

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. (371259-W)	Reference #	GFSSBH 003-157
Contact Person	Thondik Venantius (Projects Director)	Date of Report	21/10/2022
Office Address	<u>Headquarters:</u> B2-10-01 Level 10, Riverson Suite Off Jalan Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia. <u>Field Office:</u> F-55-2A, 1 Avenue Commercial Centre Jalan WK, 89108 Kota Marudu, Sabah, Malaysia.	Date of close out	-
		Telephone	+6088 486 240 +6088 663 494
Email	t.venantius@forestsolutions.asia	Fax	+6088 486 241 +6088 662 494
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 015 LVS		
Issuance Date	25 October 2022	Expiration Date	24 October 2023

Assessment Details

Assessment Dates	17 – 21 October 2022
Scope of Assessment	TLAS P1 - 4: Tree Plantation and Forest Management Agreement (TPFMA) and Form 1 License: JP(DKM)008/2010(F1), JP(DKM) 004/2014(F1) and JP(DKM)008/2016(F1).
Species	Plantation species: <i>Eucalyptus pellita</i> , <i>Acacia crassicarpa</i> , <i>Acacia mangium</i> , <i>Acacia aulacorcarpa</i> , <i>Albizia falcataria</i>
Lead Assessor	Priera Bagang, Sandra George (Acting)
Assessor(s)	Ivy Justin
SFD Staff	Ahmad Liman (SFM Kota Marudu)

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 (**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:

- A Joint Venture Agreement dated 19th March 1996 was made between Sabah Forestry Development Authority (SAFODA), Resofocus Corporation Sdn. Bhd. (Resofocus Corporation) and Begaraya Sdn. Bhd. (Begaraya) to develop an Industrial Tree Plantation (ITP) covering an area of approximately 60,000 ha, situated in the District of Kota Marudu and Pitas.
- On 6th February 1997, Begaraya entered into an agreement entitled “Tree Plantation and Forest Management Agreement (TPFMA)” with the government of the State of Sabah to develop and manage all degraded forest lands within the licensed area.
- On 25th September 2003, a supplemental agreement between SAFODA, Resofocus Corporation and Begaraya was made to understand that Begaraya shall undertake the tasks of extracting and processing all the residual timber and carry out replanting activities under the ITP programme within the licensed area.
- In 2009, the management of Begaraya was taken over by Asian Forestry Company (Sabah) Sdn. Bhd. [Asian Forestry Company (Sabah)]. The project area of 64,113 ha straddles 2 political districts, i.e., Pitas (23,824.7 ha) and Kota Marudu (40,288.7 ha). Following area deductions of land titled areas (6,606 ha) and water catchment areas (3,482 ha) by the Land & Survey Department, the total gross area identified for plantation establishment was 54,026 ha. However, the land area for ITPs was reduced further due to land claims by the local communities.
- Recently, the draft 2nd FMP has excised approximately 38,758 ha from the project area with a total final area of 14,940 ha. The company has submitted the draft FMP to the SFD for approval.
- Land tenure for Tree Plantation is for 60 years commencing on 6th February 1997.
- Asian Forestry Company (Sabah) is currently engaging Afin Enterprise, a registered harvesting contractor with SFD to carry out site preparation for tree planting.
- The previous assessment was conducted in October 2021 that resulted in 0 gap(s) and 0 observation(s) (Report #: GFSSBH 003-093).
- Land use classification:

Component	1 st FMP Area (ha)	Current Status, 2 nd FMP Area (ha)
Original TPFMA	64,113	Not applicable
Titled Land	6,606	
Water Catchment	3,482	
Current TPFMA Area	54,026	53,698.8
Communal Reserve	9,354	Not applicable
Final TPFMA Area (est.)	44,672	14,940.3
Riparian Zones	3,925	1,360.3
Steep Area	5,962	7,107.9
Other Losses	2,085	Not applicable
Infrastructure	Not applicable	231.5
Conservation (HCV)		82.2
Planted area (ITP and R&D)		4,507.8
ITP area - unplanted		1,650.6
Land dispute (Excised)		38,758.5
Net ITP Area (est.)	32,700	6,158.4

Component	2 nd FMP Area (ha)	Current planted status, ha (September 2022)	
Net ITP Area (est.)	6,158.4	4,603.6	
		<i>Acacia aulacocarpa</i>	17.1
		<i>Acacia crasscarpa</i>	527.5
		<i>Albizia falcataria</i>	182.4
		<i>Acacia mangium</i>	753.0
		<i>Eucalyptus pelita</i>	3,111.6
		<i>Mixed spp.</i>	12.0

Environmental Context:

- Historically, numerous short-term licenses (mostly Form 1 License) were issued to logging contractors that carried out conventional logging activities. As a result of heavy impact logging, most of the forests in the project area are severely depleted and colonized by pioneer forest species dominating the residual forest area.
- Elevation ranges from 160m to 800m *asl.* The topographical feature of the licensed area is as follows:
 - 0° (Flat) 14%
 - 0° – 12° 21%
 - 13° – 18° 29%
 - 19° – 25° 22%
 - >25° 14%
- The Sg. Bengkoka and its tributary, the Sg. Nibang drains the licensed area within the Pitas district into Marudu Bay. Whereas Sg Tandak, Sg. Menurodiang, Sg. Masalog and Sg. Kinaram drains the licensed area within the Marudu district into Marudu Bay.
- A total of 3,482 ha of the licensed area has been mapped and set aside as water catchment.
- Asian Forestry Company (Sabah) has discontinued planting *Acacia mangium* in their ITP area due to its susceptibility to fungal (*ceratocystis*) attacks. Given this, the Asian Forestry Company (Sabah) has selected the following tree species to be planted such as *Eucalyptus pelita*, *Acacia crasscarpa*, *Acacia aulacocarpa* and *Albizia falcataria*.
- Asian Forestry Company (Sabah) engaged *Raleigh International* to assist in wildlife presence and identification in the licensed area in 2009. Wildlife sighted includes the Clouded leopard, Slow loris, Pangolin, Bearded pig, Sambar deer, Borneo yellow muntjac, Mouse deer, Pig-tail macaques, Long-tailed macaque, Borneo gibbon and the Giant squirrel.
- Asian Forestry Company (Sabah) has an approved EIA report (May 2009) for an area of 42,000 ha, and Environmental Compliance Reports (ECR) are being conducted at 4-monthly intervals.

Social Context:

- Sabah's local NGO, Partners of Community Organisation (PACOS) assessed the social development of the licensed area in February and March of 2009 and identified 50 communities living within the licensed area and 12 other communities living in the periphery of the licensed area.
- The 2nd FMP has identified 10 villages, (Kg. Sonitan Ulu, Kg. Lingkabungan 1, Kg. Binontungan Suyad, Kg. Sonsogon Suyad, Kg. Sungai Magandai, Kg. Minisulang, Kg. Sonsogon Magandai, Kg. Tikalod, Kg. Sonsogon Paliu and Kg. Sonsogon Mogis) located outside the licensed area. The social baseline survey was conducted during the preparation of the 2nd FMP. The location of each village is mapped. The estimated population of local communities, as identified in the 2nd FMP as follows:

District	Location	Approx. number of houses	Approx. population
Kota Marudu	Adjacent to the project area	495	2,538

- The local communities comprise 5 ethnic groups Dusun Kimaragang, Dusun Sonsogon, Dusun Sungai, Dusun Kadazan and Rungus.
- The majority of the local communities embrace Christianity, followed by Islam and Paganism.
- Other than issues relating to land claims, the utmost concerns of the local communities are education, health care, potable water, electricity and source of income.
- Asian Forestry Company (Sabah) has a Community Development Master Plan (CDMP) to address the social and development issues affecting the communities. This plan is to develop and implement sustainable strategies for the targeted local communities to create a self-sustaining social, cultural and economic development by the end of the project period.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Asian Forestry Company (Sabah) Sdn. Bhd.** with the Tree Plantation and Forest Management Agreement (TPFMA) and Form 1 licenses.
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (SFD-TLAS-002).
- Site evaluation to verify and report the level of compliance by **Asian Forestry Company (Sabah) 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: Asian Forestry Company (Sabah) Sdn. Bhd. (Form 1) & Gerak Saga (FMU 2) / Kota Marudu & Pitas 17 – 21 October 2022 (Total Mandays = 20)

Date	Activity	GFS Staff	Mandays
17 October 2022 Monday	Travel to Forest Solution Malaysia office and opening meetings for Asian Forestry Company (Sabah) and Gerak Saga. Document review.	Priera Bagang, Ivy Justin, Sandra George,	3
18 October 2022 Tuesday	Field visit to Asian Forestry Company (Sabah) licensed area, Licensed boundary, planting area, protection areas, campsite, nursery. Interview with community at Forest Solution Malaysia office. Document review.	Priera Bagang, Ivy Justin, Sandra George	3
19 October 2022 Wednesday	Interview with community (Kg. Radap, Kg. Gumpa, Kg. Jambu). Field visit to Gerak Saga licensed area; Licensed boundary, planting area, protection areas, campsite, nursery.	Priera Bagang, Ivy Justin, Sandra George	3
20 October 2022 Thursday	Document review at Forest Solution Malaysia office for Asian Forestry Company (Sabah) and Gerak Saga.	Priera Bagang, Ivy Justin, Sandra George	3
21 October 2022 Friday	Closing meeting at Forest Solution Malaysia office for Asian Forestry Company (Sabah) and Gerak Saga.	Priera Bagang, Ivy Justin, Sandra George	3
22-23 October 2022	Reporting GFSSBH 003-157 Reporting GFSSBH 003-158 Reporting GFSSBH 003-146a	Dr. Kevin Grace, Priera Bagang	5
Total			20

Highlights of Assessment

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

Asian Forestry Company (Sabah) Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 17 – 21 October 2022.

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

Principle 1.

Asian Forestry Company (Sabah) demonstrated compliance with the license requirements, management planning, and submission of documents/reports to the relevant authorities.

Asian Forestry Company (Sabah) is committed to implementing mitigation measures to protect the environment. An appointed EIA consultant prepares the Environmental Monitoring Report (EMR) for 2021/2022 quarterly to ensure the company complies with environmental issues. Demarcation of areas prohibited from harvestings, such as steep slopes, riparian reserves and buffer zones, were identifiable on the ground.

Principle 2.

Asian Forestry Company (Sabah) demonstrated compliance with the forest operation requirements. Logging contractors were registered with valid registration to SFD. Based on AWP, no logging activities were scheduled for 2022. The last production was in June 2021.

Principle 3.

Asian Forestry Company (Sabah) has paid applicable fees to the SFD. The records were available and maintained.

Principle 4.

Asian Forestry Company (Sabah) had conducted Social Baseline Survey as per requirement for 2nd FMP. As a result, no local community settlements are known to be situated within the project area. However, ten (10) formal settlements are identified outside the project area's boundaries (approx. 1KM).

Currently, approximately 495 households and 2,538 populations are in the villages adjacent to the project area.

The company has a formal Standard Operating Procedure to address disputes and grievances from the community.

List of SOPs	Company File Reference
Management and Administration System Policy	PP/003 dated 06/02/2020
Rights of Indigenous Community Policy	PP/008 dated 23/03/2020
Demarcation of HCV & Environmental Areas	OP/010 dated 01/03/2021
Resolution of Grievances and Use Rights Disputes	OP/011 dated 20/04/2022

All grievances and land disputes were recorded, identified, and mapped in the Coupe Development Plan. Since there was no final decision from the Land & Survey Department, the company has taken action to excise approximately 38,758.5 ha of identified claims in the areas.

There is no evidence that the company operated in the affected area without the community's consent or before resolving the issues.

Summary Results:**(Major gap = 0, Minor gap = 0, Observation = 0)**

Gap raised against indicators & criteria during the October, 2022 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October, 2022 assessment.

Obs #	Checklist	Description
-	-	-

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

Recommendations
<p>Asian Forestry Company (Sabah) 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.</p> <p>The next surveillance audit will be scheduled for October 2023.</p>

End of Summary Report
