

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Maxland Sdn. Bhd. (094655-M)	<b>Reference #</b>	GFSSBH 003-233a
<b>Contact Person</b>	Ah Soon Ah Choi (Assistant Plantation Manager)	<b>Date of Report</b>	15/12/2023
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Audit Statement	GFS 009 LVS		
Issuance Date	12 February 2024	Expiration Date	21 December 2024

### Assessment Details

Assessment Dates	11 - 15 December 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/07 - FMU 17A (Area A) & FMU 17B (Area B and Area C)
Species	<u>Area A:</u> New planting ( <i>Eucalyptus pellita</i> , <i>Albizia falcataria</i> , Red Laran, White Laran, <i>Khaya ivorensis</i> ) <u>Area B:</u> <i>Albizia falcataria</i> (Harvested plantation log) <u>Area C:</u> No harvesting yet
Lead Assessor	Priera Bagang
Assessor(s)	Tommy Olui
SFD Staff	Jaimi Mujit (ADFO Deramakot), Oss Justin Simin (PPM Tangkulap)

### 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 01<sup>st</sup> January 2015 (**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:

- Maxland Sdn. Bhd. (Maxland) is actively involved in forest restoration in FMU 17A and FMU 17B and manufactures sawn timber and plywood.
- In March 2007, a License Agreement for SFMLA 01/07 was signed between Maxland and the Sabah Forestry Department (SFD) to manage areas within Sg. Pinangah Forest Reserve (Class II – Commercial) for timber production for 50 years, starting from 3<sup>rd</sup> March 2007 to 31<sup>st</sup> December 2056.
- The SFMLA 01/07 license agreement includes three (3) degraded forest areas for intensive forest rehabilitation, combining natural forest management and fast-growing forest tree plantations.

License Agreement	Date Signed Period of Tenure	Coupe Permit	Location	Area (Ha)
SFMLA 01/2007 (Principal)	09/03/2007 50 years	SDK 02/21 (new)	Area 'A' Sg. Talibu FR & Sg. Pinangah FR	1,000
SFMLA 01/2007 (Supplemental)	30/04/2009 50 years	SDK 03/10	Area 'B' Sg. Pinangah FR	1,000
SFMLA 01/2007 (Supplemental)	10/11/2011 50 years	SDK 17/11	Area 'C' Sg. Pinangah FR	1,000

- Maxland is affiliated with Beta Bumi Sdn. Bhd., Priceworth Industries Sdn. Bhd., Sinora Sdn. Bhd. and Innora Sdn. Bhd. that supports the company's management business.
- As of November 2023, Maxland did not engage other subcontractor to conduct logging or planting activities.
- The previous assessment was conducted in January 2023 that resulted in 5 gap(s) and 2 observation(s) (Report #: GFSSBH003-173a).

### Current Operations:

- Maxland manages 3,000 ha of degraded forest land under the Deramakot District Forestry Office of SFD.
- Area A is in its 13<sup>th</sup> year of operations and has attained maturity for the first 10-year harvest cycle of all the planted trees. Harvesting with an approved Coupe Permit (1<sup>st</sup> rotation) is completed. Re-planting with Eucalyptus, Albizia, Laran, and Khaya is now being carried out in stages and is expected to be completed by 2023. With an approved Coupe Permit, harvesting the natural forests with *dbh* 30 cm and above was completed in 2021. Even though there is no mention of a cutting limit in the approved harvesting permit, Maxland has taken the initiative not to cut trees with *dbh* 29 cm and below.
- Area B has matured for the first 10-year harvest cycle of all the planted trees. Maxland was given approval from the Chief Conservator of Forests to carry out harvesting on the planted trees only for three months (August – November 2022) (Ref.#: JPHTN/SFM 800-1/1/1/20/1 (JILID.3)46). The logging operation was completed in November 2022 with a total log production 17,104.38 m<sup>3</sup>. As of November 2023, Maxland has yet to conduct the re-planting activities inside the area.
- Area C, in its 11<sup>th</sup> year of operation, respectively, has not undergone any major forest management activities besides boundary maintenance (under brushing) and enforcement (ground patrols and aerial surveillance using drones).

**Land use classification:** December 2023

#### FMU 17A - Area A:

Land classification	2 <sup>nd</sup> FMP Area (ha)	Current Status as of November 2023 (ha)		
Total Licensed Area	979.80	979.80		
Production Area	841.80	841.80		
		Species	Area	Trees
		<i>Eucalyptus pellita</i>	31.26	12,505
		<i>Albizia falcataria</i>	90.98	36,391
		<i>Red Laran</i>	1.20	480

		<i>White Laran</i>	2.89	1,156
		<i>Khaya ivorensis</i>	1.93	770
		<b>Total Planted</b>	<b>128.26</b>	<b>51,302</b>
Non-production area	138.00	138 Roads = 36.80 ha Buffer zones = 90.20 ha Steep area = 8.10 ha Base camp = 2.90 ha		

**FMU 17B - Area B:**

Land classification	2 <sup>nd</sup> FMP Area (ha)	Current Status as of November 2023 (ha)		
Total Licensed Area	1,004.70	1,004.70		
Production Area	833.60	833.60		
- Natural Forest Management Area	303	303		
- Mosaic Planting	454	Species	Area	Trees
		<i>Laran</i>	125.63	49,846
		<i>Magas</i>	15.13	6,505
		<i>Gaharu</i>	10.50	4,200
		<b>Total Planted</b>	<b>151.26</b>	<b>60,551</b>
Protected Forest & Conservation Areas	171.10	171.10		
Infrastructure, Roads Buildings, etc.	80	80		

**FMU 17B - Area C:**

Land classification	2 <sup>nd</sup> FMP Area (ha)	Current Status of November 2023 (ha)		
Total Licensed Area	1,000	1,000		
Production Area	864.96	864.96		
- Natural Forest Management Area	450	447.46		
- Mosaic Planting	300	Species	Area ha	Trees
		<i>Albizia falcataria</i>	395.90	247,457
		<i>Laran</i>	18.20	11,390
		<i>Ketapang</i>	3.40	2,160
		<b>Total Planted</b>	<b>417.50</b>	<b>261,007</b>
Protected Forest & Conservation Areas	135.04	135.04		

**Environmental Context:**

- Maxland manages the concession areas under a Mosaic system integrating tree planting with NFM on a 40 and 60 year harvest cycle to reach an economic cut of 45m<sup>3</sup> /ha.
- Area A and Area B under the concessionaire of Yayasan Sabah were logged in the 1970s until the late 1980s (License No. JP (DLS) 33/89) by Abadi Mewah Sdn. Bhd. and Mewati Sdn. Bhd. respectively. Since then, the forest has been left to regenerate naturally. Poor logging practices have resulted in a residual forest poor in commercial regenerations dominated by pioneer tree cover and heavy vines.
- Both Area B and Area C once supported rich lowland dipterocarp forests. Common dipterocarps, such as *Dryobalanops beccarii*, *Shorea smithiana*, *S.macrotrepa*, *S.mecystopteryx* and *Parashorea malanonaan* are still found in these residual forests.
- Area B and Area C are poor in wildlife, which is attributed to the fact that the licensed areas are fragmented and isolated by oil palm plantations and the Karamuak River along the northern and eastern boundaries. Elephants are known to forage in both licensed areas.

- The adjacent forest of Gunung Tinkar (Class I – Protected Forest) on its western boundary is largely forested, growing on ultramafic soils, known to be generally poor in wildlife and plant diversity.
- The Binalik River flows through Area A and drains into the bigger Karamuak River. In contrast, the Namatoi river meanders through Area B and Area C and empties into the Karamuak River.
- Streams flowing within Licensed Area B is buffered by a up to 30m riparian forest on both sides to ensure water quality is not adversely affected and acts as a fire break.
- An aesthetic buffer of natural forest 75m wide is maintained along the main road in Area B.
- Maxland has an approved Environmental Impact Assessment (EIA) for all 3 licensed areas.

Area A	EPD Approval Letter #	EIA Consultant
Penilaian Kesan Alam Sekitar (EIA) bagi “Tangkulap – Pinangah Forest Development Project FMU17 Part A” Compartment 70 & 71.	JPAS/PP/24/600-1/01/3/15) dated 14/07/2009	Kiwiheng Wood & Environmental Consultant Sdn. Bhd.
The Proposed Tree Harvesting and Mosaic Planting of 1000 hectares at FMU 17A within Sg. Pinangah Forest Reserve, District of Tongod, Sabah.	JPAS/PP/TGD/600-1/01/3/66(35) dated 19/06/2020	North Borneo Environmental Services Sdn. Bhd.

Area B	EPD Approval Letter #	EIA Consultant
Proposed Forest Rehabilitation and Tree Planting of Mixed Timber Species on the additional area of FMU 17B at Sg. Pinangah FR, Tongod, Sandakan, Sabah.	JPAS/PP/17/600-1/01/3/30, dated 22/04/2010	Kiwiheng Wood & Environmental Consultant Sdn. Bhd.
The proposed timber harvesting and replanting at FMU 17(B) area 2, measuring 998.67 hectares in Sg. Pinangah Forest Reserve, District Tongod, Sabah.	JPAS/PP/TGD/600-1/01/3/72 (05), dated 08/04/2021	North Borneo Environmental Services Sdn. Bhd.

Area C	EPD Approval Letter #	EIA Consultant
Proposed Forest Restoration and Enrichment Planting of Mixed Forest Species within FMU 17B at Sg. Pinangah FR covering an area of 951.50 ha.	JPAS/PP/4/600-1/01/3/43, dated 21/11/2011	Kiwiheng Wood & Environmental Consultant Sdn. Bhd.
The Proposed Timber Harvesting and Replanting at FMU-17 (B) Area 3, Measuring 951.90 Ha in Sg. Pinangah Forest Reserve, District of Tongod, Sabah.	JPAS/PP/TGD/600-1/01/3/73(27), dated 01/12/2021	Kinabalu Environmental Consultancy Sdn. Bhd.

**Social Context:**

- Based on the FMP, no human settlements are associated with the licensed area. Rebaco Plantation, an oil palm plantation, has a camp located approximately 1 km north of the licensed area and the upper banks of Sungai Karamuak. About 10 km along Sungai Karamuak lies Kampung Kuala Karamuak. Kampung Kenang-Kenangan is located over 15 km southeast away from the licensed area along Sungai Milian. No evidence suggests that local communities depend on the licensed area, and the forestry operations would not adversely affect them.

Scope of Assessment
<ul style="list-style-type: none"> <li>• The scope of the evaluation is to verify compliance of <b>Maxland Sdn. Bhd.</b> with the Sabah Forest Management License Agreement (SFMLA 01/07) for FMU 17A (partly) &amp; FMU 17B (partly).</li> <li>• The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01<sup>st</sup> January 2015 (<b>SFD-TLAS-002</b>).</li> <li>• Site evaluation to verify and report the level of compliance by <b>Maxland Sdn. Bhd.</b> and contractors to the standard in respect to each of the criteria within this report.</li> <li>• 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.</li> </ul>

**Itinerary & Mandays: FMU 17A (partly) & FMU17B (partly) / Maxland Sdn. Bhd. / Deramakot / 11 - 15 December 2023 (Total Mandays = 12)**

Date	Activity	GFS Staff	Mandays
11 December 2023 Monday	Travel to IPS Telupid and overnight.	Priera Bagang, Tommy Olui	2
12 December 2023 Tuesday	Opening meeting at Maxland basecamp and field assessment to Area B, Area C, and Sinora Sdn. Bhd. (Stumping A) mill. Compiling report.	Priera Bagang, Tommy Olui	2
13 December 2023 Wednesday	Field assessment to Area A and Maxland basecamp. Compiling report.	Priera Bagang, Tommy Olui	2
14 December 2023 Thursday	Document review at PPD Telupid. Compiling report.	Priera Bagang, Tommy Olui	2
15 December 2023 Friday	Closing meeting at PPD Telupid. Travel to Home base.	Priera Bagang, Tommy Olui	2
16 - 17 January 2023	Reporting GFSSBH 003-233	Dr. Kevin Grace, Priera Bagang	2
<b>Total</b>			<b>12</b>

### Highlights of Assessment

**(Major Gaps = 1; Minor Gaps = 5; Observations = 2)**

**February 2024: (Major Gaps = 0; minor Gaps = 5; Observations = 2)**

Maxland Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was addressed under Criterion 1.3 during the assessment on 11-15 December 2023.

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

**Principle 1.**

Maxland has not demonstrated compliance with the SFD regulations. SFMLA 01/07 was issued for 3 areas, Area A, Area B, and Area C, which is valid until 31/12/2056. The EIA study for 3 areas was also developed and approved by the EPD. A 10-year Forest Management Plan for 3 areas was developed that outlined the management planning.

**January 2023: Gap 001/2021 (Raised to Major) – Checklist 1.3.1**

Forest Management Plans for Area B and Area C have yet to be developed and submitted to the SFD as per the Annual Work Plan 2022.

**March 2023: Gap 001/2021 (Major) – Outstanding**

Forest Management Plans for Area B and Area C were not developed and submitted to the SFD as per the Annual Work Plan 2022.

**December 2023: Gap 001/2021 (Major) - Outstanding – Checklist 1.3.1**

The Forest Management Plan for Area C is pending approval from the SFD.

**February 2024: Gap 001/2021 (Major) – Closed**

The SFD has approved the Forest Management Plan for Area C.

**January 2023: Gap 001/2023 (Major) – Checklist 1.2.3**

Maxland has yet to conduct ECR monitoring for Area B as required by EPD.

**March 2023: Gap 001/2023 (Major) – Outstanding**

No evidence that the ECR has been conducted for Area B.

**December 2023: Gap 001/2023 (Major) - Closed**

The ECR was submitted to EPD for FMU 17 Areas A, B & C in 2023.

**January 2023: Gap 002/2023 (minor) – Checklist 1.6.1**

Maxland has yet to develop CPP for Area B and Area C.

**December 2023: Gap 002/2023 (minor) - Outstanding**

There is no evidence of the CPP development in Areas B and C.

**January 2023: Observation 001-2023 – Checklist 1.8.2**

The PSP data has yet to be analysed for projections of growth and yield in Area C.

**December 2023: Observation 001-2023 – Outstanding**

There is no evidence of PSP establishment for Areas A and B, and no data analysis for Area C.

## Highlights of Assessment

### **Principle 2.**

The SFD did not require a RIL harvesting system to be implemented inside the licensed area. Areas for protection were mapped and identified on the ground. Maxland is compliant with the regulatory requirement for workers. No logging activity has been conducted in 2023. The previous log extraction occurred in August to November 2022 and has been completed.

#### **January 2023: Gap 003/2023 (minor) – Checklist 2.3.4**

No evidence that the JKKP 8 for 2022 was submitted to DOSH.

#### **December 2023: Gap 003/2023 (minor) - Outstanding**

Maxland has not yet submitted the JKKP 8 for 2022 to DOSH.

#### **January 2023: Gap 004/2023 (minor) – Checklist 2.3.7**

No fire extinguishers were available within the campsite. Forest Fire Management Plan (FFMP) for Area A has yet to be approved by SFD. No evidence of a developed Forest Fire Management Plan (FFMP) for Areas B and C.

#### **December 2023: Gap 004/2023 (minor) – Outstanding**

No evidence the FFMP was developed for Areas A & B and the FFMP for Area C has not been revised. Inconsistent in maintaining fire extinguishers observed at Sinora Sdn. Bhd. (Stumping A) mill.

#### **January 2023: Observation 002-2023 – Checklist 2.3.2, 2.3.7**

Inadequate records of training of workers for safety and fire.

#### **December 2023: Observation 002-2023 – Addressed**

Records of work safety and fire safety training are maintained.

#### **December 2023: Gap 005/2023 (minor) - Checklist 2.1.11**

Inadequate scheduled/domestic waste management and spillage mitigation observed at Sinora (Stumping A) mill within Area B.

#### **December 2023: Gap 006/2023 (minor) - Checklist 2.2.2**

There is no evidence of Quarry and Stumping OP renewal.

### **Principle 3.**

Records of other payment were documented and maintained.

#### **December 2023: Gap 006/2023 (minor) - Checklist 3.1.1**

There is no evidence of Quarry & Stumping OP renewal and heavy machinery FD registration is pending feedback from the SFD.

### **Principle 4.**

Based on the FMP, there are no human settlements associated with the licensed area. Rebaco Plantation, an oil palm plantation, has a camp located approximately 1 km north of the licensed area and the upper banks of Sungai Karamuak. About 10 km along Sungai Karamuak lies Kampung Kuala Karamuak. Kampung Kenang-Kenangan is located over 15 km southeast away from the licensed area along Sungai Milian. No evidence suggests that local communities depend on the licensed area, and the forestry operations would not adversely affect them.

#### **December 2023: Observation 003-2023 – Checklist 4.1.4**

Inconsistent in maintaining the communication and consultation with communities.

**Summary Results:**

(Major gap = 1, Minor gap = 5, Observation = 2)

February 2024: (Major gap = 0, minor gap = 5, Observation = 2)

Gap raised against indicators &amp; criteria during the December 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2021	Major	1.3.1	Closed	<p><b>January 2023:</b> Forest Management Plans for Area B and Area C have yet to be developed and submitted to the SFD as per the Annual Work Plan 2022.</p> <p><b>March 2023:</b> Forest Management Plans for Area B and Area C were not developed and submitted to the SFD as per the Annual Work Plan 2022.</p> <p><b>December 2023:</b> The Forest Management Plan for Area C is pending approval from the SFD.</p> <p><b>February 2024:</b> The SFD has approved the Forest Management Plan for Area C.</p>
001/2023	Major	1.2.3	Closed	<p><b>January 2023:</b> Maxland has yet to conduct ECR monitoring for Area B as required by EPD.</p> <p><b>March 2023:</b> No evidence that the ECR has been conducted for Area B.</p> <p><b>December 2023:</b> The ECR was submitted to EPD for FMU 17 Areas A, B &amp; C in 2023.</p>
002/2023	minor	1.6.1	Outstanding	<p><b>January 2023:</b> Maxland has yet to develop CPP for Area B and Area C.</p> <p><b>December 2023:</b> There is no evidence of the CPP development in Areas B and C.</p>
003/2023	minor	2.3.4	Outstanding	<p><b>January 2023:</b> No evidence that JKPP 8 for 2022 was submitted to DOSH.</p> <p><b>December 2023:</b> Maxland has not yet submitted the JKPP 8 for 2022 to DOSH.</p>
004/2023	minor	2.3.7	Outstanding	<p><b>January 2023:</b> No fire extinguishers were available within the camp site. Forest Fire Management Plan (FFMP) for Area A has yet to be approved by SFD. No evidence of a developed Forest Fire Management Plan (FFMP) for Areas B and C.</p> <p><b>December 2023:</b> No evidence the FFMP was developed for Areas A &amp; B and the FFMP for Area C has not been revised. Inconsistent in maintaining fire extinguishers observed at Sinora Sdn. Bhd. (Stumping A) mill.</p>
005/2023	minor	2.1.11	New	<p><b>December 2023:</b> Inadequate scheduled/domestic waste management and spillage mitigation observed at Sinora (Stumping A) mill within Area B.</p>
006/2023	minor	2.2.2 3.1.1	New	<p><b>December 2023:</b> There is no evidence of Quarry &amp; Stumping OP</p>

GAP	Type	Checklist	Status	Description
				renewal and heavy machinery FD registration is pending feedback from the SFD.

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

Obs #	Checklist	Description
001-2023 Outstanding	1.8.2	<b>January 2023:</b> The PSP data has yet to be analysed for projections of growth and yield in Area C. <b>December 2023:</b> There is no evidence of the PSP establishment for Areas A and B, and no data analysis for Area C.
002-2023 Addressed	2.3.2 2.3.7	<b>January 2023:</b> Inadequate records of training of workers for safety and fire. <b>December 2023:</b> Records of work safety and fire safety training are maintained.
003-2023	4.1.3	<b>December 2023:</b> Inconsistent in maintaining the communication and consultation with communities.

Highlights of Close Out Visit (if applicable)	Dates	09 February 2024
Major Gap <b>001/2021</b> has been addressed as the company submitted the FMP for Area C which was approved by SFD.		

Recommendations
<p><b>Maxland Sdn. Bhd.</b> has demonstrated compliance with the Sabah Legality Standard (<b>SFD-TLAS-002</b>) as non-compliance was addressed under Criterion 1.3 and is eligible to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate 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><b>Gap 002/2023 (minor) Outstanding – Checklist 1.6.1:</b> Maxland shall develop and submit the CPP for Area B and Area C.</p> <p><b>Gap 003/2023 (minor) Outstanding – Checklist 2.3.4:</b> Maxland shall submit the JKKP 8 to DOSH annually by the 31<sup>st</sup> of January.</p> <p><b>Gap 004/2023 (minor) Outstanding – Checklist 2.3.7:</b> Maxland shall develop and submit the FFMP for Areas A &amp; B. Maxland shall revise the FFMP for Area C and submit to the SFD. Maxland shall provide adequate fire extinguishers in Sinora Sdn. Bhd. (Stumping A) mill.</p> <p><b>Gap 005/2023 (minor)– Checklist 2.1.11:</b> Maxland shall implement the domestic and scheduled wastes management according to the EIA study.</p> <p><b>Gap 006/2023 (minor) - Checklist 2.2.2, 3.1.1:</b> Occupational Permits shall be renewed 3 months before the expiry date, and heavy machinery shall be registered.</p> <p><b>Observation 001-2023 (Outstanding) – Checklist 1.8.2:</b> Maxland shall establish, measure the PSP annually, and analysed data to credibly evaluate the actual stand growth and development within the planned harvest cycle against stand volumes as per the FMP.</p> <p><b>Observation 003-2023 – Checklist 4.1.4:</b> The licensee shall maintain communications records with the communities.</p> <p>The next surveillance audit will be scheduled for December 2024.</p>

**End of Summary Report**