

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Pesona Majukaya Sdn. Bhd. (1080138-X)	Reference #	GFSSBH 003-205
Contact Person	Awang Zaidun Awang Taip (Forest & Shipping Manager)	Date of Report	30/06/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 163 LVS		
Issuance Date	03 July 2023	Expiration Date	02 July 2024

Assessment Details

Assessment Dates	26 – 30 June 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2018
Species	<i>Dryobalanops spp.</i> (Kapur), <i>Dipterocarpus spp.</i> (Keruing), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Selangang Batu, Red seraya, Yellow seraya, Urat Mata, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Scaphium spp.</i> (Kembang semangkuk), <i>Sapotaceae spp.</i> (Nyatoh), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Alstonia spp.</i> (Pulai), <i>Annonaceae spp.</i> (Karai), <i>Eugenia spp.</i> (Obah), <i>Sindora beccariana</i> (Sepetir), Lauraceae (Medang), <i>Planchonia valida</i> (Putat), <i>Lophopetalum spp.</i> (Perupok), <i>Terminalia subspathulata</i> (Talisai), Myristicaceae (Darah-darah), <i>Dillenia spp.</i> (Simpor), <i>Cotylelobium spp.</i> (Resak batu), <i>Cratoxylum arborescens</i> (Serungan), <i>Pentace spp.</i> (Takalis), <i>Hopea spp.</i> (Gagil), <i>Pterocymbium javanicum</i> (Teletto), <i>Prerospermum</i> (Bayor), <i>Dyera spp.</i> (Jelutong), <i>Dialium indum</i> (KerANJI), <i>Annonaceae</i> (Pisang-pisang), <i>Campnosperma auriculatum</i> (Terentang), <i>Anisoptera spp.</i> (Pengiran), <i>Cratoxylum spp.</i> (Geronggang), <i>Endospermum diadenum</i> (Sendok – Sendok), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), and other timbers (OT)
Lead Assessor	Priera Bagang
Assessor(s)	Brandon James, Glory Linggou
SFD Staff	Johnny Laminggu (ADFO Serudong), Kelisno Ransin (KPPM Naundong)

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:

- Sabah State Government, through the Sabah Forestry Department, has awarded an area of 10,018.3 hectares within the Sapulut Forest Reserve to Pesona Majukaya Sdn. Bhd. (Pesona Majukaya) under the Sustainable Forest Management License Agreement (SFMLA) No. 01/2018 for FMU 25. The SFMLA was made on 20/04/2018 and is valid for 100 years until 31/12/2117.
- On 26/07/2021, the SFD issued a Coupe Permit for the area allowing Pesona Majukaya to implement planned activities until 19/04/2068.

Coupe permit	Land use	Total area (ha)	Validity
TWU 01/2021	Industrial Tree Plantation (ITP)	7,769.24	26/07/2021-19/04/2068
TWU 02/2021	NFM-RIL & Silviculture Tending	2,004.10	26/07/2021-19/04/2068

- Pesona Majukaya is also affiliated with Top Quantum Sdn. Bhd., First Greenworld Sdn. Bhd., Zillion Fortune Sdn. Bhd., & Empayar Kejora Sdn. Bhd., which comes under the auspices of Rakan Rimba Sdn. Bhd.
- Pesona Majukaya has appointed contractors to conduct the salvage logging inside the licensed area, namely, Vivadaya Sdn. Bhd., SSK Enterprise, Datsing Sdn. Bhd. and Zat Istimewa Sdn. Bhd.
- The RIL harvesting contractor is yet to be appointed, whereas the CHP document is prepared by Rakan Rimba Sdn. Bhd.
- The previous assessment was conducted in December 2022 that resulted in 2 gap(s) and 2 observation(s) (Report #: GFSSBH003-170).

Current Operations:

- Pesona Majukaya only focuses on salvage logging inside ITP coupes areas, with a total timber production of 39,562.88 m³ projected for the first quarter of 2023.
- Pesona Majukaya has an approved CHP document for Compartment 15 in 2023 (Ref. #: JPHTN/FRM-CHP:700-3/9/33-1/JLD.1/3, dated 16/01/2023). The RIL harvesting activities are expected to commence in 2023. As of June 2023, no RIL harvesting has commenced.
- Pesona Majukaya has yet to commence the planting inside the ITP coupes areas.
- Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	10,018	10,018
Production Area	9,652	9,652 ITP logged area as of March 2023: 467.52ha Total log production as of March: 39,562.88m ³ Tree plantation: 0 ha (Scheduled for 2023)
Riparian buffers (incl. streams & ponds)	312	312
Steep Area	31.20	31.20
Road & Clearing	23	23

Environmental Context:

- Sapulut Forest Reserve was the most remote region of the Tawau District before a road was constructed in 1982. Sapulut Forest Reserve was gazetted as a commercial forest reserve on 18th January 1979. Prior to SFM, logging operations in Sapulut FR were divided into working blocks of various sizes and shapes with short-term logging licenses, which comprise Special License (usually more than 5 years) and Form 1 License employing conventional harvesting method with a felling diameter of >60cm DBH.
- The FMU consists of regenerating logged-over forests. In the lower-lying areas in the north, where logging was extensive and poor logging practices in the past had reduced the vegetation to a secondary forest of relatively low stature, dominated by *Macaranga* spp. And other tree

species. However, steeper areas above 20o, in general, still support intact forests. Vine loads are high and pose a serious impediment to forest regeneration.

- The project area is generally poor habitat for wildlife due to the previous logging operation creating large gaps opening from a broken canopy. Under such conditions, many arboreal animals are now scarce as they have moved away from the project area.
- Based on historical records and studies conducted in FMU 25 by the Wildlife Department, several terrestrial mammal and avian species were identified; the Borneon pygmy elephants, Sambar deer, Borneon yellow muntjac, Bearded pig, Silver-leaf langur, Long-tailed macaque, Borneon gibbons, White-crowned Hornbill, Blyth hawk-eagle, etc.
- The EIA study for Pesona Majukaya was approved by the EPD on 24/06/2019.

Title	EPD Approval Letter #	EIA Consultant
Proposed Forestry Operation Within SFMLA 01/2018 (10,018.3ha) under FMU 25 of Sapulut Forest Reserve in District of Nabawan, Sabah	JPAS/PP/NBN/600-1/01/3/64(31) dated 24/06/2019	Ekohandal Sdn. Bhd.

Social Context:

- Based on the EIA and FMP, no villages are within and adjacent to the SFMLA area. The nearest settlement is located 50km away from the licensed area.

Scope of Assessment
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Pesona Majukaya Sdn. Bhd. with the Sustainable Forest Management License Agreement (SFMLA 01/2018) FMU 25. • 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 Pesona Majukaya 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: FMU 25 / Pesona Majukaya Sdn. Bhd. & Zillion Fortune Sdn. Bhd. / Serudong District / 26 – 30 June 2023 (Total Mandays = 19)

Date	Activity	GFS Staff	Mandays
26 June 2023 Monday	Travelling to First Greenworld Camp B campsite and opening meeting. Overnight at basecamp.	Priera Bagang, Glory Linggou, Brandon James	3
27 June 2023 Tuesday	Field assessment to Pesona Majukaya, CHP compartment, production areas, protection areas, licensed boundaries and stumping.	Priera Bagang, Glory Linggou, Brandon James	3
28 June 2023 Wednesday	Field assessment to Zillion Fortune, Silviculture and campsite.	Priera Bagang, Glory Linggou, Brandon James	3
29 June 2023 Thursday	Public holiday - Hari Raya Haji Overnight at campsite.	Priera Bagang, Glory Linggou, Brandon James	3
30 June 2023 Friday	Closing meeting at First Greenworld’s stumping office. Travel to home base	Priera Bagang, Glory Linggou, Brandon James	3
01 - 02 July 2023	Reporting GFSSBH 003-204, Reporting GFSSBH 003-205	Dr. Kevin Grace Priera Bagang	4
Total			19

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 6, Observations = 2)

Pesona Majukaya Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 26-30 June 2023.

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

Principle 1.

Pesona Majukaya demonstrated compliance with the SFD regulations. The SFMLA 01/2018 was signed on 20/04/2018, valid for 100 years until 31/12/2117. Coupe permits allowed Pesona Majukaya to conduct forestry activity inside the licensed area for 47 years.

The 10-yr Forest Management Plan (01/01/2021 – 31/12/2030) was approved by the SFD on 09/06/2021 (Ref.#: JPHTN/SFM 800-1/1/40/22).

In 2021, the SFD agreed to consolidate the forest management plan of 4 (four) SFMLA licenses; First Greenworld Sdn. Bhd., Top Quantum Sdn. Bhd., Pesona Majukaya & Zillion Fortune Sdn. Bhd. [Ref.#: JPHTN/SFM 800-1/1/25(JILID,3)20 dated 12/08/2021].

Pesona Majukaya appointed Borneo Agric Forest Services as a consultant to develop the consolidated FMP for the 4 SFMLA areas which is in progress.

December 2022: Gap 001/2022 (minor) – Checklist 1.4.2

No action taken to conduct an assessment and monitoring of wildlife as scheduled for 2022 AWP.

June 2023: Gap 001/2022 (minor) - Outstanding

No evidence of wildlife assessment or monitoring.

December 2022: Gap 002/2022 (minor) – Checklist 1.6.1

CHPP documents for each compartment do not define the stream buffer zone areas to be protected nor identify the areas on the CHPP maps.

June 2023: Gap 002/2022 (minor) - Outstanding

Pesona Majukaya has yet to define the total area and map for the stream buffer zone inside ITP compartments and incorrect scheduling of Compartment 15 as in the ITP for salvage logging.

June 2023: Gap 001/2023 (minor) – Checklist 1.3.2.2

Stratification by Pesona Majukaya does not follow the SFD standard of forest quality stratification.

June 2023: Gap 002/2023 (minor) – Checklist 1.3.2.4

Zoning of NFM areas do not directly relate to inventory data from 6 ITP & 1 NFM compartments for Strata II forest areas.

June 2023: Observation 001-2023 – Checklist 1.3.2.7

The current approved FMP did not outline the Annual Allowable Cut and Sustainable Timber Yield Regulation for the NFM compartment area.

June 2023: Observation 002-2023 – Checklist 1.8.2

Pesona Majukaya has yet to establish the PSP for the NFM management areas.

Principle 2.

Pesona Majukaya demonstrated compliance with the forest operation requirements.

As of the assessment, Pesona Majukaya focused on harvesting inside ITP coupes areas. No RIL harvesting has been conducted yet. Transportation of royalty-paid logs is covered by valid Removal Passes and Timber Disposal Permits.

December 2022: Observation 001-2022 – Checklist 2.2.7

Incorrect Sabah TLAS CC number on the sampled Removal Passes.

June 2023: Observation 001-2022 (Addressed)

The Sabah TLAS CC number is correctly recorded on the Removal Passes.

December 2021: Observation 002-2021 – Checklist 2.3.7

Forest Fire Management Plan has yet to be developed and submitted to the SFD for approval.

Highlights of Assessment

December 2022: Observation 002-2021 (Outstanding)

Pesona Majukaya has yet to develop the Forest Fire Management Plan as there is a proposal submitted to SFD to develop a combined FFMP with associated concessions in FMU 25 (Zillion Fortune, Top Quantum and First Greenworld).

June 2023: Gap 003/2023 (Raised to minor) – Checklist 2.3.7

No progress has been made by Pesona Majukaya in developing the Forest Fire Management Plan.

Principle 3.

Pesona Majukaya has maintained the logs royalty payment and other statutory charges.

June 2023: 004/2023 (minor) – Checklist 3.1.1

Renewal of Occupational Permit JP(SER)OP 03/2022 has been submitted to SFD for approval before proceeding with payment.

Principle 4.

Not applicable - Based on the EIA and FMP, no villages within and adjacent to the SFMLA area. The nearest settlement was located 50km away from the licensed area.

Summary Results:

(Major gap = 0, Minor gap = 6, Observation = 2)

Gap raised against indicators & criteria during the June, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2022	minor	1.4.2	Outstanding	<p>December 2022: No action taken to conduct an assessment and monitoring of wildlife as scheduled for 2022 AWP.</p> <p>June 2023: No evidence of wildlife assessment or monitoring.</p>
002/2022	minor	1.6.1	Outstanding	<p>December 2022: CHPP document lacks the defined total area and mapped the stream buffer zone inside the harvesting compartment.</p> <p>June 2023: Pesona Majukaya has yet to define the total area and map for the stream buffer zone inside ITP compartments and incorrect scheduling of Compartment 15 as in the ITP for salvage logging.</p>
001/2023	minor	1.3.2.2	New	<p>June 2023: Stratification by Pesona Majukaya does not follow the SFD standard of forest quality stratification.</p>
002/2023	minor	1.3.2.4	New	<p>June 2023: Zoning of NFM areas do not directly relate to inventory data from 6 ITP & 1 NFM compartments for Strata II forest areas.</p>
003/2023	Obs 002-2021	2.3.7	Raised to minor	<p>December 2021: Forest Fire Management Plan has yet to be developed and submitted to the SFD for approval.</p> <p>December 2022: Pesona Majukaya has yet to develop the Forest Fire Management Plan as there is a proposal submitted to SFD to develop a combined FFMP with associated concessions in FMU 25 (Zillion</p>

GAP	Type	Checklist	Status	Description
				Fortune, Top Quantum and First Greenworld). June 2023: No progress has been made by Pesona Majukaya in developing the Forest Fire Management Plan.
004/2023	minor	3.1.1	New	June 2023: Renewal of Occupational Permit JP(SER)OP 03/2022 has been submitted to SFD for approval before proceeding with payment.

Observation raised against indicators & criteria during the June, 2023 assessment.

Obs #	Checklist	Description
001-2022 Addressed	2.2.7	December 2022: Incorrect Sabah TLAS CC number on the sampled Removal Passes. June 2023: The Sabah TLAS CC number is correctly recorded on the Removal Passes.
001-2023	1.3.2.7	June 2023: The current approved FMP did not outline the Annual Allowable Cut and Sustainable Timber Yield Regulation for the NFM compartment area.
002-2023	1.8.2	June 2023: Pesona Majukaya has yet to establish the PSP for NFM management areas.

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

Recommendations
<p>Pesona Majukaya 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>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:</p> <p>Gap 001/2022 (minor) Outstanding – Checklist 1.4.2: Conduct an assessment and monitoring of wildlife as scheduled in the AWP.</p> <p>002/2022 (minor) Outstanding - Checklist 1.6.1: Pesona Majukaya shall define the stream buffer zone areas to be protected and identify the areas on the CHPP maps and revise the schedule for Compartment 15 under NFM RIL schedule.</p> <p>Gap 001/2023 (minor) – Checklist 1.3.2.2: Stratification needs to follow the SFD standard of forest quality stratification.</p> <p>Gap 002/2023 (minor) – Checklist 1.3.2.4: Zoning of NFM areas should directly relate to inventory data from 6 ITP & 1 NFM compartments for Strata II forest areas.</p> <p>Gap 003/2023 (Raised to minor) – Checklist 2.3.7: Pesona Majukaya shall develop the FFMP for the licensed area as in SFMLA requirements.</p> <p>Gap 004/2023 – Checklist 3.1.1: SFD shall expedite the approval process.</p> <p>Observation 001-2023 – Checklist 1.3.2.7: Pesona Majukaya shall revise the current FMP to include the estimated Annual Allowable Cut and the Sustainable Timber Yield Regulation for the planned NFM area.</p> <p>Observation 002-2023 – Checklist 1.8.2: Pesona Majukaya shall establish the PSP for NFM management areas.</p> <p>The next annual surveillance audit will be scheduled for June 2024.</p>

End of Summary Report