

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. 199501042055 (371259-W)	Reference #	GFSSBH 003-370
Contact Person	Mr. Thondik Venantius (Project Director)	Date of Report	03/10/2025
Office Address	Headquarters: B2-10-01 Level 10, Riverson Suite, Off Jalan Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia. Field Office: F-55-2A, 1 Avenue Commercial Centre, Jalan WK, 89108 Kota Marudu, Sabah, Malaysia.	Date of close out	-
		Telephone	+6088 663 494
Email	t.venantius@forestsolutions.asia DFO Pitas: Norahmad.Jumain@sabah.gov.my PPW Kudat: Nesesius.Nasir@sabah.gov.my	Fax	+6088 662 494
		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 015 LVS		
Issuance Date	06 October 2025	Expiration Date	05 October 2026

Assessment Details

Assessment Dates	29 September-03 October 2025
Scope of Assessment	Sabah TLAS P1-4: Tree Plantation and Forest Management under Form 1 license #: JP(DPS)001/2024(F1)
Species	ITP: <i>Eucalyptus pellita</i> , <i>Acacia mangium</i> , <i>Albizia falcataria</i> , <i>Acacia crassicarpa</i> , <i>Eucalyptus Deglupta</i> , <i>Acacia aulacocarpa</i>
Lead Assessor	Teddy Quintin
Assessor(s)	Ennald Chin, Daelirriion Samsar, Eljipy Sualim
SFD Staff	Nesesius Nasir (PPW Kudat), Norahmad Jumain (DFO Pitas), Jaludin Urubit (ADFO Pitas), Peter Sumpit (PPD Pitas)

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:

On 19/03/1996, SAFODA, Resofocus Corporation Sdn. Bhd. (Resofocus) and Begaraya Sdn. Bhd. (Begaraya) entered into a Joint Venture agreement under which Begaraya Sdn. Bhd. was incorporated to carry out restoration of 60,000 ha which was under application of approval.

On 06/02/1997, The Government of the State of Sabah entered into the Tree Plantation and Forest Management Agreement (TPFMA) with Begaraya over the area, granting the rights to all timber and the right to plant and utilise the timber from the planted forest. This agreement also allowed for the issuance of a land title over the 60,000 ha.

On 25/09/2003, SAFODA, Resofocus and Begaraya entered into a supplementary JV agreement which defined an intention to split the area into 2 land titles, separately assigned to the respective shareholders. The conditions precedent for the supplementary agreement, primarily the issuance of the land titles, could not be achieved within the stipulated time frame and consequently the supplementary JV became void.

In 2009, Merica Group purchased 100% of the Resofocus and thereby 70% of Begaraya, which was dormant at the time, undertaking to restart the project and provide funding for the establishment of sustainably managed mosaic plantation. Pursuant to this, the entire perimeter was surveyed and the first FMP was approved by the SFD in 2010. Subsequently on 24/08/2011, Begaraya was renamed to Asian Forestry Company (Sabah) Sdn. Bhd. [Asian Forestry Company (Sabah)].

Under Asian Forestry Company (Sabah) management, the 1st period was utilized to ensure proper permissions were in place and for the construction of the required infrastructure to access the area. By 2012, it had become clear that due to excisions of land to the benefit of other parties, the Government would be only be able to allocate only a small part of the 60,000 ha from within the original surveyed RSP boundaries.

This situation was exacerbated when the large areas of Communal Tittles were also excises, often from within existing, approved Form I timber licenses issued to Asian forestry Company (Sabah). The current estimate is that the final area that could be allocated may be as low as 14,940.30 ha.

Recognizing this issue and its obligation under the TPFMA, the Government has started the process of allocating forest management parcels outside of the TPFMA. A shortfall of approximately 30,000 ha currently remains under the TPFMA. The matter of timber value ceded to third parties by land excision from within the agreement area has, at this time, not yet been addressed.

The Licensed Area is divided into 2 areas, i.e. Pitas Division and Kota Marudu Division.

Based on the FMP: Table 2.1 TPL area by administrative District

District	Gross Area (ha)	%
Pitas	9,375.30	63
Kota Marudu	5,565.00	37
Total	14,940.30	100

Table 2.2 Current Gross TPL Area

Category	Gross Area (ha)
Initial Gross TPL Area	53,698.80
Dispute Area	(38,758.50)
Current Gross TPL Area	14,940.30

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

#	Contractors	Activities
1	JNJ Enterprise	Harvest, Silviculture
2	Intifokus Industries	Harvest
3	Forest Solutions Services Sdn. Bhd.	Silviculture

The previous assessment was conducted in October 2024 that resulted in 2 gap(s) and 1 observation(s) (Report #: GFSSBH 003-315).

Land use classification: FMP Table 4.1

Land classification	2 nd FMP Area (ha)	Current Status (ha)
Total Area under Management	14,940.30	14,940.30
Production Area (ITP): Remaining ITP area = 1,650.60 ha Crop = 4,475.40 ha R&D = 32.40 ha	6,158.40	6,158.40 Total area planted: 4,568.84 <u>Species planted:</u> <i>Eucalyptus pellita</i> : 3,087.02 <i>Acacia mangium</i> : 604.05 <i>Albizia falcataria</i> : 182.43 <i>Acacia crassicarpa</i> : 528.65 <i>Acacia aulacocarpa</i> : 17.10 <i>Acacia mangium / Eucalyptus pellita</i> : 62.21 <i>Eucalyptus grandis</i> : 12.01 <i>Eucalyptus pelita / Eucalyptus pelita x brassiana</i> : 75.37 Unplanted area: 1,589.56 ha
Infrastructure: Campsite = 4.30 ha Roadway = 227.20 ha	231.50	231.50
Protected area: Steep area = 7,107.90 ha Water catchment = 247.20 ha River buffer = 1,113.10 ha Conservation = 82.20 ha	8,550.40	8,550.40

***Note:** Based on the 2nd FMP, total area of 89.70 hectares was planted within titled land. The area was planted by Asian Forestry Company (Sabah) before the land excision and land title approval. Therefore, was excluded from the 2nd FMP.

Current Operations:

Based on the AWP 2025, Asian Forestry Company (Sabah) plans to harvest a total area of 500 ha of planted trees in Coupe 01 (Compartment 1, 2 and 3) and plant a total area of 350 ha in the same area. However, based on the amendment letter, Ref. #: AFCS/KM/TP/2508/067 dated 10/07/2025, the harvesting target for planted timber has been reduced from 500 ha to 150 ha. 100 ha is allocated in Coupe 02 (Compartment 4, 5 and 6) while the remaining 50 ha will be conducted in Coupe 1 (Compartment 1, 2 and 3).

Currently, Asian Forestry Company (Sabah) is harvesting in Coupe 2 (Compartment 5).

List current compartments / under harvesting or planting.

Comp # / Coupe #	NFM / ITP	Status	Area (ha)	Geo-location data
5 (Coupe 2)	ITP	Sabah TLAS EUDR	298.20	NW: 819000 N 723000 E NE: 820000 N 723000 E SW: 819000 N 722000 E SE: 821000 N 721000 E

List AWP planned harvesting or planting.

Comp # / Coupe #	NFM / ITP	Status	Area (ha)	Geo-location data
1 (Coupe 1)	ITP	Sabah TLAS EUDR	486.40	NW: 820000 N, 721000 E NE: 821000 N, 721000 E SW: 818000 N, 720000 E SE: 818000 N, 718000 E
2 (Coupe 1)	ITP	Sabah TLAS EUDR	389.30	NW: 818000 N, 721000 E NE: 820000 N, 721000 E SW: 817000 N, 720000 E SE: 819000 N, 720000 E
3 (Coupe 1)	ITP	Sabah TLAS EUDR	551.20	NW: 820000 N, 719000 E NE: 824000 N, 720000 E SW: 822000 N, 718000 E SE: 825000 N, 718000 E

4 (Coupe 2)	ITP	Sabah TLAS EUDR	523.40	NW: 817000 N, 724000 E NE: 819000 N, 723000 E SW: 815000 N, 722000 E SE: 817000 N, 721000 E
6 (Coupe 2)	ITP	Sabah TLAS EUDR	486.00	NW: 818000 N, 726000 E NE: 819000 N, 724000 E SW: 817000 N, 724000 E SE: 819000 N, 723000 E

Environmental Context:

Existing EIA report & key elements for protection / mitigation:

#	Title	EPD Approval Letter #	EIA Consultant
1	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.

Based on the EPD letter to Asian forestry Company (Sabah), Ref. #: JPAS/PP/15/600-1/01/3/28KLT.2(22) dated 20/08/2014, the EPD approved the additional conditions regarding "ITP in Kota Marudu/Pitas Districts for Area on Slope 25 Degrees to 32 Degrees" that was found by Chemsain Konsultant on 07/04/2014, which will cause an impact on the environment especially soil erosion and sedimentation of silt into rivers or waterways.

Forest type and short history of management:

The late 1980's to 1990's witnessed the participation of other private companies and individuals in forest plantation development, largely on their alienate lands. As a result of the rising interest in the forest plantation that existed during that period, forest plantation development was also initiated in forest reserve through long term plantation license agreement.

An area of 42,000 ha has been allocated to Begaraya by the state government about 12 years ago. Subsequently, Begaraya has formed a joint venture partnership with Asian Forestry Company (Sabah) to develop the area into an industrial tree plantation of *Acacia mangium* for a period of not less than 60 years.

Asian Forestry Company (Sabah) have proposed to establish 42,000 ha of *Acacia mangium* plantation in four (4) planting phases from years 2009-2012 on the northern part of Sabah. However, the Project Proponent has excised 10% or 4,200 ha for village reserves, Native Customary Rights (NCR), and conservation reserve; leaving 37,800 ha.

Principal commercial species currently existing:

Project areas area mostly covered with secondary vegetation mainly grassland, *Imperata cylindrica*.

Specific biological values (e.g., rare or endangered species):

In terms of fauna, there was no protected /endangered species were sighted.

Environmental services (e.g., critical watersheds, wildlife habitat, peat swamp, etc.):

Typical hydrological features for the whole planting area show that all rivers will adjoin with other rivers before flowing into the Marudu Bay or Sulu Sea. All rivers within the Project Site have a dendritic pattern of drainage system. This dendric (tree shaped) pattern is formed as a result of oblique streams as well as tributaries. The main river is like a stem and other streams and tributaries are its branches. The main rivers within the Project site are Sg. Tandek, Sg. Menurodiang, Sg. Masalog, Sg. Kinaram, Sg. Nibang and Sg. Bengkoka. In terms of water catchments, there are some areas that have been identified and proposed as potential water catchment. The proposed water catchments are mostly located in the eastern, western and southern part of the Project Area. However, according to Department of Irrigation (DID), the water catchments are only the proposed one and determined using GIS which may varies from an actual site survey.

Social Context:

SIA summary:

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

Identified communities that are dependent on the FMU:

Based on the FMP, no local community settlements are known to be situated within the project area.

However, there are 10 formal settlements, namely, Kg. Soniton Ulu, Kg. Lingkabungan 1, Kg.

Binontungan Suyad, Kg. Sonsongan Suyad, Kg. Sungai Magandai, Kg. Minisulang, Kg. Sonsongan

Magandai, Kg. Tikalod, Kg. Sonsongan Paliu and Kg. Sonsongan Mogis, situated near to the boundaries of the project area. These communities may be affected by and could also benefit from the project.

Land claims, disputes & communication system:

Land issues emerge as one of the most important for any projects that require land acquisition. A customary and communal right to land known as NCR is a delicate issue that needs to be properly addressed between the local authorities, villagers and the Project Proponent, The proposed plantation project is no exception as it has triggered concerns amongst villagers that claimed to own land within the Project area.

A comprehensive Community Development Master Plan (CDMP) has been developed by Asian Forestry Company (Sabah) for the project area to be implemented effective immediately. The purpose of the CDMP is to outline the strategy, operational guidelines and framework of the Community Development Program (CDP) for addressing the land, social and development issues affecting the communities within the project site. Asian Forestry Company (Sabah) has partnered with PACOS Trust, a local NGO focusing on indigenous rights, to assist in implementing the community development program. PACOS' expertise in strengthen communities and addressing land issues is seen as a great asset to the program. The Project Proponent will have to liaise with the Lands and Surveys Department to find about the necessary steps to take to resolve claims by the local people, especially NCR areas.

Community Forestry Projects:

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

Scope of Assessment
<ul style="list-style-type: none"> 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 license #: 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: 29 September-03 October 2025 / Form 1-Stateland: Asian Forestry Company (Sabah) Sdn. Bhd. / Pitas District

Date	Activity	GFS Staff	Mandays
29 September 2025 Monday	Travel to Kota Marudu and overnight. Opening meeting for 3 projects (AFC Nibang-Stateland, AFC Paitan & Gerak Saga) at PPD Kota Marudu office. Document review at Forest Solutions Malaysia office.	Teddy Quintin, Ennald Chin, Daelirion Samsar, Eljipy Sualim	4
30 September 2025 Tuesday	Field assessment to operations area Coupe 2 Compartment 5; (Harvesting, planting and maintenance), PSP, licensed boundary, protected areas and log yard. Document review. Overnight at campsite.	Teddy Quintin, Ennald Chin, Daelirion Samsar, Eljipy Sualim	4
01 October 2025 Wednesday	Field visit to Coupe 1, Compartment 3, workshop, workers' quarters, landfill,	Teddy Quintin, Ennald Chin,	4

	hazardous waste. Document review.	Daelirriion Samsar, Eljipy Sualim	
02 October 2025 Thursday	Social assessment. Community meeting with representative from Kg. Soniton Laut and Kg Nibang. Document review. Overnight at Kota Marudu.	Teddy Quintin, Ennald Chin, Daelirriion Samsar, Eljipy Sualim	4
03 October 2025 Friday	Closing meeting at Forest Solutions Malaysia Office. Travel to homebase.	Teddy Quintin, Ennald Chin, Daelirriion Samsar, Eljipy Sualim	4
04-05 October 2025	Reporting/Administration: GFSSBH003-370	Dr. Kevin Grace Teddy Quintin	2
Total			22

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 1; Observations = 0)

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 29 September-03 October 2025.

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.

September 2025: Gap 001/2024 (minor) - Closed

All contractors are registered under 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.

September 2025: Observation 001-2024 (Addressed)

Asian Forestry Company (Sabah) has conducted the forest fire awareness programme with the local community.

October 2025: Gap 001/2025 (minor) – Checklist 2.4.2

JTK license for JNJ Enterprise was expired since Sep 2025.

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.

October 2025: Gap 002/2024 (minor) - Outstanding

SFD has not given feedback regarding the request to cancel the OP.

06 November 2025: Gap 002/2024 (minor) – Closed

SFD has cancelled the 3 OPs.

Principle 4. Other User Rights

Highlights of Assessment

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.

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 = 1, Observation = 0)

Gap raised against indicators & criteria during the September 2025 assessment.

GAP	Type	Checklist	Status	Description
001/2024	minor	2.1.7	Closed	October 2024: Asian Forestry Company (Sabah) has submitted the logging registration for contractors to SFD; however, pending approval from SFD. September 2025: All contractors are registered under SFD.
002/2024	minor	3.1.1	Closed	October 2024: No feedback from the SFD regarding the request of OP cancellation since 2021. September 2025: SFD has not given feedback regarding the request to cancel the OP. 06 November 2025: SFD has cancelled the 3 OPs.
001/2025	minor	2.4.2	New	October 2025: JTK license for JNJ Enterprise was expired since Sep 2025.

Observation raised against indicators & criteria during the September 2025 assessment.

Obs #	Checklist	Description
001-2024 Addressed	2.3.5	October 2024: Asian Forestry Company (Sabah) has yet to conduct the forest fire awareness campaign as required in the FFMP. September 2025: Asian Forestry Company (Sabah) has conducted the forest fire awareness programme with the local community.

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 001/2025 (minor) – Checklist 2.4.2: JTK license should be renewed on time by JNJ Enterprise.

The next annual surveillance audit will be scheduled for **September 2026**.

End of Summary Report