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LegalSource™
Certification Assessment
Report for:
Global Plantations Ltd
C/O Boon Rich Sdn Bhd
in
Sabah, Malaysia

Report Finalized: 18 May 2014
Report Format: Public Summary
Audit Dates: 23 and 24 April, 2014
Audit Team: Dr. Rahimatsah Amat
Christian Schriver

Type of Evaluation: Single
Certificate code: NC-LS-000163
Certificate issued: 21 May 2014
Report based on Standard(s): LegalSource Standard Version 1,
dated 8 January 2013

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1. INTRODUCTION

The purpose of this report is to document conformance with the requirements of the LegalSource standard by Global Plantations Ltd, C/O Boon Rich Sdn Bhd, hereafter referred to as "Organisation". The report presents findings of NEPCon auditors who have evaluated organisation systems and performance against the applicable requirements. Section below provides the audit conclusions and any necessary follow-up actions by the organisation.

Dispute resolution: If NEPCon clients encounter organisations or individuals having concerns or comments about NEPCon and our services, these parties are strongly encouraged to contact relevant NEPCon regional office. Formal complaints and concerns should be sent in writing.

2. EVALUATION FINDINGS

Key findings and recommendations

Audit Recommendation:

The scope of the assessment is a 642.0 ha teak (*Tectona grandis*) plantation on a 903.5 ha site approximately 30.0 km north of Lahad Datu in Sabah, Malaysia (refer to **Exhibit #1**). It is located at Mile 15, Jalan Lahad Datu-Sandakan, Geo code 59741164 with the coordinates of 5° 09' 19.2"N and 118° 09' 38.2"E¹. It is owned and managed by Boon Rich Sdn. Bhd (refer to **Exhibit #2** on legal registration of business) with lease tenureship from 1st January 1979 till 31st December 2077 (a total of 99 years lease) (refer to **Exhibit #3**).

The plantation has 57 staff members and workers, with facilities (housing, electric & water supplies, surau, etc.) provided¹.

The teak trees were planted between 1993 and 1996 (except for 1995 with no planting conducted) (refer to **Exhibit #4**), with the remaining land planted with oil palm and other crops, and a small portion remaining as natural forest (c. 12.76 ha at block TC16B and TC16C). The plantation is intercropped with Salak (*Salacca edulis*), Gaharu (*Aquilaria malaccensis*), Nira (*Arenga pinnata*), and few others (refer to **Exhibit #5**), but only the production, harvesting and sale of teak are included in the assessment.

The teak has been planted in four major blocks that are connected, which are further subdivided into 70 compartments and a total count of 113,014 standing trees¹. A complete "Forest Compartment Register" (or also known as "Plantation Blocks") is kept by the Organisation, with record such as "Block ID, Area (ha), Year Planted and Trees Standing". Over the years, there were removals of trees from the plantations (1,000 trees):

- 1st curling = 200 trees (Year 2);
- 2nd curling = 100 trees (Year 3);
- 1st thinning = 200 trees (Year 6);
- Selective harvest = 150 trees (Year 10) and 150 trees (Year 14); and
- Additional removal = 200 trees (Year 17).

The removed woods were used within the plantation for its buildings, with none of these removed woods were traded externally to the plantation for commercial purposes. It is expected that harvesting and selling of timber will start by 2024. The only existing operational activities in the plantation are regular weeding, slashing of undergrowth and pruning, where necessary.

The Organisation is in the process of having the plantation FSC-certified by the Rainforest Alliance and has in this connection prepared a management plan for the plantation¹ (refer to **Exhibit #6**).

The Organisation has a strong focus on sustainability and on CSR in its operation. The plantation has thus prepared an "administrative EIA" for the area², meaning that the plantation was not by law required to prepare the EIA but has nevertheless done so.

¹ Boon Rich Sdn. Bhd. (May 2014). *Forest Management Plan (2014-2023)* (Draft version) for Boon Rich Teak Plantation, Lahad Datu.

² Boon Rich Sdn Bhd. (April 2014). *Administrative Environmental Impact Assessment: Development of 642.10 ha Teak Wood Plantation at Lahad Datu, Sabah*. A report prepared by Kiviheng Wood & Environmental Consultants Sdn. Bhd.

Furthermore, the plantation has made a High Conservation Value Assessment carried out in 2014³, also not a legal requirement but rather as part of a strong focus on CSR.

Large parts of the LegalSource standard refer to forest harvesting and processing. No wood harvesting is expected for the next ten years and neither is any sourcing of seedlings expected in the next ten years. Consequently, large parts of the LegalSource standard have not been possible to assess at this point in time, due to their non-relevancies.

The audit finds that the organisation had little knowledge about LegalSource certification, or the LegalSource standard, but shows keen interest to include the requirements in their operation. In addition, there will be no harvest in the next 10 years⁴ (refer to **Appendix 3** – Legal conformance of forest management enterprises, under sections #3.4 & #3.5).

As for worker safety and health, the Organisation has taken an initiative to formulate the *Safety and Health Policy*, an indication of its commitment to ensure safety and health⁴. Nevertheless, there is a need for the Organisation to have in place the implementation of the following to ensure the welfare of staffs and workers are taken care in accordance to the law of Malaysia:

- *Occupational Safety and Health Act 1994* (Act 514); and
- *National Wages Consultative Council Act 2011* (Act 732) plus the *Minimum Wages Order 2012* that took effect on 1st January 2014.

Based on Organisation’s conformance with LegalSource requirements, the auditor makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification approved: Upon acceptance of NCR(s) issued below
<input type="checkbox"/>	Certification not approved: Conformance with MAJOR NCR(s) required
<p>Additional comments: Since the LegalSource standard aims at minimising the risk of producing and/or sourcing illegally harvested material, it was found that even if Boon Rich SDN BHD operation have certain issues that may affect legality of operation once timber is harvested, these issues, as long as mitigated prior to harvesting does not present a risk that material is currently harvested or marketed with any risk of illegality. However it must be underlined that the Organisation must ensure, and NEPCon verify, that any risk of legal non-compliance is managed prior to harvesting.</p>	

Non-conformity Reports (NCRs)

Note: NCRs describe evidences of Organisation non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR NCRs issued during assessments/reassessments shall be closed prior to issuance of certificate. MAJOR NCRs issued during surveillance audits shall be closed within timeline or result in suspension.

³ Boon Rich Sdn. Bhd. (2014). *High Conservation Value Forest Assessment for Boon Rich Teak Plantation, Lahad Datu*. A report prepared by Anna Wong

⁴ Boon Rich Sdn. Bhd. (May 2014). *Forest Management Plan (2014-2023)* (Draft version) for Boon Rich Teak Plantation, Lahad Datu.

Issued for: Boon Rich Sdn Bhd			
NCR: 01/14	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 1.1		
Report Section:	Appendix A, 1.1		
Description of Non-conformance and Related Evidence:			
A policy exists and, verbally, the good intention is clear from the organisation. However, as it stands at this moment in time, the policy is not in line with the LS standard.			
Corrective action request:	Organisation shall develop and implement procedures that meet all relevant requirements of the LegalSource standard.		
Timeline for Conformance:	Prior to any sales of timber		
Evidence Provided by Organisation:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			

Issued for: Boon Rich Sdn Bhd			
NCR: 02/14	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; Various		
Report Section:	Appendix A, Various		
Description of Non-conformance and Related Evidence:			
A Standard Operating Procedures (refer to Exhibit #8) on the policy is attached although the Organisation has not yet developed, nor implemented, procedures to ensure the policy - and the requirements of the LegalSource Standard - will be implemented and followed.			
Corrective action request:	Organisation shall develop and implement procedures to ensure that the policy of the organisation is met.		
Timeline for Conformance:	Prior to any sales of timber		
Evidence Provided by Organisation:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			

Issued for: Boon Rich Sdn Bhd			
NCR: 03/14	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 2.4		
Report Section:	Appendix A, 2.4		

Description of Non-conformance and Related Evidence:	
As no procedures have been developed or implemented at this stage, relevant staff do not demonstrate sufficient awareness of, and competence in, implementing the organisation's procedures relevant to fulfilling this standard.	
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to any sales of timber
Evidence Provided by Organisation:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

Observations

Note: Observations are issued for the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the organization; observations may lead to direct non-conformances if not addressed.

No observations

Actions taken by Organisation Prior to Report Finalization

N/A

3. COMPANY DETAILS

Contacts

Primary contact for Coordination with NEPCo

Primary Contact, Position:	Mr. Mohd. Hapiniah Osman @ Benn Osman, Plantation Director
Address:	North Wing, 4 th Floor, Wisma Sabah, Jalan Tun Razak, 88000 Kota Kinabalu, Sabah, Malaysia
Tel/Fax/Web/Email:	Tel: +60 88 - 233499; Fax: +60 88-239271; Email: logistic.gh@balungplantation.com

Jurisdiction of primary legal entity:	Malaysia
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Billing Contact

Same as shown for "primary contact"

Scope

Scope item	Check all that apply to the certificate scope		Change in scope (N/A for assessments)
Certificate type:	<input checked="" type="checkbox"/> Single Organisation	<input type="checkbox"/> Group of Organisations	<input type="checkbox"/>
Activity:	Forest manager	<input type="checkbox"/>	
<p>Description of scope: The scope of the assessment is a 642.0 ha teak plantation on a 903.5 ha site wholly owned by Boon Rich Sdn Bhd. The teak has all been planted during the period 1993 to 1996, with the remaining land planted with oil palm and other crops. The teak is planted in four major blocks that are connected, and is inter-planted with Salak (<i>Salacca edulis</i>), Gaharu (<i>Aquilaria malaccensis</i>), Nira (<i>Arenga pinnata</i>), and few others that are not included in the scope of the assessment - only the production, harvesting and sale of teak is included.</p> <p>The teak is expected to be harvested in 2024. It has not yet been decided how to dispose of/use the logs harvested at that point in time.</p>			

4. EVALUATION PROCESS

Evaluation Team

Auditor(s)	Qualifications
Dr. Rahimatsah Amat	PhD, natural resources management & planning. Lead Auditor
Christian Schriver	B.Sc Forestry, Master of Natural Resources Management Auditor

Description of Evaluation Process

The team was accompanied by the Organisation's Plantation Director on the flight from Kota Kinabalu to Lahad Datu at noon on the 23rd of April 2014. The plantation site office was reached after a 40-minute drive towards Sandakan, just close to the main road. A preliminary discussion was conducted, and followed by a formal meeting and review of documents was held from 3pm to 7pm at the plantation's office with the following participants.

- a. Mr. Mohd. Hapiniah Osman @ Benn Osman, Plantation Director
- b. Mr. Japar Bin Lika, Plantation Manager
- c. Mr. Dzil Razman Ghazali, Executive
- d. Dr. Rahimatsah Amat, Lead Assessor

e. Mr. Christian Schriver, Assessor

The lead auditor took time to brief the participants from Boon Rich Sdn. Bhd. the purpose for the audit, as per requirement under LegalSource. The audit checklist and LS requirements were discussed in detail as well as the requirements for documentation and exhibits, much of which was provided on the spot.

The assessment team and the Organisation representatives all stayed overnight at the site rest house.

On day two of the audit the plantation site was visited from 8am – 10.30 am following which the team drove to Tawau to visit with Ms. Halizah Harris, who is the Managing Director of Boon Rich Sdn. Bhd., in order to discuss the assessment findings.

An assessment-closing meeting was held at Tawau airport on the 24th April from 3.30 – 4 pm. with the following participants.

- a. Mr. Mohd. Hapiniah Osman @ Benn Osman, Plantation Director
 - b. Dr. Rahimatsah Amat
- Christian Schriver