

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Lagenda Aktif Sdn. Bhd. (928270-K)	Reference #	GFSSBH 003-234
Contact Person	Frederick Ikang (Estate Manager)	Date of Report	22/12/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 033 LVS		
Issuance Date	26 December 2023	Expiration Date	25 December 2024

Assessment Details

Assessment Dates	18 - 22 December 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 02/2012
Species	ITP Area: <i>Hevea brasiliensis</i> (Rubber tree) NFM Area: <i>Hopea</i> sp. (Gagil), <i>Octomeles sumatrana</i> (Binuang) Botanical Area: <i>Durio</i> sp. (indigenous Durian)
Lead Assessor	Glory Linggou
Assessor(s)	Tommy Olui, Vanessa Abin
SFD Staff	Esebius Aegidius (PPD Sook), Victor Gadius (PPD Sook), Ferderick Ferdinand (PPD Sook)

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 01st 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:

- The State Government of Sabah has awarded an area of 10,008 ha located in Ulu Sg. Millian Forest Reserve to Lagenda Aktif Sdn. Bhd. (Lagenda Aktif) under Sustainable Forest Management License Agreement (SFMLA) 02/2012. Ulu Sg. Millian Forest Reserve is classified as a Commercial Forest Reserve (Class II) and falls within FMU No. 11, which was formerly managed by Bornion Timber Sdn. Bhd.
- Under the SFMLA 02/2012 provision, Lagenda Aktif is responsible for carrying out forestry operations, which include Industrial Tree Plantation (ITP), Integrated Mosaic Planting, residual timber harvesting, silviculture treatment and enrichment planting within the licensed area on a sustainable basis for 50 years (24/05/2012 – 31/12/2062). The area is divided into 2 coupes: Coupe KGU 11/14 for NFM / Mosaic Restoration and Coupe KGU 29/12 for ITP / Rubber Plantation.
- The previous assessment was conducted in January 2023 that resulted in 0 gap(s) and 3 observation(s) (Report #: GFSSBH003-174).

Current Operations:

- As of the assessment, no log harvesting has been conducted in the licensed area. The last logging activity was carried out in April 2022.
- Currently, Lagenda Aktif focuses on rubber tapping, tree planting, planted tree maintenance, forest protection and monitoring.
- Planting summary as of November 2023 as follows:

Year	Compartment	Summary Data	
		Species	Area (ha)
2013	3, 4	Rubber	210.90
2014	1, 3, 4, 5, 6, 7, 10, 20, 21	Rubber	1380.44
2015	10, 20, 21, 22, 24, 25, 26, 27	Rubber	503.39
2016	10, 11, 22, 23, 25, 26, 27	Rubber	858.18
2017	23, 24, 25, 26, 27	Rubber	135.51
2021	25	Rubber	33.54
2022	25	Rubber	14.88
2023	8, 17, 25, 26, 27	Rubber	453.98
Grand Total			3,590.82

- Land use classification:

Land classification	2 nd FMP Area (ha)	Current Status (ha)
Total Concession Area	10,008	10,008
NFM - Mosaic Coupe # KGU 11/14	695.67	As of November 2023: Planted trees: - Binuang: 6,934 - Gagil: 20,355
ITP - Rubber plantation Coupe #: KGU 29/12	3,688.92	As of November 2023: Planted rubber = 3,590.82 ha As of November 2023: Cup lump = 1,004,717 kg
Protected / Conservation Areas	3,543.35	3,543.35
Botanical farm area	955.13	As of November 2023: Botanical Area = 190.62 ha <i>Durio sp.</i> = 16,730 trees
R&D	191.92	191.92
Community Forestry	860.80	860.80
Infrastructure	72.20	72.20

Environmental Context:

- Bornion Timber Sdn. Bhd. formerly held the SFMLA licensed area before it was excised in 2012. There are no activities carried out by Bornion Timber Sdn. Bhd. within this area since 1997. Prior to 1997 (in the 70s), Ulu Sg. Millian Forest Reserve was extensively logged by at least 19 different companies. The logging licenses were issued based on a short to medium-term basis, which varied from one year (Form I license) to 25 years, depending on the extent of the area licensed. The licensees were not required to carry out forest rehabilitation and silvicultural treatment operations under these licenses. This was solely under the responsibility of the Sabah Forestry Department.
- Originally, the SFMLA area comprised three forest types, which included Upland Mixed Dipterocarp Forest (9,337.9 ha), Lowland Mixed Dipterocarp Forest (558.9 ha), and Lowland Dipterocarp and Heath Forest (111.60 ha).
- The forests of the licensed area are severely degraded and left with low-quality stands of few Dipterocarp species (*Shorea leprosula*, *Anisoptera costata*, *Hopea sangal*, etc.), and are mostly dominated by *Macaranga* spp. and species of the *Zingiberaceae* family.
- No recent wildlife assessments have been undertaken in the area to determine the extent of these wildlife species that still occur. The only areas left behind are disturbed habitats within the NFM area.
- The nearby local communities rely highly on the watershed areas as their water-gravity systems located within the SFMLA.
- This SFMLA area is covered by an existing EIA report titled Proposed Forestry Operation in Sustainable Forest Management Licence Agreement (SFMLA) 02/2012 Of Ulu Sg. Milian Forest Reserve in Sook, Keningau, Sabah. The EIA report was approved on 23rd August 2012 [JPAS/PP/03/600-1/01/3/50(5)].

Social Context:

- Lagenda Aktif conducted a Social Baseline Survey (SBS) from November 2011 to January 2012, in full consultation and cooperation with Sook and Nabawan District Forestry staff and officers from both District Councils.
- There are no villages located within the SFMLA area. However, 4 villages are located within a 2 km distance from the boundary of the SFMLA area Kg. Saup Baru, Kg. Pulutan, Kg. Mototou, and Kg. Kawakaan.
- Based on the FMP, there is no human settlement inside the licensed area. However, Lagenda Aktif identified 860.80 ha encroached by the nearby villagers planting agricultural crops and oil palm trees. These areas, occurring in compartments 12, 11, 5 and 1 were mapped as Community Forestry areas.
- Dusun and Murut Lundayeh form the majority of the ethnic groups found in these villages. All villages have basic infrastructure through road access, and electricity is supplied by SESB or generator sets. Water supply is provided through piped-gravity feed systems.
- About 20% of the respondents of the social survey own Titled Land (ranging from 0.1 ha to 5.0 ha), while 80% stated that they do not own any land or are in the process of applying for Native Titles. In addition, all villagers recognize the importance of watershed conservation for their water supply, whereas the only watershed areas available are located within the nearby SFMLA area.
- 100% of the households depend on the water sources from the forest reserve, 95% practice hunting, and 60% harvest rattan from the FMU, 15% still utilize firewood and 10% occasionally collect medicinal plants from the licensed area.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Lagenda Aktif Sdn. Bhd.** with the Sabah Forest Management License Agreement (SFMLA 02/2012) FMU11 (partly).
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (**SFD-TLAS-002**).
- Site evaluation to verify and report the level of compliance by **Lagenda Aktif 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

Scope of Assessment

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 11 (Partly) / Lagenda Aktif Sdn. Bhd. / Close-out: FIIB Topsure Development Sdn. Bhd. (Mark AK Construction Sdn. Bhd.) / Sook District / 18 – 22 December 2023 (Total Mandays = 19)

Date	Activity	GFS Staff	Mandays
18 December 2023 Monday	Travel to Keningau and opening meeting at PPD Keningau.	Glory Linggou Tommy Olui Vanessa Abin	3
19 December 2023 Tuesday	Field assessment to Botanical area, licensed boundary, protected areas, and campsite. Document review and compiling report. Compiling report.	Glory Linggou Tommy Olui Vanessa Abin	3
20 December 2023 Wednesday	Social evaluation for Kg. Pulutan. Document review and compiling report. Compiling report.	Glory Linggou Tommy Olui Vanessa Abin	3
21 December 2023 Thursday	Document review and compiling report.	Glory Linggou Tommy Olui Vanessa Abin	3
22 December 2023 Friday	Closing meeting at PPD Keningau. Travel to home base. Close-out for Topsure Development (Mark AK Construction).	Glory Linggou Tommy Olui Vanessa Abin	3
23-24 December 2023	Reporting GFSSBH 003-234 Reporting GFSSBH 003-227a	Dr. Kevin Grace, Glory Linggou	3
Total			19

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 3; Observations = 2)

Lagenda Aktif Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 18-22 December 2023.

Summary of status of operations by Principle:

Principle 1.

Lagenda Aktif demonstrated compliance with the SFD regulations. The SFMLA 02/2012 was granted and valid for 50 years until 31/12/2062. The 2nd 10-year Forest Management Plan (01/01/2022 – 31/12/2031) was approved by the SFD on 21/03/2022 [Ref. #: JPHTN/SFM 800-1/1/34(JILID.3)/41].

January 2023: Observation 001-2023

Lagenda Aktif has yet to add additional information in the FMP through an amendment slip as required by SFD [Ref. #: JPHTN/SFM 800-1/1/34(JILID.3)/41, dated 21/03/2022].

December 2023: Observation 001-2023 (Outstanding) - Checklist 1.3.1

No evidence that Lagenda Aktif has included the additional information in the FMP through an amendment slip as required by SFD.

January 2023: Observation 001-2021 (Outstanding)

The List of Compartments in Appendix 1 (pg. 88, 2nd FMP) contradicts the statement stated in "5.3.2 Areas Designated for Production" in the 2nd FMP (pg. 44).

December 2023: Gap 001/2023 (Raised to minor) – Checklist 1.3.2.5, 1.3.2.6

The List of Compartments in Appendix 1 (pg. 88, 2nd FMP) contradicts section "5.3.2 Areas Designated for Production" in the 2nd FMP (pg. 44).

January 2023: Observation 002-2023

Lagenda Aktif has yet to submit AWP 2023 to SFD.

December 2023: Observation 002-2023 (Addressed)

The AWP 2023 was submitted to the SFD.

Highlights of Assessment

December 2023: Gap 002/2023 (minor) – Checklist 1.6.1

The Plantation Development Plan is pending approval from the SFD.

Principle 2.

The SFD did not require the RIL harvesting system to be implemented inside the licensed area.

December 2023: Observation 003-2023 – Checklist 2.3.1 & 2.3.5

Self-employed rubber tappers are not registered or contributed under SOCSO.

Principle 3.

Protected areas are mapped and identified on the ground. There is no evidence that Lagenda Aktif had operated inside protected areas. As of the assessment, no log harvesting has been conducted in the licensed area. The last logging activity was carried out in April 2022.

December 2023: Gap 003/2023 (minor) – Checklist 3.1.2

Inconsistent payment of cup lump royalty to SFD.

Principle 4.

There are no villages located within the SFMLA area. However, 4 villages are located within a 2 km distance from the boundary of the SFMLA area Kg. Saup Baru, Kg. Pulutan, Kg. Mototou, and Kg. Kawakaan. The local communities recognized the importance of watersheds as a source of their water supply and the only watershed areas available are located within the SFMLA area.

Lagenda Aktif identified 860.80 ha encroached by the nearby villagers planting agricultural crops and oil palm trees. These areas, occurring in compartments 12, 11, 5 and 1 were mapped as Community Forestry areas.

Lagenda Aktif has taken mitigation measures on the impacts by educating and provide training for the villagers, especially the younger generations, to participate in the activities and employment opportunities created or provided by the licensee, preserve the villager's water catchment, ensure access roads to local villages are safely accessible and maintained.

Lagenda Aktif also developed a formal SOP for communication and to address disputes. (*Standard Operating Procedure (SOP): Menangani Konflik dari penduduk setempat yang berdekatan dengan SFMLA 02/2012, dated 30/11/2022*).

Summary Results:

(Major gap = 0, Minor gap = 3, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2023	Obs 001- 2021	1.3.2.5 1.3.2.6	Raised to minor	December 2021: The FMP lacks a list of compartments with defined land use categories whereby contradicting information was identified against the NFM land use table (Table 16 page 53-54). January 2023: The List of Compartments in Appendix 1 (pg. 88, 2 nd FMP) contradicts the statement stated in "5.3.2 Areas Designated for Production" in the 2 nd FMP (pg. 44). December 2023: The List of Compartments in Appendix 1 (pg. 88, 2 nd FMP) contradicts section "5.3.2 Areas Designated for Production" in the 2 nd FMP (pg. 44).
002/2023	minor	1.6.1	New	December 2023: The Plantation Development Plan (PDP) is pending approval from the SFD.
003/2023	minor	3.1.2	New	December 2023: Inconsistent payment of cup lump royalty to SFD.

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

Obs #	Checklist	Description
001-2023 Outstanding	1.3.1	<p>January 2023: Lagenda Aktif has yet to add additional information in the FMP through an amendment slip as required by SFD (Ref. #: JPHTN/SFM 800-1/1/34(JILID.3)/41, dated 21/03/2022).</p> <p>December 2023: No evidence that Lagenda Aktif has included the additional information in the FMP through an amendment slip as required by SFD.</p>
002-2023 Addressed	1.4.1	<p>January 2023: Lagenda Aktif has yet to submit AWP 2023 to SFD.</p> <p>December 2023: The AWP 2023 was submitted to the SFD.</p>
003-2023	2.3.1 2.3.5	<p>December 2023: Self-employed rubber tappers are not registered or contributed under SOCSO.</p>

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

Recommendations
<p>Lagenda Aktif 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 001/2023 (Raised to minor) – Checklist 1.3.2.5 & 1.3.2.6: The delineation of compartment described in Appendix 1 shall be in accordance with areas designated for production in the FMP.</p> <p>Gap 002/2023 (minor) – Checklist 1.6.1: SFD shall expedite the approval of Plantation Development Plan.</p> <p>Gap 003/2023 (minor) – Checklist 3.1.2: Lagenda Aktif shall pay all cup lump royalty to SFD consistently.</p> <p>Observation 001-2023 (Outstanding) – Checklist 1.3.1: Lagenda Aktif shall expedite the FMP amendment, where necessary, and submit it to SFD.</p> <p>Observation 003-2023 – Checklist 2.3.1 & 2.3.5: Lagenda Aktif shall contact and follow up with SOCSO regarding registration and contribution for self-employed workers as listed under PERKESO Social Security Scheme as required.</p> <p>The next surveillance audit will be scheduled for December 2024.</p>

End of Summary Report