

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

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|-----------------------|---|--------------------------|---------------------------------|
| Licensee | Jayakuik Sdn. Bhd. 198401019381 (131939-V) | Reference # | GFSSBH 003-240 |
| Contact Person | Chin Fook Vui (Manager) | Date of Report | 02/02/2024 |
| Office Address | Particle Board Factory, Integrated Timber Complex, Jalan Lok Yen, Sg. Saguntor, Off Mile 10, Labuk Road, Sandakan, Sabah, Malaysia. | Date of close out | - |
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| | | Approved By | Dr. Kevin Grace |

Statements

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| Audit Statement | GFS 017 LVS | | |
| Issuance Date | 05 February 2024 | Expiration Date | 04 February 2025 |

Assessment Details

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|---------------------|---|
| Assessment Dates | 29 January – 02 February 2024 |
| Scope of Assessment | Sabah TLAS P1-4: (SFMLA 01/2008) FMU 2 |
| Species | ITP planted species: <i>Acacia mangium</i> and <i>Eucalyptus pellita</i> |
| Lead Assessor | Priera Bagang |
| Assessor(s) | Tommy Olui |
| SFD Staff | Nesesius Nasir (PPW Kudat), Peter Sumpit (KPPM Rosob/Tangkarason), Rayner Marcello (PPM Rosob/Tangkarason), Fadzil D. Moxsin (ADFO Pitas), Jaludin Urubit (SFM 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 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:

- Jayakuik Sdn. Bhd. (Jayakuik) is a Sandakan-based company in Sabah.
- In September 2008, Jayakuik entered into an agreement (SFMLA 01/2008) with the government of the state of Sabah to undertake forest management over an area of approximately 1,000 ha within the Jambongan forest Reserve (FMU) for a period of 50 years, running from 11/09/2008 to 31/09/2057. On 26/10/2013, another agreement was signed between Jayakuik and the Sabah state government, whereby an additional 582 ha was incorporated into the licensed area.
- Jayakuik does not engage any other subcontractor for logging and planting activities.
- The previous assessment was conducted in February 2023 that resulted in 1 gap(s) and 2 Observation(s) (Report #: GFSSBH 003-180).

Current Operations:

- Jayakuik is currently focusing on maintenance of planted trees, firebreak, and forest security.
- No harvesting operation as of the assessment
- Based on the 2024 AWP, timber harvesting inside the plantation area will begin in the 2nd quarter of 2024 for block 4,5 & 6. The replanting program is scheduled to begin six months after the completion of harvesting.

Land use classification:

| Land classification | Revised 2 nd FMP Area (ha) | Current status as of Jan 2024 (ha) |
|---|---------------------------------------|---|
| Total Concession Area | 1,582.60 | 1,582.60 |
| Production Area | 1,394.03 | 1,394.03 |
| - Plantation Forest (ITP) Phase 1 (Blocks 1 - 17) Phase 2 (Blocks 18 - 29) | 997.41 582.60 | Net area planted (ha) Phase 1 = 854.84 ha Phase 2 = 394.92 ha Total planted area: 1,249.76 ha |
| Protected Forest & Conservation Phase 1 (Blocks 1 - 17) Phase 2 (Blocks 18 - 29) | 109.32 25.00 | 109.32 25.00 |
| Infrastructure, Roads, Buildings Phase 1 (Blocks 1 - 17) Phase 2 (Blocks 18 - 29) | 14.72 9.80 | 14.72 9.80 |
| Fire barrier Phase 1 (Blocks 1 - 17) Phase 2 (Blocks 18 - 29) | 15.60 8.60 | 15.60 8.60 |
| Pond / reservoir | 0.17 | 0.17 |
| Mangrove forest (Block 29) | 2.59 | 2.59 |
| Basecamp (Phase 1) | 2.77 | 2.77 |

Environmental Context:

- El Nino drought-induced fires during the 1980s destroyed much of the natural forest of the Jambongan Forest Reserve. Among the tree species that were predominant dipterocarp found in the forest reserve is *Dryobalanops beccarii* or kapur merah. Other common dipterocarps were *Shorea Smithiana* (Seraya timbau), *S. macroptera* (Seraya melantai), and *S. beccariana* (Seraya Langgai). These species are an indication of sandy soils on sandstone cuestas. Nepenthes species have been observed on the island. Nepenthes species are considered threatened or

endangered plants and most are listed in CITES. Mangrove forests fringe the southern boundary of the project area.

- Wildlife diversity is considered low, given the poor state of the forest. According to the forest workers, saltwater crocodile, deer, wild boars, lizards, and snakes exist on the island.
- The EIA report for the phase 1 area, "Development of forest plantation at Jambongan Forest Reserve, Pulau Jambongan, Sabah" was conducted by Envsolve Sdn. Bhd. and approved by the EPD [Ref.# JPAS/PP/02/600-1/01/3/33(11) dated 07/10/2010].
- The second EIA report for the phase 2 area, "Development of Forest Plantation (582 hectares) in Pulau Jambongan, Sabah" was conducted by Envsolve Sdn. Bhd. and approved by the EPD [Ref.# JPAS/PP/IPTS/600-1/01/3/61(9) dated 23/01/2017].

Social Context:

- Jayakuik does not have a separate SBS or SIA study within the licensed area. However, based on the 2nd FMP, there are no human settlements within the project area. 3 settlements are situated within Pulau Jambongan, namely Kg. Jambongan, Kg. Melalin, and Kg. Limau-Limau. Approximately 1,300 people reside in these three settlements, with the majority being Bajau-Suluk ethnic group. The island inhabitants predominantly live in the coastal areas and are primarily engaged in fishing activities. According to the 2nd FMP, there is no evidence indicating dependency on the licensed area by the island communities.

| Scope of Assessment | |
|---|--|
| <ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Jayakuik Sdn. Bhd. with the Sustainable Forest Management License Agreement (SFMLA 01/2008) for FMU 2. • 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 Jayakuik Sdn. Bhd. 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 2 - Jayakuik Sdn. Bhd. / Pitas District / 29 January-02 February 2024 (Total Mandays = 12)

| Date | Activity | GFS Staff | Mandays |
|------------------------------|--|----------------------------------|-----------|
| 29 January 2024 Monday | Opening meeting at PPD Pitas and document review & compiling report. Overnight at Kota Marudu. | Priera Bagang Tommy Olui | 2 |
| 30 January 2024 Tuesday | Travel to licensed area, Jambongan Island, and overnight. Field assessment to licensed area: Licensed boundaries, protection areas, maintenance of planted areas, fire tower & fire break. Document review and compiling report. | Priera Bagang Tommy Olui | 2 |
| 31 January 2024 Wednesday | Field assessment to licensed area: Basecamp, PSP plots, OPs. Document review and compiling report. Travel to Kota Maurudu and overnight. | Priera Bagang Tommy Olui | 2 |
| 01 February 2024 Thursday | Document review at PPD Kota Marudu and closing meeting. | Priera Bagang Tommy Olui | 2 |
| 02 February 2024 Friday | Finalising report and travel to Kota Kinabalu. | Priera Bagang Tommy Olui | 2 |
| 03-04 February 2024 | Reporting GFSSBH 003-240 | Dr. Kevin Grace Priera Bagang | 2 |
| Total | | | 12 |

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 4; Observations = 1)

Jayakuik Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 29 January – 02 February 2024.

Summary of status of operations by Principle:

Principle 1:

Jayakuik holds a license agreement (SFMLA 01/2008) that expires on 31/12/2057. On 26/10/2013, a Supplemental Agreement for SFMLA 01/2008 was established, adding an additional 582 ha to the licensed area. Jayakuik has demonstrated compliance with the license requirements, including management, planning, and submission of documents such as EIA and environmental quarterly reports to EPD.

The 2nd FMP (2017 - 2026) was revised and approved on 07/07/2022 by the Chief Conservator of Forests (Ref.#: JPHTN/SFM 800-1/1/9/36). Jayakuik also possesses a separate Plantation Development Plan (PDP) (2022 - 2031), which was approved by the Chief Conservator of Forests on 07/07/2022 (Ref.#: JPHTN/SFM 800- 1/1/9/36, dated: 07/07/2022).

February 2023: Gap 001/2023 (minor) – Checklist 1.6.1

Jayakuik has yet to develop a Compartment Planting Plan (CPP) for the plantation area. The harvesting and planting schedule in the PDP have yet to be revised in accordance with the AWP 2023.

January 2024: Gap 001/2023 (minor) – Outstanding

No evidence of the CPP development for the planned harvesting in 2024, and the information regarding the harvesting and planting schedule differs between the 2nd FMP (2017-2026) and the PDP (2022 - 2031).

February 2023: Observation 001-2022 (Outstanding)

PSP measurements and analysis were not correct with respect to determining mean tree volume and survival over the sample plot to calculate mean annual growth.

January 2024: Gap 001/2024 (Raised to minor)

No evidence of the PSP data analysis conducted by Jayakuik.

January 2024: Observation 001-2024 - Checklist 1.3.2.8

The summary of block plantings is outdated and differed from the records in the PDP document.

Principle 2.

Demarcation of areas prohibited from harvesting, such as natural forest reserve, and buffer zone, were identifiable on the ground. No evidence of a disturbance was observed during the field assessment.

As of the assessment, Jayakuik has not conducted any logging operations.

January 2024: Gap 002/2024 (minor) - Checklist 2.2.2

Jayakuik has yet to pay the weighing station OP and is awaiting feedback from the Chief Conservator of Forests regarding the proposed OP for the log yard.

February 2023: Observation 001-2023 (Outstanding) – Checklist 2.3.4

Jayakuik has yet to register with DOSH.

January 2024: Gap 003/2024 (Raised to minor)

Jayakuik has not taken action to register with DOSH.

Principle 3.

Jayakuik has maintained the payment receipts, which were available during the assessment. As of the assessment, Jayakuik has not engaged in log production.

January 2024: Gap 002/2024 (minor) - Checklist 3.1.1

Jayakuik has yet to pay the weighing station OP and is awaiting feedback from the Chief Conservator of Forests regarding the proposed OP for the log yard.

Principle 4.

Jayakuik does not have a separate SBS or SIA study within the licensed area. However, based on the 2nd FMP, there are no human settlements within the project area. 3 settlements are situated within Pulau Jambongan, namely Kg. Jambongan, Kg. Melalin, and Kg. Limau-Limau. According to the 2nd FMP, there

| Highlights of Assessment |
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| is no evidence indicating dependency on the licensed area by the island communities. |

Summary Results:

(Major gap = 0, Minor gap = 4, Observation = 1)

Gap raised against indicators & criteria during the January 2024 assessment.

| GAP | Type | Checklist | Status | Description |
|----------|--------------|----------------|-----------------|---|
| 001/2023 | minor | 1.6.1 | Outstanding | February 2023: Jayakuik has yet to develop a Compartment Planting Plan (CPP) for the plantation area. The harvesting and planting schedule in the PDP have yet to be revised in accordance with the AWP 2023. January 2024: No evidence of the CPP development for the planned harvesting in 2024, and the information regarding the harvesting and planting schedule differs between the 2 nd FMP (2017-2026) and the PDP (2022 - 2031). |
| 001/2024 | Obs 001-2022 | 1.8.2 | Raised to minor | February 2023: PSP measurements and analysis were not correct with respect to determining mean tree volume and survival over the sample plot to calculate mean annual growth. January 2024: No evidence of the PSP data analysis conducted by Jayakuik. |
| 002/2024 | minor | 2.2.2 3.1.1 | New | January 2024: Jayakuik has yet to pay the Occupation Permit for the weigh station that was approved in Aug 2023. |
| 003/2024 | Obs 002-2022 | 2.3.4 | Raised to minor | February 2023: Jayakuik has yet to register with DOSH. January 2024: Jayakuik has not taken action to register with DOSH. |

Observation raised against indicators & criteria during the January 2024 assessment.

| Obs # | Checklist | Description |
|----------|-----------|---|
| 001-2024 | 1.3.2.8 | January 2024: The summary of block plantings is outdated and differed from the records in the PDP document. |

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

Recommendations

Jayakuik Sdn. Bhd. has 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.

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 001/2023 (minor) Outstanding – Checklist 1.6.1: Jayakuik shall develop the Compartment Planting Plan (CPP) for the planned harvesting area in 2024 and revise the schedule for harvesting and planting within the 2nd FMP.

Gap 001/2024 (Raised to minor) – Checklist 1.8.2: Jayakuik shall conduct the PSP analysis and maintain the records.

Gap 002/2024 (minor) - Checklist 2.2.2, 3.1.1: Jayakuik shall pay the OP registration fees and SFD to expedite the new OP registration process.

Gap 003/2024 (Raised to minor) – Checklist 2.3.4: Jayakuik shall register with DOSH as part of the DOSH requirement.

Observation 001-2024 - Checklist 1.3.2.8: Jayakuik shall update the blocks summary planting records for Phase 2.

The next annual surveillance audit will be scheduled for January 2025.

End of Summary Report