

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Maxland Timber Sdn. Bhd. 198201014891(94655-M)	<b>Reference #</b>	GFSSBH 003-339
<b>Contact Person</b>	Albert Ganing (Manager) Cliff Edison (Assistant Manager)	<b>Date of Report</b>	28/03/2025
<b>Office Address</b>	<b>Office address:</b> Lot 5 & 6, Block 4, Bandar Indah, Mile 4, Jalan Utara, 90000 Sandakan, Sabah, Malaysia.	<b>Date of close out</b>	-
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	GFS 009 LVS		
Issuance Date	31 March 2025	Expiration Date	30 March 2026

### Assessment Details

Assessment Dates	24-28 March 2025
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2007 - FMU 17A (Area A) & FMU 17B (Area B and Area C)
Species	Area A: New planting (Eucalyptus pellita, Albizia falcataria, Red Laran, White Laran, Khaya ivorensis) Area B: New planting (Eucalyptus pellita) Area C: No harvesting yet
Lead Assessor	Glory Linggou, Teddy Quintin (Acting Lead)
Assessor(s)	Merlyne Gerard
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 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:

Maxland Sdn. Bhd. (Maxland) is, on and from 21/12/1982, incorporated under Companies Act 2016, and is registered in Sandakan, Sabah, Malaysia, with registration #: 198201014891 (94655-M). Maxland on 19/10/2023 changed its name to Maxland Timber Sdn. Bhd. (Maxland Timber).

In March 2007, Maxland Sdn. Bhd. (Maxland) entered into a long-term agreement for a period of 50 years with State Government of Sabah to develop and manage up to 1,000 ha within part of Pinangah Forest Reserve (**FMU17A – Area A**), a Commercial Forest Reserve (Class II). The FMP was submitted in reference to the Licensed Area and outlined the development and implementation plans over a period of 10 years (01/01/2021 to 31/12/2030) for the purpose of sustainable timber productions.

The Licensed Area shall be managed for timber production from planted forests, covering 2 compartments and 24 blocks zoned for Timber Plantation, with an estimated gross production area of 882.10 hectares. 1 block shall be set aside for Conservation covering an area of 71 ha. After accounting of roads, conservation zones, riparian buffers and steep areas, the estimated area for planting is about 841.80 ha, or about a reduction in the area for production by about 14% of the Licensed Area.

Notwithstanding operational constraints, the overall area to be planted is estimated at between 600-660 ha. The remaining natural forest patches shall be managed concurrently within the matrix of the planted forest for the production of timbers. The entire Licensed Area is intended to be fully planted by 2022, with planting to begin in year 2021.

In March 2007, Maxland Sdn. Bhd. (Maxland) entered into a long-term agreement for a period of 50 years with State Government of Sabah to develop and manage up to 1,000 ha within part of Pinangah Forest Reserve (**FMU17B – Area B**), a Commercial Forest Reserve (Class II). The FMP was submitted in reference to the Licensed Area and outlined the development and implementation plans over a period of 10 years (01/01/2020 to 31/12/2029) for the purpose of sustainable timber productions.

The Licensed Area shall be managed for timber production from planted forests, covering 2 compartments and 24 blocks zoned for Timber Plantation, with an estimated gross production area of 883.60 hectares. 1 block (Block 9) shall be set aside for Conservation representing a forest patch adjacent to the Plywood Mill site, adjacent to the main road towards Bukit Tinkar, covering an area of 23.16 ha. After accounting of roads, conservation zones, riparian buffers and steep areas, the estimated area for rehabilitation planting is about 425 ha, or about a reduction in the area for production by about 42% of the Licensed Area.

The planting sites shall be restricted to areas previously developed during the 1<sup>st</sup> planning phase. Several candidate tree species have been selected for planting, based on their known commercial value, fast growth, ease of procuring quality planting materials and adaptability to the site conditions over the Licensed Area. The remaining natural forest patches shall be managed concurrently within the matrix of the planted forest in effort to rejuvenate stocking levels of the forest for the production of timber. The entire Licensed Area is intended to be fully planted by 2024, with planting to begin in year 2023.

The FMP is a 2<sup>nd</sup> Phase 10-year Forest Management Plan (2022-2031) of Maxland Timber Sdn. Bhd. (Maxland Timber) for the 1000 ha management area within **FMU 17B Partly – Area C** Pinangah Forest Reserve. The State Government mandated Maxland Timber through an agreement (SFMLA 1/2007) to manage the 1000 ha for the production of timber on sustainable basis through the emplacement of sustainable forest management, such that the area continues to be productive and able to produce commercially valuable timber in perpetuity.

Steep areas, riparian areas and conservation areas were excluded from the production area. The net production area of 874.50 ha was managed through the concept of Mosaic planting. Whereby, the area was subjected to plantation establishment in open patches scattered throughout the entire area at the proportion of 60% retained in natural stands and 40% planted 456.90 ha and 417.50 ha, respectively.

**FMU 17A - Area A:**

Land classification	FMP Area (ha)	Current Status (ha)
Licensed Area	979.80	979.80
Timber Plantation Zone	882.10	882.10
Mosaic	841.80	Total Area planted: 249.04 ha Area planted by species: Eucalyptus pellita = 152.04 ha Albizia = 90.98 ha Laran = 2.89 ha Red laran = 1.20 ha Khaya ivorensis = 1.93 ha
<b>Non-production area:</b> Roads & clearings (36.80 ha) Streams, ponds, including riparian reserves (90.20 ha) Steep areas & inoperable areas (8.10 ha) Base camp & other facilities (2.90 ha)	138.00	138.00
Conservation	79.20	-

**FMU 17B - Area B:**

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	1004.70	1004.70
Production Area	892.70	892.70
Mosaic	833.60	Total Area planted: 42.30 ha Area planted by species: Eucalyptus pellita = 42.30 ha
<b>Non-production area:</b> Roads & clearings (50 ha) Streams, ponds, including riparian buffer (82 ha) Steep areas & inoperable areas (9.10 ha) Base camp & other facilities (30 ha)	171.10	171.10
Conservation	82	-

**FMU 17B - Area C:**

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	995.60	995.60
Production (Mosaic) Natural Stand = 456.46 ha Mosaic Planted Stand = 417.50 ha	874.50	874.50 Total Area planted: 417.50 ha Albizia – 247,457 Seedling Ketapang – 2,160 Seedling Laran –11,390 Seedling
Conservation area	50	50
Riparian and buffer	71.10	71.10

Note: Typo in the FMP on Production according to the licensee.

**Current Operations:**

**Area A:** The Re-planting in Area A with Eucalyptus, Albizia, Laran, and Khaya is completed in 2023. Based on the AWP 2025, Maxland Timber plans to conduct maintenance of the planted trees.

**Area B:** The harvesting for the 1<sup>st</sup> rotation planting for Area B was completed in November 2022. In 2024, harvesting on natural forest patches (selective) was conducted in Area B and complemented in August 2024. Maxland Timber is currently undertaking the site preparation and re-planting with a target of about 425 hectares in 2025. As of the assessments, re-planting activities were being conducted in Block 2.

**Area C:** For Area C, Maxland Timber has planned to conduct harvesting of planted trees and natural forest in 2025. However, according to the CHPP approval, Ref. #: JPHTN/FRM 700 -2/1/20/6(6) dated on 04/01/2025, the salvage logging will only commence if the planting in Area B reaches 50%.

<b>Coupe #</b>	<b>NFM / ITP</b>	<b>Status</b>	<b>Area (ha)</b>	<b>Geo-location data</b>
<b>Area A</b> SDK.02/2021	Mosaic	Sabah TLAS EUDR	897.00	NE:117°10'31.9" E 5°23'54.6"N SE:117°10'22.4" E 5°22'34.2"N SW:116°08'43.9" E 5°22'30.6"N NW:117°08'42.9" E 5°23'26.8"N
<b>Area B</b> SDK.12/2022	Mosaic	Sabah TLAS EUDR	896.76	NE:117°08'06.2" E 5°20'41.6"N SE:117°10'41.5" E 5°19'38.8"N SW:117°09'02.1" E 5°19'42.7"N NW:117°08'06.2" E 5°20'41.6"N
<b>Area C</b> SDK 03/2024	Mosaic	Sabah TLAS EUDR	874.50	NE: 593528 N, 828067 E SE: 592998 N, 828044 E SW: 593762 N, 820943 E NW: 595570 N, 823033 E

### Environmental Context:

The Licensed Area straddles the western limits of the Central Highlands of Sabah, and in particular, the Labuk Highlands towards the Eastern Lowlands of Sabah, and the Lokan Peneplains. The terrain of the Licensed Area is gently undulating, with low reliefs interspersed within the fluvial valleys. The elevation range of the Licensed Area is between 50m a.s.l to 225m a.s.l.

Two climax forest formations, differentiated according to edaphic conditions, once covered the Licensed Area; namely the Lowland Mixed Dipterocarp Forests (Lowland MDF), and to a lesser extent the Lowland Ultramafic Forest a forest patch located towards the north-eastern portion of the management area.

Within Area A, a total of 36 mammal species has been recorded, of which 14 species were assessed as been of conservation concern due to its threat status according to the IUCN criteria. Six (6) species recorded within Area A were listed under Schedule I and twelve (12) wildlife species recorded of which were 3 bird species, are listed under the Schedule II of the Wildlife Conservation Enactment 1997. At least 8 mammal species and 18 bird species recorded within Area A were endemic to Borneo.

Faunal diversity within Area B is expected to be generally species poor. Commonly observed are *Sus barbatus* and is listed as Vulnerable according to the IUCN Red list. Other species of importance, although rarely seen, and are transient through the Area B are Bornean Elephants, which on occasions are seen within the Planted Forests, foraging and feeding within the plantation area.

Wildlife in Area C is generally poor. Of which, attributed partly to the fact that the area is cut off from natural forests by oil palm plantations and the Karamuak River along its northern boundary. The adjacent forest (Gunung Tikar) on its westerns boundary are largely forests growing on ultramafic soils, known to be generally poor in wildlife and plan diversity. It was also pointed out that observation on the present of Orang Utan did not find an obvious Orang Utan nest, indicating that they are either not present in the area or occur in very low numbers.

Maxland Timber has an approved Environmental Impact Assessment (EIA) for all 3 licensed areas.

<b>FMU 17A - Area A</b>	<b>EPD Approval Letter #</b>	<b>EIA Consultant</b>
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.
<b>FMU 17B - Area B</b>	<b>EPD Approval Letter #</b>	<b>EIA Consultant</b>
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 (36) dated 18/02/2022	North Borneo Environmental Services Sdn. Bhd.

Area C	EPD Approval Letter #	EIA Consultant
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:

**Area A & B** – There are no villages or local communities settled within the Licensed Area. One village, kampung Kenang-Kenangan is located more than 10 KM southeast of the Licensed Area along Sg. Milian and largely made up of the Sungai Ethnic Group and was established in the 40s.

**Area C** – There are no human settlements within the Area C. however, about 9 KM southeast of the area is Kg. Karamuak, a rural settlement that is clusters around the confluence of the Karamuak River and Milian River. Other nearby villages are mainly located along the Milian River, such as, Kg. Tamoi, Kg. Mapad and Kg. Sinua. All these villages are outside forest reserve land.

Scope of Assessment
<ul style="list-style-type: none"> <li>The scope of the evaluation is to verify compliance of Maxland Timber Sdn. Bhd. with the Sustainable Forest Management License Agreement (SFMLA 01/07) for FMU 17A (partly) &amp; FMU 17B (partly).</li> <li>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).</li> <li>Site evaluation to verify and report the level of compliance by Maxland Timber Sdn. Bhd. 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 comply adequately with a criterion.</li> </ul>

### Itinerary & Mandays: 24-28 March 2025 / FMU 17A (partly) & FMU17B (partly): Maxland Timber Sdn. Bhd. / Deramakot District

Date	Activity	GFS Staff	Mandays
24 March 2025 Monday	Travel to IPS Telupid and overnight.	Glory Linggou Teddy Quintin Merlyne Gerard	3
25 March 2025 Tuesday	Opening meetings at Maxland Timber Sdn. Bhd. basecamp office. Field assessment to licensed area, licensed boundary, protected areas, planting areas, compartments and PSP. Document review. Compiling report.	Glory Linggou Teddy Quintin Merlyne Gerard	3
26 March 2025 Wednesday	Field assessment to basecamp, workers quarters, workshop & nursery. Document review. Compiling report.	Glory Linggou Teddy Quintin Merlyne Gerard	3
27 March 2025 Thursday	Document review at PPD Telupid. Compiling report.	Glory Linggou Teddy Quintin Merlyne Gerard	3
28 March 2025 Friday	Closing meeting at PPD Telupid. Travel back to home base.	Glory Linggou Teddy Quintin Merlyne Gerard	3
29 March 2025	Reporting/Administration: GFSSBH003-339	Dr. Kevin Grace Glory Linggou	2
<b>Total</b>			<b>17</b>

### Highlights of Assessment

**(Major Gaps = 0; Minor Gaps = 2; Observations = 0)**

Maxland Timber Sdn. Bhd. has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 24-28 March 2025.

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

**Principle 1. Right to Harvest**

Maxland Timber 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**

Maxland Timber demonstrated compliance with the licensed area security, maintenance of the licensed boundary, and protection of the riparian reserve and steep area. Maxland Timber has also implemented their system to monitor planted trees and ensure compliance with the regulatory requirements for workers.

**March 2025: Gap 001/2025 (minor) – Checklist 2.4.8**

One worker was not registered and contributed under EPF since 10/2024, no 03/2025 EPF contribution and JKPP 8 for 2024 was not submitted to DOSH.

**Principle 3. Statutory Charges**

Maxland Timber has paid the applicable licensing fees and other charges to the SFD.

**March 2025: Gap 002/2025 (minor) – Checklist 3.1.1**

The OP renewal is pending payment by Maxland Timber.

**Principle 4. Other User Rights**

**Area A & B** – There are no villages or local communities settled within the Licensed Area. One village, kampung Kenang-Kenangan is located more than 10 KM southeast of the Licensed Area along Sg. Milian and largely made up of the Sungai Ethnic Group and was established in the 40s.

**Area C** – There are no human settlements within the Area C. however, about 9 KM southeast of the area is Kg. Karamuak, a rural settlement that is clusters around the confluence of the Karamuak River and Milian River. Other nearby villages are mainly located along the Milian River, such as, Kg. Tamoi, Kg. Mapad and Kg. Sinua. All these villages are outside forest reserve land.

### Summary Results:

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

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

GAP	Type	Checklist	Status	Description
001/2025	minor	2.4.8	New	<b>March 2025:</b> One worker was not registered and contributed under EPF since 10/2024 no 03/2025 EPF contribution and JKPP 8 for 2024 was not submitted to DOSH.
002/2025	minor	3.1.1	New	<b>March 2025:</b> The OP renewal is pending payment by Maxland Timber.

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

Obs #	Checklist	Description
-	-	-

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

### Recommendations

**Maxland Timber 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 2.4.8:** Maxland Timber shall ensure all workers are registered and contributed under EPF and monthly EPF is paid and should submit JKKP 8 annually.

**Gap 002/2025 (minor) – Checklist 3.1.1:** Maxland Timber shall expedite the OP renewal payment to SFD.

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

### End of Summary Report