

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. 199501042055 (371259-W)	Reference #	GFSSBH 003-315
Contact Person	Thondik Venantius (Projects Director)	Date of Report	18/10/2024
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 015 LVS		
Issuance Date	21 October 2024	Expiration Date	20 October 2025

Assessment Details

Assessment Dates	14-18 October 2024
Scope of Assessment	Sabah TLAS P1-4: Tree Plantation and Forest Management under Form 1 license #: JP(DPS)001/2024(F1)
Species	<i>Eucalyptus pellita</i> , <i>Acacia mangium</i>
Lead Assessor	Priera Bagang
Assessor(s)	Anis Andrew, Evelyn Chong
SFD Staff	Fadzil Moxsin (ADFO Pitas), Jaludin Urubit (ADFO Pitas), Martha Manji (FIT Pitas), Peter Sumpit (KPPM Tangkarason), Rayner Marcello (PPM Tangkarason), Arnold Anselmus (PPM Tangkarason), Wayang (PPM Tangkarason)

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 with 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 19/03/1996 was made between Sabah Forestry Development Authority (SAFODA), Resofocus Corporation Sdn. Bhd. and Begaraya Sdn. Bhd. 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 6/02/1997, Begaraya Sdn. Bhd. 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 25/09/2003, a supplemental agreement between SAFODA, Resofocus Corporation Sdn. Bhd. and Begaraya Sdn. Bhd. was made to understand that Begaraya Sdn. Bhd. 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.

Subsequently, in 2009, the management of Begaraya Sdn. Bhd. 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 management was reduced further due to land claims by the local communities.

The land tenure for Tree Plantation and Forest Management Agreement is for 60 years commencing on 06/02/1997 that will be lapse on 05/02/2057.

Asian Forestry Company (Sabah) Sdn. Bhd. [Asian Forestry Company (Sabah)] is managed by Forest Solutions Malaysia Sdn. Bhd.

Asian Forestry Company (Sabah) has an approved Form 1 license from the SFD to conduct logging and planting activities.

As of the assessment, Asian Forestry Company (Sabah) have appointed several contractors to support the forestry activities inside the licensed area, as follows:

#	Contractors	Forestry activities
1	JNJ Enterprise	Salvage logging, planting
2	Trans Borneo Link Sdn. Bhd.	Salvage logging
3	Puncak Johan Resources Sdn. Bhd.	Salvage logging
4	Forest Solutions Services Sdn. Bhd.	Planting, silviculture

Land use classification:

Land classification	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	53,698.80
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		231.50
Conservation (HCV)		82.20
Planted area (ITP and R&D)	Not applicable	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> = 753.00 <i>Eucalyptus pelita</i> = 3,111.60

		<i>Eucalyptus pelita</i> , <i>Eucalyptus hybrid</i> (<i>E. grandis</i> X <i>E. urophylla</i>), <i>Eucalyptus grandis</i> =12
ITP area - unplanted		1,650.60
Land dispute (Excised)		38,758.50
Net ITP Area (est.)	32,700	6,158.40

***Note:** Based on the 2nd FMP, total area of 89.70 hectares was planted within titled land. This area was initially planted by Asian Forestry Company (Sabah) before the land excision and the approval of the land title. Based on the management representative, the remaining 32 hectares serve as a buffer zone surrounding the planted trees. However, Asian Forestry Company (Sabah) identified the planted area as having potential only for future log production and not for a replanting program; thus, not included in the land use plan of the 2nd FMP.

Current Operations:

Asian Forestry Company (Sabah) received approval from the SFD for salvage logging and planting on 23/07/2024, granting them permission to conduct forestry activities for five years. The license is set to expire on 22/07/2029.

Based on the 2024 AWP, Asian Forestry Company (Sabah) has targeted approximately 457 hectares for salvage logging and replanting activities within Coupe TC01. As of the assessment, about 70.06 hectares have been logged, and 10.70 hectares have been re-planted.

Form 1 #	NFM/ITP	Status	Area (ha)	Geo-location data
JP(DPS)001/2024(F1)	ITP	Sabah TLAS EUDR	15,062.20	NE: RO825043, BOR729009 NW: RO803993, BOR729006 SE: RO825003, BOR704965 SW: RO803993, BOR705005

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 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 macaque, Long-tailed macaque, Borneo gibbon and the Giant squirrel.

The list of EIA approval from the EPD 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	JPAS/PP/15/600-01/3/28 (70) dated 23/10/2009	Chemsain Konsultant Sdn.

	Sdn Bhd.		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.

Asian Forestry Company (Sabah) submitted a notification letter to the Director of EPD regarding the reduction of the total project area from 53,698.80 ha to 14,940.30 ha due to land disputes (Ref. # FSM/KM/23/08/066 dated 01/08/2023). Meanwhile, the approved EIA studies still cover the current total licensed area of 14,940.30 ha.

Social Context:

Social Assessment Summary

Based on the FMP, there are no settlements within the project area. Villages identified in the peripheral of the licensed area are stated in the FMP report.

Native Customary Rights

No areas subject to native customary rights were identified within the licensed area.

Asian Forestry Company (Sabah) recognizes the concerns and rights of the communities living adjacent to the Project Area and is dedicated to minimizing and offsetting any social and environmental impacts of the project on their livelihoods.

Identified communities that are dependent on the FMU

Based on the FMP, no settlements have been identified within the project area. However, there are ten formal settlements nearby: Kg Soniton 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 interviews and records, these communities remain dependent on the ecosystem services provided by the licensed area.

Land claims, disputes & communication system

Based on records, there are several land disputes inside the licensed area. A series of land excisions occurred between 1996 and 2009 for social development projects initiated by the State Government. In 2022, Asian Forestry Company (Sabah) took further steps to reduce the licensed management area to 15,062.20 hectares, where deduction of approximately 38,000 hectares due to claims and disputes by local communities.

The implementation of the Community Development Master Plan has become an avenue for employment and a platform to settle grievances and conflict resolution (land claims) among the local communities.

Community Forestry Projects:

Asian Forestry Company (Sabah) is continuously giving assistance and resolving issues that affects the communities through engagements and consultations.

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 under Form 1 #: JP(DPS)001/2024(F1).
- The assessment is in accordance with the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 1 January 2024 (SFD-TLAS-006).
- 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 comply adequately with a criterion.

Itinerary & Mandays: 14-18 Oct 2024 / Form 1: Asian Forestry Company (Sabah) Sdn. Bhd. / Pitas District

Date	Activity	GFS Staff	Mandays
14 October 2024 Monday	Travel to licensed area and field assessment to logging operations, planting areas, campsite and stumping. Document review.	Priera Bagang, Anis Andrew, Evelyn Chong	3
15 October 2024 Tuesday	Field assessment to protection areas, and community meeting Kg. Sonsogon Suyad & Kg. Lingkabungan 1. Document review.	Priera Bagang, Anis Andrew, Evelyn Chong	3
16 October 2024 Wednesday	Document review at Forest Solutions Malaysia Sdn. Bhd. office.	Priera Bagang, Anis Andrew, Evelyn Chong	3
17 October 2024 Thursday	Document review at Forest Solutions Malaysia Sdn. Bhd. office.	Priera Bagang, Anis Andrew, Evelyn Chong	3
18 October 2024 Friday	Closing meeting at Forest Solutions Malaysia Sdn. Bhd. Office. Travel to homebase.	Priera Bagang, Anis Andrew, Evelyn Chong	3
19-20 October 2024	Reporting/Administration: GFSSBH003-315	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

(Major Gaps = 0; minor Gaps = 2; Observations = 1)

Asian Forestry Company (Sabah) Sdn. Bhd. has complied with the Sabah TLAS requirements (FDS TLAS -006) as no non-compliance was identified during the assessment on 14 - 18 October 2024.

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

Principle 1. Right to Harvest

Asian Forestry Company (Sabah) 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.

Principle 2. Forest Operations

Asian Forestry Company (Sabah) demonstrated compliance with the licensed area security, maintenance of the licensed boundary, and protection of the riparian reserve. Asian Forestry Company (Sabah) has also implemented their system to monitor planted trees and ensure compliance with the regulatory requirements for workers.

October 2024: Gap 001/2024 (minor) - Checklist 2.1.7

Asian Forestry Company (Sabah) submitted the logging registration for contractors to SFD; however, pending approval from SFD.

October 2024: Observation 001-2024 - Checklist 2.3.5

Asian Forestry Company (Sabah) has yet to conduct the forest fire awareness campaign as required in the FFMP.

Principle 3. Statutory Charges

Asian Forestry Company (Sabah) has paid licensing fees and other charges to the SFD.

October 2024: Gap 002/2024 (minor) - Checklist 3.1.1

No feedback from the SFD regarding the request of OP cancellation since 2021.

Principle 4. Other User Rights

Based on the FMP, no settlements have been identified within the project area. However, there are ten formal settlements nearby: Kg Soniton Ulu, Kg Lingkabungan 1, Kg Binontungan Suyad, Kg Sonsogon Suyad, Kg Sungai Magandai, Kg Minisulang, Kg Sonsogon Magandai, Kg Tikalod, Kg Sonsogon Paliu, and

Highlights of Assessment

Kg Sonsogon Mogis. Based on interviews and records, these communities remain dependent on the ecosystem services provided by the licensed area.
Asian Forestry Company (Sabah) recognizes the concerns and rights of the communities living adjacent to the Project Area and is dedicated to minimizing and offsetting any social and environmental impacts of the project on their livelihoods.

Summary Results:

(Major gap = 0, minor gap = 2, Observation = 1)

Gap raised against indicators & criteria during the October 2024 assessment.

GAP	Type	Checklist	Status	Description
001/2024	minor	2.1.7	New	October 2024: Asian Forestry Company (Sabah) has submitted the logging registration for contractors to SFD; however, pending approval from SFD.
002/2024	minor	3.1.1	New	October 2024: No feedback from the SFD regarding the request of OP cancellation since 2021.

Observation raised against indicators & criteria during the October 2024 assessment.

Obs #	Checklist	Description
001-2024	2.3.5	October 2024: Asian Forestry Company (Sabah) has yet to conduct the forest fire awareness campaign as required in the FFMP.

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

Recommendations

Asian Forestry Company (Sabah) Sdn. Bhd. demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) 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:

Gap 001/2024 (minor) - Checklist 2.1.7: The SFD shall process registration of the logging contractor.

Gap 002/2024 (minor) - Checklist 3.1.1: The SFD shall expedite the OP cancellation process.

Observation 001-2024 - Checklist 2.3.5: Asian Forestry Company (Sabah) shall conduct the forest fire awareness campaign as required.

The next annual surveillance audit will be scheduled for **October 2025**.

End of Summary Report