

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Rakyat Berjaya Sdn. Bhd. 197001000639 (009867-W) Contractor: Beta Bumi Sdn. Bhd. 200601021789 (741542-H)	Reference #	GFSSBH 003-331
Contact Person	Ronnie Bibi (Forestry Manager RBJ Sandakan) Albert Ganing (Maxland Timber) Cliff Edison/Jovinia Johin (Maxland Timber)	Date of Report	14/02/2025
Office Address	<u>Rakyat Berjaya Sdn. Bhd.</u> Jalan Sekolah Cheng Min, P.O. Box 1437, 90715 Sandakan, Sabah, Malaysia. <u>Beta Bumi Sdn. Bhd./Maxland Timber Sdn. Bhd.</u> Lot 5 & 6, 1 st Floor, Block 4, Bandar Indah, Mile 4, Jalan Utara, 90732 Sandakan, Sabah, Malaysia.	Date of close out	-
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 038 LVS		
Issuance Date	17 February 2025	Expiration Date	16 February 2026

Assessment Details

Assessment Dates	10-14 February 2025
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 (FMU 16), Coupe Licenses: (SDK 06/13, SDK 02/14, SDK 04/14, SDK 01/14, SDK 06/14, SDK 05/15, SDK 08/21)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Eugenia spp.</i> (Obah) and OT (Other timber)
Lead Assessor	Brandon James
Assessor(s)	Teddy Quintin, Keith Sintar, Anne G. Grace (Observer)
SFD Staff	Mohd Afif Bin Mohd Affandy (ADFO Tongod), Yaacob Beni (PPD Tongod), Erick Gimputu (PPD Tongod)

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:

The Sabah Foundation (Yayasan Sabah) is a statutory government entity formed by enactment in the Sabah State Legislative Assembly in 1996. Its' general objectives are to provide educational opportunities, social welfare support, as well as equitable economic opportunities for the people of Sabah. In order to fulfil these objectives, the Foundation was allocated a large forest concession area in Sabah, comprising 8 FMU which cover a total area of close to 800,000 hectares. This entire concession area is licensed for 100 years to the Foundation under Sustainable Forest Management Licensed Agreement 09/97 (SFMLA). By an agreement in 1971, the Sabah Foundation assigned the rights to manage and conduct all commercial forestry operations related to this concession to Rakyat Berjaya. As such, Rakyat Berjaya serves as the commercial arm of the Foundation.

In October 2010, the Forestry Department approved the FMP for FMU 15 and 16, covering approximately 176, 993 ha of the Sg. Pinangah Forest Reserve. The Sg. Pinangah Forest reserve is designed by law as a Commercial Forest Reserve (Class II) intended primarily for timber production.

In the FMP for FMUs 15 and 16, an area of about 20,151 hectares within FMU 16 is allocated for intensive forest rehabilitation, following a mosaic planting approach that integrates natural forest management and forest plantations. This decision was made due to poor timber stands in the area. For the purpose of this proposed development, a sub-FMP is required. The proposed 20,151 ha area (Project Area) was previously logged between 2003 and 2011.

The sub-FMP was submitted by Rakyat Berjaya to the SFD in reference to the project area, based on the approved FMP for FMUs 15 & 16. The plan outlines the development and implementation plan for the project area over a period of 10 years. The primary long-term goal is to ensure the sustainable production of timber from both the systematic cultivation of fast-growing trees and the improvement of existing natural timber stands, in compliance with all existing rules, regulations and prescribed constraints.

Beta Bumi Sdn. Bhd. a Sandakan-based company, with a long-term interest in the timber industry, has been appointed by Rakyat Berjaya as the contractor to undertake the task of developing the project area.

The Integrated Mosaic Planting Agreement was made on 18/03/2013 between Rakyat Berjaya (the Licensee) and Beta Bumi (the Contractor), whereas the Contractor is managing and securing wood resources on a long-term basis for the purposes of sustainable production of timber and natural industrial products. The agreement shall be deemed to have come into force on 07/12/2012 and shall, unless previously terminated under Clause 43 or 68, terminate or expiry date of a period of 50 years.

Beta Bumi manages 19,421 ha under FMU 16 that is divided into areas 'A', 'B' and 'C' located in the centre of Sabah and clustered around the Imbak Canyon Conservation Area. Areas A, B, C have 7 approved Coupe Permits with 50-year validity.

Coupe Permit #	Block	Expiry	Area (ha)
SDK 06/13	YS 01/12 (Area A1)	10/03/2063	5,662.62
SDK 02/14	YS 01/12 (Area A2)	12/03/2064	946.00
SDK 04/14	YS 01/12 (Area A2)	12/03/2064	1,021.00
SDK 08/21	YS 01/12 (Area B)	25/07/2071	3,959.49
SDK 01/14	YS 01/12 (Area C1)	12/03/2064	2,308.53
SDK 06/14	YS 01/12 (Area C1)	12/03/2064	1,964.00
SDK 05/15	YS 01/12 (Area C2)	17/02/2066	3,559.96
Total area			19,421.60

Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	20,151	20,151
Net Production Area	17,901	Coupe permit = 19,421.60 ha Logged area = 12,589.96
Natural Forest Management	4,211	Logged NFM = 2,299 ha
Intensive Tree Planting (Mosaic) 50% Planting Area = 7,970 ha 50% Natural Forest = 7,970 ha	15,940	Planted area = 2,485.61 ha Liberation treatment = 2,866.55 ha Planting area (60%) = 4,853.69 ha Natural stands (40%) = 3,682.39 ha Note: As per AWP 2025, Beta Bumi plans to conduct mosaic planting in 2025; therefore, the total planted area has not yet reached 15,940 hectares.
Protected Forest & Conservation	2,045	Steep Area = 195 ha River Stream Buffer = 1,550 ha Imbak Canyon Conservation Area buffer = 300 ha
Infrastructure, Roads Buildings, etc.	205	205

Current Operations:

The last logging activities were conducted in December 2022 (Area B).

Due to poor planting performance, the SFD has mandated that Beta Bumi completes planting of backlog area of 4,501 hectares (Ref. #: JPHTN/SFM 800-1/1/7/7/99, dated 23/05/2023).

The approved AWP 2025, states that Beta Bumi is strictly not allowed to conduct salvage logging until the planting target of 1,500 hectares in the AWP 2025 is completed including conditions listed under Ref. #: JPHTN/SFM800-1/1/7/7/(JILID.2)/91 dated 18/12/2024).

Based on the AWP 2025, the plan for mosaic planting is designated for Compartments B1 to B10.

Comp #	NFM / ITP	Status	Area (ha)	Geo-location data Area B
B1	Mosaic	Sabah TLAS	281	N: 5° 15' 00" N; 117° 00' 00" E
B2	Mosaic	Sabah TLAS	161	NE: 5° 14' 00" N; 117° 01' 00" E
B3	Mosaic	Sabah TLAS	220	NW: 5° 14' 00" N; 116° 57' 30" E
B4	Mosaic	Sabah TLAS	238	SE: 5° 12' 30" N; 117° 01' 00" E
B5	Mosaic	Sabah TLAS	336	SW: 5° 15' 00" N; 116° 55' 30" E
B6	Mosaic	Sabah TLAS	311	S: 5° 12' 00" N; 116° 59' 00" E
B7	Mosaic	Sabah TLAS	347	*
B8	Mosaic	Sabah TLAS	533	*
B9	Mosaic	Sabah TLAS	276	*
B10	Mosaic	Sabah TLAS	223	*

Note* Based on the Land Use map of the concession area provided by Beta Bumi, geo-location is based on Area B, not individual compartments.

Environmental Context:

Area 'B' is relatively flat, whereas the terrain in Area 'A' and 'C' is more undulating topography.

The highest point is 620 m located in Area 'C' and 80% of all licensed area falls below 300 m asl.

Site relief of the 3 licensed areas is given in the table below:

Gradient	Area (ha)	Percentage
0° – 8°	5,332	28
8° – 15°	8,359	42
15° – 25°	6,313	29
>25°	199	1

The major rivers draining the area are Sg. Pinangah, Sg. Milan, Sg. Imbak, Sg. Sinoa.

The main soil type is Orthic Acrisols and deemed marginal for agriculture development.

Mean annual rainfall is 3,063 mm, with the driest months in March, April and October, while December and January are the wettest months.

The 3 licensed areas once supported rich lowland mixed dipterocarp forests and are now relegated to a residual forest that is considered poor due to bad logging practices in the past.

The forest area harbours some iconic species, such as the Orangutans, Borneo gibbons, Tembadau and Borneo pygmy elephants but in low numbers. Poor logging practices have exacerbated the already low wildlife density by forest fragmentation (broken canopy, large gaps, open conditions, etc.). Wildlife habitat is expected to improve as the forest recovers over time.

The mosaic planting area shares a common boundary with Buffer Zone 1 of the Maliau Basin Conservation Area and is also located in Buffer Zone 2 of the Maliau Basin Conservation Area.

The list of approved EIA studies from the EPD covers a total area of 13,184.31 ha.

#	Title	Ref. #	EIA Consultant
1	Proposed Forest Restoration and Tree Planting of Mixed Species at Sungai Pinangah Forest Reserve For YS 1/12 (Area A1) and YS 1/12 (Area A2) Covering An Area of 7,705.82 ha.	KWEC-(EV)/13/32-12	Kiwiheng Wood & Environmental Consultants Sdn. Bhd.
2	Proposed Forest Restoration and Tree Planting of Mixed Species at Sg. Pinangah Forest Reserve for YS 1/12 (Area C1 and C2) Covering an Area of 8,286.49 ha.	KWEC-(EV)/13/32-12	Kiwiheng Wood & Environmental Consultants Sdn. Bhd.
3	Proposed 4,192 hectares Forest Restoration (Mosaic) and Enrichment Planting for YS1/12 (Area B) at Sg. Pinangah Forest Reserve, District of Tongod, Sabah by Rakyat Berjaya Sdn. Bhd.	KWEC-(EV)/14/29	Kiwiheng Environmental Consultants Sdn. Bhd.

Social Context:

SIA was conducted in 2018 by a SocioEco Research & Consultancy Sdn. Bhd. There are no human settlements within the project area. However, there are several villages located within a distance of about 10 KM from the project area boundary. 4 groups of village communities involving a total of 10 villages around the project area have been involved in the SIA study based on whether the village is close to the project area or is likely to face impacts due to Maxland's logging activity.

Scope of Assessment	
<ul style="list-style-type: none"> The scope of the evaluation is to verify compliance of Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) with the Sabah Forest Management License Agreement (SFMLA 09/97) for FMU 16. 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). Site evaluation to verify and report the level of compliance by Rakyat Berjaya Sdn. Bhd. (Beta Bumi 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 comply adequately with a criterion. 	

Itinerary & Mandays: 10-14 Feb 2025 / FMU 16 (Partly): Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) /Close-out: Yayasan Sabah FMU 16 (Kinetic Journey Sdn. Bhd.) / Tongod District

Date	Activity	GFS Staff	Mandays
10 February 2025 Monday	Travel to IPS resthouse, Team meeting to prepare for assessment Telupid and overnight. Drafting report.	Brandon James Anne G. Grace Teddy Quintin Keith Sintang	4
11 February 2025 Tuesday	Opening meeting at PPD Tongod. Field visit to Compart A21; licensed boundary, steep slope, riparian reserve and B2a; campsite, stumping, workshop, store, worker's quarters. Document review at PPD Tongod. Overnight in Telupid.	Brandon James Anne G. Grace Teddy Quintin Keith Sintang	4

12 February 2025 Wednesday	Continue document review at PPD Tongod. Overnight in Telupid.	Brandon James Anne G. Grace Teddy Quintin Keith Sintar	4
13 February 2025 Thursday	Closing meeting in the morning. Travel to home base.	Brandon James Anne G. Grace Teddy Quintin Keith Sintar	4
14 February 2025 Friday	Finalizing report.	Brandon James Anne G. Grace Teddy Quintin Keith Sintar	4
15 – 16 February 2025	Reporting/Administration: GFSSBH 003-331 Reporting/Administration: GFSSBH 003-324a	Dr. Kevin Grace Brandon James	3
Total			23

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 5; Observations = 1)

Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 10-14 February 2025.

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

Principle 1. Right to Harvest

Beta Bumi has obtained approval for its Environmental Impact Assessment (EIA) and Annual Work Plan. Beta Bumi submitted a formal request to the SFD to extend the submission deadline for the final Forest Management Plan (FMP) draft to March 31, 2025 (Ref. #: BB/AD/06/10/2024/NS). Subsequently, Beta Bumi held a meeting with the SFD in October 2024, during which the SFD approved the extension for improving the FMP, setting the new deadline for March 2025.

13 February 2025: Observation 001-2025 – Checklist 1.2.5

Beta Bumi has yet to rectify issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep).

17 February 2025: Observation 001-2025 (Addressed)

Beta Bumi rectified issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep).

February 2025: Gap 001/2025 (minor) – Checklist 1.3.1, 1.4.1

SFD has not approved the FMP/PDP submitted in 2023 and required revision in Oct 2024 for re-submission by March 2025.

February 2025: Gap 002/2025 (minor) – Checklist 1.3.2, 2.3.5

Inadequate assessment of forest resources and planning for sustained yield management of the concession under the Mosaic system which is being planted with exotic species. The FMP requires improvement as defined by SFD including system for monitoring pest & diseases for planted trees.

February 2025: Observation 002-2025 – Checklist 1.3.2.13

The FFMP has not been approved since it was submitted on 05/02/2025.

February 2025: Gap 003/2025 (minor) – Checklist 1.5.2, 1.6.4, 1.6.5, 1.6.6, 1.7.2

The CHPP/CPP for planned planting in Mosaic compartments do not clearly define / map areas for planting and have not been approved or included in the AWP.

February 2025: Gap 004/2025 (minor) – Checklist 1.5.3

Beta Bumi has not adequately implemented the activities listed in the 2024 AWP.

13 February 2025: Observation 003-2025 – Checklist 1.7.1, 1.7.3

Highlights of Assessment

Signage for steep slope was not visible.

17 February 2025: Observation 003-2025 (Addressed)

Signage for steep slope was visible.

Principle 2. Forest Operations

The most recent logging operation was carried out in December 2022. Protected areas, including buffer zones, have been clearly delineated and excluded from forestry operations. During the assessment, no evidence of encroachment within these protected areas was identified. Additionally, no illegal activities were observed or reported to the relevant authorities.

February 2025: Gap 005/2025 (minor) – Checklist 2.3.3

Inadequate PSPs established and measured in planting and natural forest areas to provide credible monitoring of resource growth.

February 2025: Observation 001-2025 – Checklist 2.3.4

Beta Bumi has yet to rectify issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep).

17 February 2025: Observation 001-2025 (Addressed)

Beta Bumi rectified issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep).

Principle 3. Statutory Charges

Beta Bumi demonstrated compliance with the statutory charges.

Principle 4. Other User Rights

There are no human settlements within the project area. However, there are several villages located within a distance of about 10 KM from the project area boundary. These villages area located along the Millian and Pinangah River; the largest village is Kg. Pinangah. Some of villages are in the process of being legally designated as communal land for the use of the local communities.

Summary Results:

(Major gap = 0, Minor gap = 5, Observation = 1)

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

GAP	Type	Checklist	Status	Description
001/2025	minor	1.3.1, 1.4.1	New	February 2025: SFD has not approved the FMP/PDP submitted in 2023 and required revision in Oct 2024 for re-submission by March 2025.
002/2025	minor	1.3.2, 2.3.5	New	February 2025: Inadequate assessment of forest resources and planning for sustained yield management of the concession under the Mosaic system which is being planted with exotic species. The FMP requires improvement as defined by SFD including system for monitoring pest & diseases for planted trees.
003/2025	minor	1.5.2, 1.6.4, 1.6.5 1.6.6, 1.7.2	New	February 2025: The CHPP/CPP for planned planting in Mosaic compartments do not clearly define / map areas for planting and have not been approved or included in the AWP.
004/2025	minor	1.5.3	New	February 2025: Beta Bumi has not adequately implemented activities listed in the 2024 AWP.
005/2025	minor	2.3.3	New	February 2025: Inadequate PSPs established and measured in planted and natural forest areas to provide credible

GAP	Type	Checklist	Status	Description
				monitoring of resource growth.

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

Obs #	Checklist	Description
001-2025 Addressed	1.2.5, 2.3.4	February 2025: Beta Bumi has yet to rectify issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep). 17 February 2025: Observation 001-2025 (Addressed) Beta Bumi rectified issue raised in the ECR report (B2-Open burning, A21-no visible signage for slope steep).
002-2025	1.3.2.13	February 2025: The FFMP has not been approved since it was submitted on 05/02/2025.
003-2025 Addressed	1.7.1, 1.7.3	February 2025: Signage for steep slope was not visible. 17 February 2025: Signage for steep slope was visible.

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

Recommendations
<p>Rakyat Berjaya Sdn. Bhd. (Beta Bumi 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.</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 001/2025 (minor) – Checklist 1.3.1, 1.4.1: Beta Bumi shall complete the required revisions and re-submit the FMP/PDP by March 2025.</p> <p>Gap 002/2025 (minor) – Checklist 1.3.2, 2.3.5: Beta Bumi shall assess forest resources and clearly define planning for sustained yield management of the concession under the Mosaic system which is using native and exotic species and improve the FMP as per the SFD letter.</p> <p>Gap 003/2025 (minor) – Checklist 1.5.2, 1.6.4, 1.6.5, 1.6.6, 1.7.2: Beta Bumi shall develop CHPP/CPP for planned planting in Mosaic compartments that clearly define map areas for planting and should be included in the AWP.</p> <p>Gap 004/2025 (minor) – Checklist 1.5.3: Beta Bumi shall demonstrate implementation of the activities listed in AWP 2024 onwards.</p> <p>Gap 005/2025 (minor) – Checklist 2.3.3: Establish PSPs in planting and natural forest areas and annually measure them to provide credible monitoring of resources and growth.</p> <p>Observation 002-2025 – Checklist 1.3.2.13: Beta Bumi should ensure the FFMP submitted on time for the SFD to review and approve the FFMP.</p> <p>The next annual surveillance audit will be scheduled for February 2026.</p>

End of Summary Report