

Sabah TLAS + Audit Report

Sabah Legality Standard Principles 1 – 4 & 7

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. 199501042055 (371259-W)	Reference #	GFSSBH003-429
Contact Person	Mr. Thondik Venantius (General Manager/Director)	Date of Report	02/10/2026
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 015 LVS		
Issuance Date	05 October 2026	Expiration Date	04 October 2027

Assessment Details

Assessment Dates	28 September-02 October 2026
Scope of Assessment	Sabah TLAS+ P1-4: Tree Plantation and Forest Management under Form 1 license #: JP(DPS)001/2024(F1) - Nibang
Species	ITP: <i>Eucalyptus pellita</i> , <i>Acacia mangium</i> , <i>Albizia falcataria</i> , <i>Acacia crassicaarpa</i> , <i>Eucalyptus grandis</i> , <i>Eucalyptus robusta</i> , <i>Eucalyptus resinifera</i> , <i>Eucalyptus deglupta</i> , <i>Eucalyptus urophylla</i> , <i>Neolamarckia cadamba</i> , <i>Eucalyptus brassiana</i> , <i>Acacia aulacocarpa</i> , R&D: <i>Pinus</i> , <i>Corymbia</i>
Lead Assessor	Sheanna Kehong
Assessor(s)	Stacy Robert, (Trainer) Anne Gimbir
SFD Staff	PPW Kudat: Nesesius Nasir, ADFO Pitas: Jaludin Urubit, PPD Pitas: Rayner Marcello, Rizman T.

Objectives

- The objective of this checklist is to verify compliance with the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 including Principle 7 for Deforestation Free (DF) where applicable and Optional Principle 8 for CS3D dated 1 July 2026.
- 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 reflects non-compliance to the criterion which shall be addressed within 2 months.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the license agreement.

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 License Agreement #: JP(DPS)001/2024(F1) for Form 1.
- The assessment is in accordance with the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 & 7 dated 1 July 2026.
- Principle 7 Deforestation Free: ☒ Applicable ☐ Not Applicable
- Principle 8: CS3D: ☐ Included ☒ Not Included
- 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.

Limitations of Assessment

The information presented in this report is based on documentation and other information presented by the client and observations made during the field verification under the assessment. Auditor's reporting of information presented by the client is taken as accurate unless evaluated differently through the observations made during the assessment. All information presented in the report is accurate and complete to the best knowledge of GFS.

Summary Information

Overview of Licensee:

On 19/03/1996, SAFODA, Resofocus Corporation Sdn. Bhd. (Resofocus) and Begaraya Sdn. Bhd. (Bengaraya) entered into a Joint Venture agreement under which Begaraya Sdn. Bhd. was incorporated to carry out reforestation of 60,000 Ha, which was under application for 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 utilize the timber from the planted forest. This agreement also allowed for the issuance of a land title over the 60,000 Ha area.

On 25/09/2003, SAFODA, Resofocus and Begaraya entered into a supplementary JV agreement which defined an intention to split the area into two land titles, separately assigned to the respective shareholders.

In 2009, Merica Group purchased 100% of 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 1st 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 the current 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 Titles were also excised, often from within existing, approved Form 1 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.

Based on the 2nd FMP, Table 2.1 TPL Area by administrative District

District	Gross Area (Ha)
Pitas	9,375.30
Kota Marudu	5,565.00
Total	14,940.30

Based on the 2nd FMP, Table 2.2 Current Gross TPL Area

District	Gross Area (Ha)
Initial Gross TPL Area	53,698.80
Dispute Area	(38,758.50)
Current Gross TPL Area	14,940.30

Asian Forestry Company (Sabah) (the Employer) is desirous of carrying out the establishment of tree plantation estates on that land within the Forest Management Agreement Area specifically designated by the Employer for conversion to planted forests (ITP Blocks). The Contractor shall at all times comply with all Acts, ordinances, Enactments, Regulations and By-Laws in force in Malaysia and the State of Sabah.

Contractor	Validity	Remarks
Forest Solutions Services Sdn. Bhd.	Extension to 31/08/2028	Date of agreement: 01/09/2016 – The Contractor has agreed to accept the engagement to carry out plantation establishment and maintenance work on the ITP Blocks, which the Employer will allocate to the Contractor on a Work Order by Work Order basis as needed.
JNJ Enterprise	Extension to 30/11/2026	Date of agreement: 01/12/2022 – The contractor to carry out plantation work of a tree plantation estate which the Employer will allocate to the Contractor on a Work Order by Work Order basis as needed (Harvesting of planted trees).
Trans Borneo Link Sdn. Bhd.	5 years	Date of agreement: 01/12/2022 – The contractor to carry out plantation work of a tree plantation estate which the Employer will allocate to the Contractor on a Work Order by Work Order basis as needed (Roadwork).

The previous assessment was conducted in October 2025 that resulted in 2 gap(s) and 0 observation(s) (Report #: GFSSBH 003-370).

Land use classification: Based on the 2nd FMP, Table 4.1 Forest land Use Zoning

Land classification	FMP Area (Ha)	Current Status (Ha)
Total Licensed Area	14,490.30	14,490.30
Production Area: Industrial Tree Plantation (ITP) Remaining ITP area = 1,650.60 Ha Crop = 4,475.40 Ha R & D = 32.40 Ha	6,158.40	Planted (2011-2026) = 4,641.88 Species planted = EPEL, Pine, AMAN, ACRA, WGXU, AFAL, EPELBR, EDEG, AAUL
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

Current Operations:

Based on the AWP 2026, Asian Forestry Company (Sabah) conducted harvesting of planted trees and planting as listed below.

Activity	Remarks
Harvesting – Planted timber	Coupe TC02: Compartment 5 = 75 Ha Coupe TC03*: Compartment 13 = 5 Ha
Planting	Coupe TC02: Compartment 5 = 40 Ha

*Based on the explanation from the MR, the Coupe permit for Compartment 13 stated TC03 in the AWP Amendment Slip #: 01/2026, which is a typo. The correct Coupe is TC05.

List current compartments under harvesting/re-planting based on the AWP 2026.

Comp # or Coupe #	NFM / ITP	Status	Area (Ha)	Geo-location data
TC02 (Compartment 5) – Harvesting/Re-planting	ITP	Sabah TLAS	298.20	NW: 819753.90 N 724129.29 E NE: 821202.74 N 721875.35 E SW: 818945.92 N 722370.11 E SE: 820925.80 N 721500.69 E
TC05 (Compartment 13) Re-planting	ITP	Sabah TLAS	314.60	NW: 816000.30 N, 726774.38 E NE: 818133.71 N, 726774.38 E SW: 816124.75 N, 724662.76 E SE: 816922.65 N, 724483.70 E

Environmental context:

Forest type:

Prior to 1960s' and 1970s', the area was covered with rich Lowland Mixed Dipterocarp Forests. However, in the early 70s' the Company was made to understand that there were many short-term licenses (mostly Form 1) being issued to many logging contractors, most notably Hap Seng Sdn. Bhd., to carry out conventional logging activities within the Licensed Area. As a result of heavy logging, the forests in most parts of the Licensed Area were severely depleted and subsequently colonized by secondary forests where the pioneer forest species (e.g. *macaranga* spp.) dominated the area. There are also extensive areas of scattered, naturally regenerated species of *Acacia mangium* and *Falcataria moluccana* (Batai).

Commercial species currently existing:

Industrial Tree Plantation: *Eucalyptus pellita*, *Acacia mangium*, *Albizia falcataria*, *Acacia crassicarpa*, *Eucalyptus Deglupta*, *Eucalyptus robusta*, *Eucalyptus resinifera*, *Eucalyptus deglupta*, *Eucalyptus urophylla*, *Neolamarckia cadamba*, *Eucalyptus brassiana*, *Acacia aulacocarpa*, R&D: *Pinus*, *Corymbia*.

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

Despite the degree of degradation, in general, the Licensed Area provides fairly good wildlife habitats. There is considerable species diversity still present in the area although the wildlife populations may have declined from their original level due to the adverse effects of logging and fire, the presence of many local communities adjacent and within the Licensed Area and its accessibility to outsiders for hunting and trapping. The company is aware of the presence of 2 critically endangered wildlife which are the Sunda pangolin (*Manis javanica*) and Blue Banded Kingfisher (*Alcedo euryzona*) in the project area, as well as 4 endangered species and other threatened species that need a proper management.

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

Based on the EIA, the main rivers within the Project site are Sg. Tandek, Sg. Menurodiang, Sg. Masalog, Sg. Kinaram, Sg. Nibang and Sg. Bengkoka. The proposed water catchments are mostly located in the eastern, western and southern part of the Project area. However, according to the Department of Irrigation and Drainage (DID), water catchments are only the proposed one and determined using GIS which may varies from actual site survey. Identifications of faunas are done by actual sightings, footprints, nests, droppings, wallows, calls and also in discussions with locals who regularly hunt in the area. Therefore, issues related to the loss of flora and fauna are not a major of concern.

EIA Report #:

EIA	Ref. #	Consultant
Proposed ITP in Kota Marudu/Pitas District, Sabah by Begaraya Sdn. Bhd.	JPAS/PP/15/600-1/01/3/28(70)	Chemsain Konsultant Sdn. Bhd.

Social Context:

Social assessment SBS / SIA / EIA summary:

Based on the 2nd FMP, no local community settlements are known to be situated within the project area. However, there are 10 formal settlements situated near to the boundaries of the project area.

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	Kg. Sonsogon Mogis

Identified communities that are dependent on the FMU:

Based on the SIA in the EIA, the survey done for the project area shows that most of affected villagers have their own land within the area.

Land claims, disputes & communication system:

The proposed plantation project has triggered concerns amongst villagers that claimed to own land within project area. During site visits it was noticed that most of the proposed project area is currently used by the local villagers for shifting agriculture (Hill paddy), agriculture (Rubber) and for grazing. The survey done for Project area shows that most of the affected villagers has their own land within the area. However, the proposed project shall only be within the area allocated to the Project Proponent where Native Customary Rights (NCR) land shall be excluded and titled lands and available areas for plantation to the Project Proponent.

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. The boundary of the proposed project should be properly marked to avoid misunderstanding with villagers regarding land boundaries. 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:

Community development initiatives, financial implication, program priority and villages involved, and establishment of a dedicated community development team.

Itinerary & Mandays: 28 Sep-02 Oct 2026: FMU 2 & Form 1: Gerak Saga Sdn. Bhd. & Asian Forestry Company (Sabah) Sdn. Bhd. / Kota Marudu District

Date	Activity	GFS Staff	Mandays
28 September 2026 Monday	Travel & opening meeting at PPD Kota Marudu, document review at Forest Solutions Malaysia, overnight in Kota Marudu.	Teddy Quintin, Sheanna Kehong, Eljipy Sualim, Stacy Robert, (Trainers) Kevin Grace, Anne Gimbir	6
29 September 2026 Tuesday	Team 1 (Paitan): Travel to Gerak Saga, field visit to plantation harvesting (C6), PSP, log yard, Kg Bawing, Kg. Suang Duyung, contractor camp (C12), GS main campsite, protected areas. Team 2 (Nibang): Travel to site visit to Coupe 1 & 4 (Riparian Reserve), Coupe 15 Licensed boundary, Coupe 1 (Block 32 – PSP), Harvesting Coupe 2 (Block 32/Compartment 4), Visit to contractor JNJ (Coupe 1/Block 25), Silviculture maintenance (Coupe 1), Coupe 1 (Block 34) for planting. Travel back to Kota Marudu.	Teddy Quintin, Sheanna Kehong, Eljipy Sualim, Stacy Robert, (Trainers) Kevin Grace, Anne Gimbir	6
30 September 2026 Wednesday	Team 1 (Paitan): Asian Forestry Company (Sabah) Paitan: salvage logging (Cmpts 15, PSP, Planting (C14). Social visits to Kg. Tawanan, contractor camp, Paitan base camp, Kg. Sokoon; Encroachment. Team 2 (Nibang): Social visit Kg. Nibang & Kg. Soniton Laut and travel back to Kasagaan log pond/log yard). Travel back to Kota Marudu.	Teddy Quintin, Sheanna Kehong, Eljipy Sualim, Stacy Robert, (Trainers) Kevin Grace, Anne Gimbir	6
01 October 2026 Thursday	Document review at Forest Solutions Malaysia office. Overnight in Kota Marudu.	Teddy Quintin, Sheanna Kehong, Eljipy Sualim, Stacy Robert, (Trainers) Kevin Grace, Anne Gimbir	6
02 October 2026 Friday	Closing meeting at Forest Solutions Malaysia. Travel to home base.	Teddy Quintin, Sheanna Kehong, Eljipy Sualim, Stacy Robert, (Trainers) Kevin Grace, Anne Gimbir	6
03-04 October 2026	Reporting/Admin: GFSSBH003-427 Reporting/Admin: GFSSBH003-428 Reporting/Admin: GFSSBH003-429	Dr. Kevin Grace Teddy Quintin, Eljipy Sualim, Sheanna Kehong	6
Total			36

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 0; Observations = 3)

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 28 September-02 October 2026.

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.

September 2026: Observation 001-2026 – Checklist 1.6.6

The CPP for Compartments 4, 5, 6 & 13 has not yet been approved by SFD.

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.

September 2026: Observation 002-2026 – Checklist 2.2.3, 2.2.7

Inconsistent in including the Sabah TLAS CC and QR code for Geo-location in the e-Removal Pass by the SFD.

September 2026: Observation 003-2026 – Checklist 2.4.2

COI for workers under Forest Solutions Malaysia is in the renewal process.

Principle 3. Statutory Charges

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

Principle 4. Other User Rights

Based on the 2nd FMP, no local community settlements are known to be situated within the project area.

Principle 7. Deforestation Free

The area was established prior to 2021.

Principle 8. In Accordance with the EU Corporate Sustainability Due Diligence Directive (CS3D) (Optional)

Not applicable

Summary Results:

(Major gap = 0, Minor gap = 0, Observation = 3)

Gap raised against indicators & criteria during the September 2026 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the September 2026 assessment.

Obs #	Checklist	Description
001-2026	1.6.6	September 2026: The CPP for Compartments 4, 5, 6 & 13 has not yet been approved by SFD.
002-2026	2.2.3, 2.2.7	September 2026: Inconsistent in including the Sabah TLAS CC and QR code for Geo-location in the e-Removal Pass by the SFD.
003-2026	2.4.2	September 2026: COI for workers under Forest Solutions Malaysia is in the renewal process.

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

Recommendations

Asian Forestry Company (Sabah) Sdn. Bhd. has demonstrated compliance with the Sabah TLAS + Principle 1-4 & 7 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 (Sabah 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 001-2026 – Checklist 1.6.6: SFD should expedite the CPP approval for Compartments 4, 5, 6 & 13.

Observation 002-2026 – Checklist 2.2.3, 2.2.7: SFD should be consistent in including the Sabah TLAS CC # and QR code for Geo-location in the e-Removal Pass.

Observation 003-2026 - Checklist 2.4.2: COI for workers under Forest Solutions Malaysia should be renewed 3 months before the expiry date.

The next annual surveillance audit will be scheduled for **September 2027**.

End of Summary Report