

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	KTS Plantation Sdn. Bhd.
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<b>Reference #</b>	GFSSBH 003-011a
<b>Date of Report</b>	15/03/2019
<b>Date of close out</b>	-
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<b>Approved By</b>	Dr. Kevin T. Grace

### Statements

Audit Statement	GFS 012 LVS		
Issuance Date	01 April 2019	Expiration Date	31 March 2020

### Assessment Details

Assessment Dates	11 – 15 March 2019
Scope of Assessment	TLAS Principles 1 - 4: RIL Harvesting & ITP Development
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Koompassia malaccensis</i> (Impas), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Sapotaceae spp.</i> (Nyatoh), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Alstonia spp.</i> (Pulai), <i>Nauclea spp.</i> / <i>Neonauclea spp.</i> (Bangkal), <i>Annonaceae spp.</i> (Karai), <i>Eugenia spp.</i> (Obah), <i>Sindora beccariana</i> (Sepetir), <i>Terminalia subspathulata</i> (Talisai), Lithocarpus & Quercus (Mempening), Myristicaceae (Darah-darah), <i>Dialium indum</i> (KerANJI).
Lead Assessor	Dayang Hanisah Maidin
Assessor(s)	Lai Jia Woei, Siti Radiah Mohamad
FDS Staff	Asran Asa (DFO Sandakan), Janiu Gangon (ADFO Sandakan), PH Rusli Nasir (Segaliud Lokan), RH Ambrine Hj. Kiraman (Segaliud Lokan).

### 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 01<sup>st</sup> 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:

- KTS Plantation Sdn. Bhd. (KTS Plantation) is a Sabah based registered company where its core business mainly based on logging activities since 1993. The harvesting licensed agreement came into effect on 1<sup>st</sup> May 1993 and will expire on 1<sup>st</sup> January 2089.
- KTS Plantation is located within Segaliud Lokan Forest Reserve under FMU 19B, with a total area of approximately 57,247 ha. FMU 19B is connected to FMU19A that comes under Deramakot Forest Reserve.
- Harvesting within ITP areas has ceased since early 2013. KTS Plantation has now commenced harvesting within its NFM area following RIL guidelines ensuring minimal impact to the forest.
- KTS Plantation engages Tiong and Sons Enterprise for harvesting operation. Workers that employed under KTS Plantation carry out the CHP preparation, inventories, silviculture and planting activities.
- Mosaic planting considered as High Production Corridor (HPC) planting which focuses on rehabilitation of most disturbed area during RIL harvesting such as the 'corridor' along secondary roads, feeder roads, and skid trails.
- The previous assessment was conducted on 5 January 2018 that resulted in 1 gap(s) and 1 observation(s) (Report #: G161-214).
- Land use classification:

Land classification	FMP Area (ha)
Total Concession Area	57,247
Production Area	50,023
- Natural Forest Management Area	12,603
- Plantation Forest (ITP)	37,420
Protected Forest & Conservation Areas	6,447
Social Community & Agriculture	0
Infrastructure, Roads Buildings, etc.	0
Research Area	777

### Environmental Context:

- KTS Plantation has 70 compartments in total, 59 compartments for production (16 NFM & 43 ITP), 10 compartments for conservation / protection and 1 compartment for research.
- The main species used for enrichment planting are Laran (*Anthocephalus cadamba*), Binuang (*Octomeles sumatrana*), Bangkal, Gaharu (*Aquilaria malaccensis*), Keruing (*Dipterocarpus spp.*), Mahogany (*Swietenia macrophylla*), Merbau (*Intsia palembanica*), Oba Suluk (*Shorea pauciflora*), Pulai (*Alstonia spp.*), Sengkuang (*Dracontomelon costatum*), Seraya Punai (*Shorea parvifolia*), Seraya Majau (*Shorea johorensis*), Seraya Minyak, Talisai (*Terminalia subspatulata*), Seraya Kuning (*Shorea faguetooides*), Urat Mata (*Parashorea spp.*), Kapur Paji (*Dryobalanops lanceolata*), Tengkadang, Selangan Batu (*Shorea spp.*), and Khaya.
- The forest-licensed area is expected to have at least 75 species of mammals (excluding bats), 220 species of birds and over 100 species of reptiles, amphibians and fish. Some endangered species such as elephants, tembadau, orang utans, and bearded pig. Flocks of rhinoceros hornbill are frequently seen flying overhead. This area is also serving as wildlife corridors.
- Salt lakes are identified as a conservation area. Several sites with pitcher plants growing were reported and some of the locations had been determined.
- KTS Plantation has an EIA report that is approved by FDS & EPD for its operation.

**Social Context:**

- Social assessment summary:

There are 7 villages identified adjacent (7 to 20km away) to FMU19B. EIA report 2012 identified 5 villages located adjacent to FMU 19B namely Kg. Lung Manis, Kg. Balat, Kg. Sangau / Kulu-Kulu, Kg. Kuala Lokan, Kg. Buang Sayang. The current SIA has identified 2 new villages (Kg. Siringon and Kg. Ulu Muanad Mile 52/54) adjacent to FMU 19B.

The main ethnic group is orang Sungai (97%) and Dusun (3%). All of the areas are well connected either through road or river. The villagers also have access to primary and secondary education.

The 75% majority of the population is actively employed. The balance of 25% are mostly women, the elderly and the young adult who were also complimenting the family income through small home gardening, planting vegetables, collecting wild vegetables, etc. and fishing for household consumption. Other sources of income derived from the remittance of actively employed family members that are working outside of the village, mostly in town areas.

- Identified communities that are dependent on the FMU:

The dependence on forest is insignificant as only 3% of respondent indicated hunting activities for own consumption.

- Native Customary Rights:

The Social Impact Assessment study was carried out in 2018 for FMU 19B shows that neither settlements nor any customary and cultural sites were found within the boundaries of the licensed area.

- Community Forestry Projects:

KTS Plantation acknowledges the importance of consultations as an effective mechanism to address all related community issues. Therefore, a Community Forestry Committee (CFC) was established. The CFC will continue to conduct consultations with residents living in FMU19B, legally established nearby villages and adjacent estates as a proactive measure to manage any possible grievances due to the effect of the licensee on their livelihood. All formal consultation or communication with representatives of local communities shall be documented.

Scope of Assessment
<ul style="list-style-type: none"> <li>• The scope of the evaluation is to verify compliance of KTS Plantation Sdn. Bhd. with the Sabah Forest Management License Agreement (JP (SLK) 125/93 (CO)) for FMU 19B.</li> <li>• The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01<sup>st</sup> January 2015 (FDS-TLAS-002).</li> <li>• Site evaluation to verify and report the level of compliance by KTS Plantation Sdn. Bhd. 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: FMU19B / KTS Plantation Sdn. Bhd. / Sandakan District / 11- 15 March 2019 (Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
11 March 2019 Monday	Opening meeting at Sandakan District Forestry Office.	Dayang Hanisah Maidin, Lai Jia Woei, Siti Radiah Mohamad	3
12 March 2019 Tuesday	Field visit to Compartment 10 (ITP area), stream buffer zone, compartment 10 boundary, SKT A25, SKT A25A, SKT A24, Compartment 14, enrichment planting, contractor base camp, central stumping, main gate, concession boundary/NPC Resource Berhad/IOI Plantation Sdn. Bhd.	Dayang Hanisah Maidin, Lai Jia Woei, Siti Radiah Mohamad	3

13 March 2019 Wednesday	Field visit to workshop, labour line, nursery, landfill and document review at KTS base camp office.	Dayang Hanisah Maidin, Lai Jia Woei, Siti Radiah Mohamad	3
14 March 2019 Thursday	Document review at KTS Plantation Office.	Dayang Hanisah Maidin, Lai Jia Woei, Siti Radiah Mohamad	3
15 March 2019 Friday	Closing meeting at Sandakan District Forestry Office.	Dayang Hanisah Maidin, Lai Jia Woei, Siti Radiah Mohamad	3
16-17 March 2019	Reporting GFSSBH 003-011	Dr. Kevin Grace, Dayang Hanisah Maidin	2
<b>Total</b>			<b>17</b>

### Highlights of Assessment

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

KTS Plantation Sdn. Bhd. has complied with the Sabah Legality Standard (**FDS-TLAS-002**) as no non-compliance was identified during the assessment on 11<sup>th</sup> – 15<sup>th</sup> March 2019.

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

**Principle 1.**

KTS Plantation demonstrated compliance with the license requirements, required management planning, and submission of documents or reports such as the EIA monitoring report to the relevant authorities.

**March 2019: GAP 002/2019 (Minor) – Checklist 1.1.1, 1.2.2**

A total of 8 coupe permits are expired and pending for field inspection prior to renewal (4 expires in 2017-Compartment 18, 23, 26, 16; 3 in 2018 – Compartment 34, 35, 38 and 1 in 2019 – Compartment 43).

The AWP 2019 draft was submitted to FDS approval (Ref. #: P/FD/1901/L16 dated 24/01/2019).

**March 2019: Observation 002-2019 – Checklist 1.8.1**

No boundary signboard or marking between NPC Resource Berhad, IOI Plantation Sdn. Bhd. and Segaliud Lokan Forest Reserve (N 050 38' 23.0"; E 1170 35' 01.1").

**Principle 2.**

KTS Plantation is committed to implement the mitigation measures to protect the environment.

**March 2019: Observation 003-2019 – Checklist 2.6.1**

One out of 19 workers not covered with insurance.

**Principle 3.**

KTS Plantation has paid the licensing fees and other charges to the Sandakan District Forestry Office.

**March 2019: GAP 003/2019 (Minor) – Checklist 3.1.1**

Four OPs expired in December 2018 are pending for a field inspection before renewal.

**Principle 4.**

There is no community settlement within the licensed area.

**Summary Results:**

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

Gap raised against indicators & criteria during the **March 2019** assessment.

GAP	Type	Checklist	Status	Description
001/2018	Minor	2.6.1	Closed	<b>January 2018:</b> COI of all workers sampled expired in Nov 2017. <b>March 2019:</b> 11 workers possess valid COI.
002/2019	Minor	1.1.1 1.2.2	New	A total of 8 coupe permits are expired and pending for field inspection prior to renewal (4 expired in 2017- Compartment 18, 23, 26, 16; 3 in 2018 – Compartment 34, 35, 38 and 1 in 2019 – Compartment 43).
003/2019	Minor	3.1.1	New	Four Ops expired in December 2018 are pending for a field inspection before renewal.

Observation raised against indicators & criteria during the **March 2019** assessment.

Obs #	Checklist	Description
001-2018 Addressed	2.1.3	<b>January 2018:</b> The landfill was built with water outlet resulting small sized trash channelled to the vegetated area. <b>March 2019:</b> Small fence installed to prevent trash directly channelled out from the landfill.
002-2019	1.8.1	No boundary signboard or marking between NPC Resource Berhad, IOI Plantation Sdn. Bhd. and Segaliud Lokan Forest Reserve (N 050 38' 23.0"; E 1170 35' 01.1").
003-2019	2.6.1	One out of 11 workers not covered with insurance or SOCSO (Carlito De Rosario is a IMM13 document holder).

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

Recommendations
<p><b>KTS Plantation Sdn. Bhd.</b> has demonstrated compliance with the Sabah Legality Standard (<b>FDS-TLAS-002</b>) for its designated area and is recommended to receive a GFS Audit Statement and STCC from FDS.</p> <p>Gaps and observations identified in this assessment should be addressed before the next surveillance visit. Actions required to close the gaps and observations include:</p> <p><b>Gap 002/2019 (Minor) – Checklist 1.1.1, 1.2.2:</b> KTS Plantation shall submit Coupe Permit renewal application to FDS, 2 to 3 months before the expiry date.</p> <p><b>Gap 003/2019 (Minor) – Checklist 3.1.1:</b> KTS Plantation shall submit OP renewal application to FDS, 2 to 3 months before the expiry date.</p> <p><b>Observation 002-2019 – Checklist 1.8.1:</b> To install boundary signboard especially at concession boundary.</p> <p><b>Observation 003-2019 – Checklist 2.6.1:</b> The licensee shall ensure all workers are adequately covered by insurance.</p> <p>The next surveillance audit will be scheduled in January 2020.</p>

**End of Summary Report**