Haji Jani (LA. 534/67) with a condition, all logs to be hammer marked by forestry officer.

Royalty assessment were at Nalapak stumping. TSH has an approval to use Transit Pass and CS form to transfer NFM RIL logs from licensed area to the stumping for royalty assessments. The approval is valid until 30th June 2019. (Ref. #:JPHTN/KKH 700-2/1/13/JILID.5/96 dated 26th March 2019).

Transportation from the licensed area to the collection centre at Tuaran were accompanied with Transit Pass.

March 2018: Observation 001-2018 - Checklist 2.1.3
Scheduled Waste at Scheduled Waste Store needs to be labelled according to EPD Guideline and provide sufficient containment for diesel tank dispensing area at Trillion Quality base camp.

April 2019: Gap 022/2019 (Raised to minor)
Scheduled waste are stored on the unsealed ground without proper labelling at Trillion Quality campsite.
One prohibited chemical (fungicide); Mancozeb, which listed under FSC List of 'Highly Hazardous' Pesticides (FSC CAS Number 8018-01-7) was found kept in the TSH nursery chemical store.

April 2019: Gap 023/2019 (minor) - Checklist 2.1.11a
Lack of control at Nalapak West Entrance gate. Vehicle entry was not recorded and documented since 4th March 2019 that may reflect lack of records of illegal activities.

March 2018: Gap 018/2018 (minor) - Checklist 2.6.1
Four workers still in the process to be registered under Certificate of Identity (COI).

April 2019: Gap 018/2018 (Raised to Major)
The previous 4 workers (Mr. Sugi Ansar bin Abbas, Ms. Nuraini binti Ambo Tang, Mr. Ramli Mustari, Mr. Sagani Inot Porras) had resigned. 10 workers were randomly sampled; however, 5 TSH workers have no valid COI as the licensee has no system to ensure all relevant documents are updated.

March 2018: Gap 019/2018 (minor) - Checklist 2.6.2, 2.6.7
No safety and health training was conducted in 2017.

April 2019: Gap 019/2018 (minor) - Closed
Safety and Health training conducted in 2018 were documented and maintained.

April 2019: Gap 024/2019 (minor) - Checklist 2.6.10
No fire training was conducted since 2010.

Principle 3.
Records of Royalty payment, Removal Pass & Transit Pass fees and other charges were available and maintained by the licensee.

Principle 4.
No community was identified within the licensed area. TSH had given a festival incentive to communities of Kg. Baba and Kg. Ansuan as part of social responsibilities.

Summary Results:

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

Gap raised against indicators & criteria during the April 2019 assessment.

GAP	Type	Checklist	Status	Description
018/2018	Minor	2.6.1	**Raised to Major**	**March 2018:** Four workers still in the process to be registered under Certificate of Identity (COI). **April 2019:** The previous 4 workers (Mr. Sugi Ansar bin Abbas, Ms. Nuraini binti Ambo Tang, Mr. Ramli Mustari, Mr. Sagani Inot Porras) resigned. 10 workers were randomly sampled; however, 5 TSH workers have no valid COI as the licensee has no system to ensure all relevant documents are updated.
019/2018	Minor	2.6.2 2.6.7	Closed	**March 2018:** No safety and health training was conducted in 2017. **April 2019:** Safety and Health training conducted in 2018 were documented and maintained.
020/2019	Minor	1.4.2	New	To date, there are 3 NFM compartments that completed harvesting; Compartment 43A (harvested in 2017), 46 and 42 (harvested in 2018) since NFM harvesting resumed in 2017. However, no PSP was established thus far in line with 2nd FMP. There was no record of PSP data for Compartment 156 which was to be collected in 2017. The current 2nd FMP does not include ITP growth monitoring procedure.
021/2019	Minor	1.9.1	New	No evidence of a revised forest inventory in relation to the current revision of the FMP (3rd version) and planned development of ITP areas.
022/2019	001-2018 Observation	2.1.3	Raised to minor	**March 2018:** Scheduled Waste at Scheduled Waste Store needs to be labelled according to EPD Guideline and provide sufficient containment for diesel tank dispensing area at Trillion Quality base camp. **April 2019:** Scheduled waste are stored on unsealed ground without proper labelling at Trillion Quality campsite. One prohibited chemical (fungicide); Mancozeb, which listed under FSC List of 'Highly Hazardous' Pesticides (FSC CAS Number 8018-01-7) was found kept in the TSH nursery chemical store.
023/2019	Minor	2.1.11a	New	Lack of control at Nalapak West Entrance gate. Vehicle entry was not recorded and documented since 4th March 2019 that may reflect lack of records of illegal activities.
024/2019	Minor	2.6.10	New	No fire training was conducted since 2010.

Observation raised against indicators & criteria during the April 2019 assessment

Obs #	Checklist	Description
001-2017 Addressed	1.4.3	**March 2018:** TSH stated that the company is in the process of preparing a new FMP, however, no supporting document was provided during the document review in regards to approval from FDS or under planned activities in the AWP 2018. **April 2019:** TSH included its 3rd FMP preparation activity in AWP 2018 and approved by FDS on 23rd April 2018 and plan to submit to FDS in 2019 according to the AWP 2019 draft.
001-2019	1.6.1	The draft PDP for 2019 does not adequately consider the current forest quality strata in areas planned for planting to avoid conversion of good natural forest stands to ITP. Areas planned for ITP development should be limited to very degraded forest areas (Strata IV). The draft PDP should justify the integration of intensive planting of trees (exotic or local) to support the economic viability of management of the FMU as a whole while minimizing environmental impacts.

Highlights of Close Out Visit (if applicable)	Dates	
Major Gap 018/2018 shall be addressed within two months by **June 2019**.		

Recommendations

TSH Resources Berhad has NOT demonstrated compliance with the Sabah Legality Standard (**FDS-TLAS-002**) as non-compliance was identified in checklist 2.6.1 and is NOT eligible to receive a GFS Audit Statement and STCC from FDS.

The Major Gap needs to be addressed within two months by **June 2019**.
Gap 023/2019 (minor) Raised to Major – Checklist 2.6.1: TSH shall ensure required documents such as COI for workers are current and valid.
Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Actions required to close the gap(s)/observation(s) include:
Gap 020/2019 (minor) – Checklist 1.4.2: TSH shall establish PSP plots as planned in the 2nd FMP to monitor tree growth. PSP data should be consistently collected for the use of future management planning. ITP growth monitoring procedure shall be included as part of the next FMP.
Gap 021/2019 (minor) – Checklist 1.9.1: TSH needs to revise its forest inventory in relation Sabah Forest Quality Strata classification for its FMU to the current revision of the FMP (3rd version) and planned development of ITP areas.
Gap 022/2019 (Raised to minor) – Checklist 2.1.3: TSH shall store scheduled waste in accordance to EDP requirements.
Gap 023/2019 (minor) – Checklist 2.1.11a: TSH shall improve access control at the Nalapak entrance. The company shall provide training to appointed staff / guard to increase awareness on the potential encroachment.
Gap 024/2019 (minor) – Checklist 2.6.10: TSH shall ensure workers are trained in respect to fire safety, prevention, detection and suppression.
Observation 001-2019 – Checklist 1.6.1: The draft PDP for 2019 needs to adequately consider the current forest quality strata in areas planned for planting to avoid conversion of good natural forest stands to ITP. Areas planned for ITP development should be limited to very degraded forest areas (Strata IV). The draft PDP should justify the integration of intensive planting of trees (exotic or local) to support the economic viability of management of the FMU as a whole while minimizing environmental impacts.

The next annual assessment will be scheduled in February 2020.

End of Summary Report