

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. (371259-W)	Reference #	GFSSBH 003-221
Contact Person	Thondik Venantius (Projects Director)	Date of Report Date of close out	06/10/2023 -
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 015 LVS		
Issuance Date	09 October 2023	Expiration Date	08 October 2024

Assessment Details

Assessment Dates	02-06 October 2023
Scope of Assessment	Sabah TLAS P1-4: Form 1 – State land (Tree Plantation and Forest Management Agreement)
Species	Planted species: <i>Eucalyptus pellita</i> , <i>Acacia crassicarpa</i> , <i>Acacia mangium</i> , <i>Acacia aulacocarpa</i> , <i>Albizia falcataria</i> , <i>Eucalyptus hybrid (E. grandis X E. urophylla)</i> , <i>Eucalyptus grandis</i>
Lead Assessor	Priera Bagang
Assessor(s)	Aleeza Ho
SFD Staff	Jaludin Urubit (ADFO Pitas), Peter Sumpit (KPPM Tangkarason/Rosob)

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:

- 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” 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 (23,824.70 ha) and Kota Marudu (40,288.70 ha). Following the 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.
- Asian Forestry Company (Sabah) has an approved 2nd FMP from SFD on 21/11/2022 for the period of 10-years from 01/01/2020 to 31/12/2029.
- Based on the approved 2nd FMP, Asian Forestry Company (Sabah) has excised approximately 38,758 ha from the project area with a total final area of 14,940 ha.
- Land tenure for Tree Plantation is for 60 years, commencing on 6th February 1997 and will lapse on 5th February 2057.
- Asian Forestry Company (Sabah) is currently not engaging any subcontractor for logging and tree maintenance.
- The previous assessment was conducted in October 2022 that resulted in 0 gap(s) and 0 observation(s) (Report #: GFSSBH003-157).

Current Operations:

- As of the October 2023 assessment, Asian Forestry Company (Sabah) focuses on tree plantation maintenance, forest protection and community development programme.
- No logging operation and planting is scheduled for 2023.
- Summary of planted trees as of September 2023:

2 nd FMP Area (ha)	Current planted status (ha)	
Net ITP Area 6,158.40	4,603.60	
	<i>Acacia aulacorcarpa</i>	17.10
	<i>Acacia crassicarpa</i>	527.50
	<i>Albizia falcataria</i>	182.40
	<i>Acacia mangium</i>	753
	<i>Eucalyptus pelita</i>	3,111.60
	<i>Eucalyptus pelita</i> , <i>Eucalyptus</i> hybrid (<i>E. grandis</i> X <i>E. urophylla</i>), <i>Eucalyptus grandis</i>	12

- Land use classification:

Component	1 st FMP Area (ha)	Current Status (ha)
Original TPFMA	64,113	Not applicable
Titled Land	6,606	
Water Catchment	3,482	
Current TPFMA Area	54,026	53,698.80
Communal Reserve	9,354	

Final TPFMA Area (est.)	44,672	14,940.30
Riparian Zones	3,925	1,360.30
Steep Area	5,962	7,107.90
Other Losses	2,085	Not applicable
Infrastructure	Not applicable	231.50
Conservation (HCV)		82.20
Planted area (ITP and R&D)		4,603.60
ITP area - unplanted		1,650.60
Land dispute (Excised)		38,758.50
Net ITP Area (estimated)	32,700	6,158.40

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 crassicarpa*, *Acacia aulacocarpa* and *Albizia falcataria*.
- Asian Forestry Company (Sabah) engaged Raleigh International to assist in wildlife presence and identification of 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 macaque, 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.
- The list of the EIA approval from the EPD is as follows:

#	Title	EPD Approval Letter #	EIA Consultant
1	EIA for the proposed ITP in Kota Marudu / Pitas District, Sabah by Begaraya Sdn Bhd (42,000 ha)	JPAS/PP/15/600-1/01/3/23 dated 21/10/2009	Chemsain Konsultant Sdn. Bhd.
2	Industrial Tree Plantation (ITP) in Kota Marudu/Pitas Districts, Sabah by Begaraya Sdn Bhd.	JPAS/PP/15/600-01/3/28 (70) dated 23/10/2009	Chemsain Konsultant Sdn. Bhd.
3	Industrial Tree Plantation (ITP) in Kota Marudu / Pitas District for Area on Slope 25 Degrees to 32 Degrees.	JPAS/PP/15/600-1/01/3/28 (105) dated 23/05/2012	Chemsain Konsultant Sdn. Bhd.
4	Approval for Additional Condition of AEC	JPAS/PP/15/600-1/01/3/28 Klt.2 (22) dated 20/08/2014	Chemsain Konsultant Sdn. Bhd.

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 is 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.
- Most the local communities embrace Christianity, followed by Islam and Paganism.
- The key issue raised by most of the local communities are land claims. Villagers are worried that the lands they have cultivated will be taken away from them or access to their land will be restricted by Asian Forestry Company (Sabah).
- The second concern is the availability of hunting and fishing and the rights to use timber from the natural forest for house construction as well as the use of non-timber forest products (NTFP).
- Asian Forestry Company (Sabah) has a Community Development Master Plan (CDMP) to address the social and development issues affecting the communities. This plan aims to develop and implement sustainable strategies for the target communities to create 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** and Form 1 licenses.
- 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 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-State land) / Pitas District / 02 – 06 October 2023 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
02 October 2023 Monday	Travel to Kota Marudu. Opening meeting, document review & compiling report.	Priera Bagang Aleeza Ho	2
03 October 2023 Tuesday	Field assessment to Asian Forestry Company (Sabah) Form 1 licensed boundary, planting area, protection areas, campsite, nursery for Asian Forestry Company (Sabah). Compiling report.	Priera Bagang Aleeza Ho	2
04 October 2023 Wednesday	Social evaluation for Kg. Nibang and Kg. Soniton Laut. Compiling report.	Priera Bagang Aleeza Ho	2
05 October 2023 Thursday	Document review at Forest Solution Malaysia Sdn. Bhd. office. Compiling report.	Priera Bagang Aleeza Ho	2
06 October 2023 Friday	Closing meeting at SFD Kota Marudu office. Travel to home base.	Priera Bagang Aleeza Ho	2
07-08 October 2023	Reporting GFSSBH 003-221	Dr. Kevin Grace Priera Bagang	2

Total			12
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Highlights of Assessment

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

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 02 – 06 October 2023.

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.

A Tree Plantation and Forest Management Agreement was signed on 6th February 1997 with the state government of Sabah for approximately 60,000 ha of Industrial Tree Planting (ITP) for 60-years, expiring in 2057.

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

October 2023: Observation 001-2023 - Checklist 1.1.1

The new Form 1 license has been submitted; however, it is pending approval from the Chief Conservator of Forests.

Principle 2.

Asian Forestry Company (Sabah) demonstrated compliance with the forest operation requirements. There are no logging activities were scheduled for 2023. The last logging operation was in 2020.

October 2023: Observation 002-2023 - Checklist 2.2.2

The SFD has yet to provide feedback on the OP stumping cancellation.

Principle 3.

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

October 2023: Observation 002-2023 - Checklist 3.1.1

Lack of processing from the SFD for the Occupation Permit cancellation for Log Stumping in FMU 2.

Principle 4.

Initially, 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.

Subsequently, 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, namely, 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.

Based on the demographic survey data from the Kota Marudu District office, approximately 495 households and 2,538 populations are in the villages adjacent to the project area.

The key issue raised by most of the local communities are land claims. Villagers are worried that the lands they have cultivated would be taken away from them or access to their land will be restricted by Asian Forestry Company (Sabah).

The second concern is the availability of hunting and fishing and the rights to use timber from the natural forest for house construction as well as the use of non-timber forest products (NTFP).

Asian Forestry Company (Sabah) has a Community Development Master Plan (CDMP) to address the social and development issues affecting the communities. The objective of this plan is to develop and implement sustainable strategies for the target communities to create self-sustaining social, cultural and economic development by the end of the project period.

Highlights of Assessment

Asian Forestry Company (Sabah) 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 27/01/2023
Resolution of Grievances and Use Rights Disputes	OP/011 dated 27/01/2023
Monitoring HCV & Environmental Protection	OP/015 dated 27/01/2023

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, Asian Forestry Company (Sabah) has taken action to excise approximately 38,758.5 ha of identified claims in the areas.

There is no evidence that Asian Forestry Company (Sabah) operated in the affected area without the community's consent or before resolving the issues.

Summary Results:

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

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

GAP	Type	Checklist	Status	Description
-	-	-	-	-

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

Obs #	Checklist	Description
001-2023	1.1.1	October 2023: The new Form 1 license has been submitted; however, it is pending approval from the Chief Conservator of Forests.
002-2023	2.2.2 3.1.1	October 2023: Lack of processing from the SFD for the Occupation Permit cancellation for Log Stumping in FMU 2.

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

Recommendations

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.

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:

Observation 001-2023 – Checklist 1.1.1: SFD shall facilitate approval of the Form 1 license to support plantation maintenance activities.

Observation 002-2023 – Checklist 2.2.2, 3.1.1: SFD shall expedite the OP cancellation process.

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

End of Summary Report