

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Rakyat Berjaya Sdn. Bhd. 197001000639 (009867-W) Contractor: Maxland Timber Sdn. Bhd. 198201014891 (094655-M)	Reference #	GFSSBH 003-251a
Contact Person	Ronnie Bibi (Forestry Manager RBJ Sandakan) Ah Soon Ah Choi (Asst. Plantation Manager Maxland Timber)	Date of Report Date of close out	19/04/2024 24/07/2024
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 1.3 & 1.6 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	15 – 19 April 2024
Scope of Assessment	Sabah TLAS P1-4: FMU 16 partly (SFMLA 09/97), Coupe SDK 02/11
Species	Planted trees: <i>Albizia falcataria</i> (Batai), <i>Neolamarckia cadamba</i> (Laran), <i>Eucalyptus hybrid</i>
Lead Assessor	Priera Bagang
Assessor(s)	Tommy Olui
SFD Staff	James Torimo (ADFO Tongod), Yaacob Beni (KPPM Pinangah), Ronald Stephen (PPM Pinangah)

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:

- Maxland Sdn. Bhd. is appointed by the Rakyat Berjaya Sdn. Bhd. (Rakyat Berjaya) under the subsidiary of the Sabah Foundation (Yayasan Sabah), which holds a Sustainable Forest Management License Agreement (SFMLA 09/97) that includes FMU 16.
- The entire concession area has been licensed for 100 years.
- Rakyat Berjaya logged FMU 16 between 1994 and 1998, then again between 2008 and 2009, under Block YS2/07 (1) & (2) Coupe SDK 02/11 with a total area of 4,900 ha.
- An agreement was signed between Rakyat Berjaya and Maxland Sdn. Bhd. on 18/03/2013 to carry out Integrated Mosaic Planting, which also covers the development of tree plantations and royalty and fees, penalties and other contractual provisions.
- On 19/10/2023, Maxland Sdn. Bhd. was renamed Maxland Timber Sdn. Bhd. (Maxland Timber) and registered with the Companies Commission of Malaysia (SSM).
- Maxland Timber is associated with Beta Bumi Sdn. Bhd., Sinora Sdn. Bhd., Innora Sdn. Bhd., and Priceworth Industries Sdn. Bhd., which support the company's management.
- Currently, Maxland Timber does not engage any other subcontractors to conduct log harvesting or planting activities within the project area.
- The previous assessment was conducted in March 2023 that resulted in 2 gap(s) and 1 observation(s) (Report #: GFSSBH003-189a).

Current Operations:

- As of the April 2024 assessment, there are no harvesting activities in the mosaic areas.
- The project area is divided into 21 mosaic compartments.

Cmpt #	Area (ha)	Cmpt #	Area (ha)
454	265	468	239
455	249	469	224
456	130	470	296
458	197	471	375
460	268	472	153
461	217	473	330
463	197	475	264
464	185	476	187
465	230	477	222
466	273	478	208
467	265		
Total area			4,974

- Schedules of logging and planting activities inside the 2nd PDP:

Cmpt #	Year planted	Net planted, ha	Year harvest
454	2011-2013	115.06	2024
455	2012-2013	59.26	2024
456	2013	54.69	2024
458	2013-2014	72.02	2024
460	2013-2014	60.92	2024
461	2014	86.27	2024
463	2014	65.12	2025
464	2015	80.87	2025
465	2015	96.47	2025

466	2015	82.88	2025
467	2015	85.92	2025
468	2014-2015	75.56	2025
469	2015	92.04	2026
470	2015	102.96	2026
471	2015	145.35	2026
472	2015	56.58	2026
473	2015	127.54	2027
475	2015	98.79	2027
476	2015-2016	61.32	2027
477	2016	49.19	2027
478	2015	69.41	2026
Grand totals		1,738.22	

- Land use classification:

Land classification	1 st PDP area (ha)	2 nd PDP area (ha)	Current Status (ha) as of March 2024
Total Concession Area	5,000	4,899.82	4,899.82
Net Production Area	3,619	4,005.08	4,005.08
Planted (43.40%)		1,738.20	Planted area = 1,738.22 ha. Planting Status: <i>Albizia falcataria</i> (Batai) = 1,721.72 ha <i>Neolamarckia cadamba</i> (Laran) = 9.48 ha <i>Eucalyptus hybrid</i> = 7.02 ha
Liberation treatment (56.60%)		2,266.88	
Roads, rivers, riparian reserve, buffer zones, and inoperable areas	1,381	894.92	894.92

Note: There is a discrepancy of 486 hectares for protection and inoperable areas between the 1st PDP and 2nd PDP.

Environmental Context:

- The project area is classified as Class II Commercial Forest Reserve. Due to poor logging practices, the vegetation was reduced to a secondary forest of low stature, dominated by *Macaranga spp.*, and impoverished commercial timber trees and regeneration.
- Common dipterocarps still found in the residual forests include *Dryobalanops beccarii*, *Shorea smithiana*, *S. macroptera*, *S. meycostopteryx* and *Parashorea malanonaan*.
- The project area is generally poor in wildlife resulting from poor logging practices with a residual forest characterized by a very broken canopy, large gaps, and open conditions. Under such conditions, many arboreal animals are now scarce. Elephants are known to forage in the project area occasionally.
- There are many small streams within the project area, most of them unnamed. All the streams generally flow into two (2) major rivers, Sg. Milian and Sg. Pinangah.
- The Environmental Impact Assessment titled "Proposed Forest Restoration and Tree Planting of Mixed Forest Species at Sg. Pinangah Forest Reserve Covering Approximately 4,900 Ha" was conducted and approved by EPD [Ref.#: JPAS/PP/24-600-1/01/3/35(8), dated 12/11/2010].

Social Context:

- Rakyat Berjaya has a separate Social Impact Assessment (SIA) study conducted by SocioEco Research & Consultancy Sdn. Bhd. in the project area of Maxland Timber. The SIA, titled "Social Impact Assessment for the Natural Forest Management and Integrated Mosaic Planting Project Under the Operation of Maxland Sdn. Bhd. within the FMU16, Sabah," was documented in July 2018.
- Both SIA and the 2nd PDP have identified several villages within the proximity of the project area, namely, Kg. Imusan Kg. Pinangah, Kg. Melikop, Kg. Dewara, Kg. Imbak and Kg. Bangkulat. Based on the SIA analysis, the majority of these communities belong to the Dusun Sungai ethnic group.

Scope of Assessment

- The scope of the evaluation is to verify compliance of Rakyat Berjaya Sdn. Bhd. (Maxland Timber Sdn. Bhd.) with the Sustainable Forest Management License Agreement (SFMLA 09/97) for FMU 16 (partly).
- 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 Rakyat Berjaya 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 demonstrate adequate compliance to a criterion.

Itinerary & Mandays: FMU 16 (partly) / Rakyat Berjaya Sdn. Bhd. (Maxland Timber Sdn. Bhd.) / Tongod District / 15 – 19 April 2024 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
15 April 2024 Monday	Travel to IPS Telupid and overnight.	Priera Bagang, Tommy Olui	2
16 April 2024 Tuesday	Opening meeting at PPD Tongod office and field assessment to licensed areas (planting/protection areas). Document review at PPD Tongod & Maxland Timber office.	Priera Bagang, Tommy Olui	2
17 April 2024 Wednesday	Document review at PPD Tongod.	Priera Bagang, Tommy Olui	2
18 April 2024 Thursday	Document review at PPD Telupid. Closing meeting at PPD Telupid.	Priera Bagang, Tommy Olui	2
19 April 2024 Friday	Finalizing and report submission. Travel to homebase.	Priera Bagang, Tommy Olui	2
20 – 21 April 2024	Reporting GFSSBH 003-251	Dr. Kevin Grace Priera Bagang	2
Total			12

Highlights of Assessment

(Major Gaps = 1; minor Gaps = 2; Observations = 4)

July 2024: (Major Gaps = 1; minor Gaps = 2; Observations = 4)

Rakyat Berjaya Sdn. Bhd. (Maxland Timber Sdn. Bhd.) has not complied with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance were identified under Criteria 1.3 and 1.6 during the assessment on 15 – 19 April 2024.

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

Principle 1.

Rakyat Berjaya holds a Sustainable Forest Management License Agreement (SFMLA 09/97) that includes FMU 16, which expires on 10/09/2097. An agreement was signed between Rakyat Berjaya and Maxland Sdn. Bhd. on 18/03/2013 for 50 years to carry out Integrated Mosaic Planting, which also covers the development of tree plantations and royalty and fees, penalties and other contractual provisions.

Maxland Sdn. Bhd. was renamed Maxland Timber Sdn. Bhd. 19/10/2023 and registered with the Company Commission of Malaysia (SSM).

April 2022: Gap 001/2022 (Major) – Checklist 1.3.1, 1.3.3 & 1.6.1

The 10-year Plantation Development Plan expired in 2020 with no evidence that a new PDP has been developed and submitted for approval.

March 2023: Gap 001/2022 (Major) – Outstanding

Maxland has yet to submit the 2nd Plantation Development Plan draft to SFD.

May 2023: Gap 001/2022 (Major) – Outstanding

Maxland has yet to submit the 2nd Plantation Development Plan draft to SFD.

April 2024: Gap 001/2022 (Major) – Outstanding

The 2nd PDP was submitted; however, the revision has not been approved by the SFD.

July 2024: Gap 001/2022 (Major) – Outstanding

Highlights of Assessment

The 2nd PDP is in the revision process and has not been submitted to the SFD.

April 2022: Observation 001-2022 – Checklist 1.8.2

The PSP plots are not adequately monitored or analysed to define growth in relation to volume yield targets of 280-350 m³/ha.

March 2023: Gap 001/2023 (Raised to minor) – Checklist 1.8.2

Maxland has yet to conduct the annual PSP plot measurement in 2022.

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

Maxland Timber has yet to measure PSP plots in 2023.

April 2024: Gap 001/2024 (minor) - Checklist 1.3.2.6

There is a discrepancy of 486 hectares for protection and inoperable areas between the 1st PDP and 2nd PDP.

April 2024: Observation 001-2024 – Checklist 1.3.2.5

There is a discrepancy of 74 hectares for the gross area between the total compartments' area and the coupe permit area.

April 2024: Observation 002-2024 - Checklist 1.3.2.7

The 2nd PDP does not include the estimated log production under mosaic restoration and planting systems, which are based on current forest inventory results.

April 2024: Observation 003-2024 - Checklist 1.3.2.8

The 2nd PDP does not specify the estimated timber yield after 10 years of planting, and the current plans for planting exotic species do not comply with the Mosaic guidelines dated 2017.

April 2024: Observation 004-2024 - Checklist 1.8.1

No evidence of the latest forest inventory data defining forest condition after 10 years.

Principle 2.

No logging activities have commenced as of the assessment. Protected areas have been mapped, and there are no signs of encroachment. Maxland Timber has demonstrated compliance with workers' regulatory requirements.

March 2023: Observation 001-2023 – Checklist 2.3.2 & 2.3.7

Maxland has yet to conduct safety and fire training in 2022.

April 2024: Observation 001-2023 (Addressed)

Maxland Timber conducted work safety and fire safety training.

Principle 3.

There is no OP constructed and heavy machinery registered inside the project area.

Principle 4.

Rakyat Berjaya has a separate Social Impact Assessment (SIA) study conducted by SocioEco Research & Consultancy Sdn. Bhd. in the project area. The SIA, titled "Social Impact Assessment for the Natural Forest Management and Integrated Mosaic Planting Project Under the Operation of Maxland Sdn. Bhd. within the FMU16, Sabah," was documented in July 2018. Both the SIA and the 2nd PDP have identified several villages within the proximity of the project area, namely, Kg. Imusan, Kg. Pinangah, Kg. Melikop, Kg. Dewara, Kg. Imbak, and Kg. Bangkulat. Based on the SIA analysis, the majority of communities belong to the Dusun Sungai ethnic group. The SIA stated that there is no significant negative impact from forestry operations by Maxland Timber towards the communities. However, the SIA suggested that Rakyat Berjaya and Maxland Timber should implement a Corporate Social Responsibility action plan to support the nearby communities.

Summary Results:

(Major gap = 1, minor gap = 2, Observation = 4)

July 2024: (Major Gaps = 1; minor Gaps = 2; Observations = 4)

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

GAP	Type	Checklist	Status	Description
001/2022	Major	1.3.1 1.3.3 1.6.1	Outstanding	<p>April 2022: The 10-year Plantation Development Plan expired in 2020 with no evidence that a new PDP has been developed and submitted for approval.</p> <p>May 2023: Maxland has yet to submit the 2nd Plantation Development Plan draft to SFD.</p> <p>March 2023: Maxland has yet to submit the 2nd Plantation Development Plan draft to SFD.</p> <p>April 2024: The 2nd PDP was submitted; however, the revision has not been approved by the SFD.</p> <p>July 2024: The 2nd PDP is in the revision process and has not been submitted to the SFD.</p>
001/2023	minor	1.8.2	Outstanding	<p>April 2022: The PSP plots are not adequately monitored or analysed to define growth in relation to volume yield targets of 280-350 m³/ha.</p> <p>March 2023: Maxland has yet to conduct the annual PSP plot measurement in 2022.</p> <p>April 2024: Maxland Timber has yet to measure PSP plots in 2023.</p>
001/2024	minor	1.3.2.6	New	<p>April 2024: There is a discrepancy of 486 hectares for protection and inoperable areas between the 1st PDP and 2nd PDP.</p>

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

Obs #	Checklist	Description
001-2023 Addressed	2.3.2 2.3.7	<p>March 2023: Maxland has yet to conduct safety and fire training in 2022.</p> <p>April 2024: Maxland Timber conducted work safety and fire safety training.</p>
001-2024	1.3.2.5	<p>April 2024: There is a discrepancy of 74 hectares for the gross area between the total compartments' area and the coupe permit area.</p>
002-2024	1.3.2.7	<p>April 2024: The 2nd PDP does not include the estimated log production under mosaic restoration and planting systems, which are based on current forest inventory results.</p>
003-2024	1.3.2.8	<p>April 2024: The 2nd PDP does not specify the estimated timber yield after 10 years of planting, and the current plans for planting exotic species do not comply with the Mosaic guidelines dated 2017.</p>
004-2024	1.8.1	<p>April 2024: No evidence of the latest forest inventory data defining forest condition</p>

Obs #	Checklist	Description
		after 10 years.

Highlights of Close Out Visit (if applicable)	Dates
	24 July 2024
The Major gap 001/2022 shall be addressed within 2 months by June 2024. Maxland Timber is in the process of revising the 2 nd PDP and has not submitted it to the SFD. Thus, the major gap remains outstanding.	

Recommendations
<p>Rakyat Berjaya Sdn. Bhd. (Maxland Timber Sdn. Bhd.) has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance were identified under Criteria 1.3 & 1.6 and is NOT recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.</p> <p>The Major Gap shall be addressed within two months by June 2024.</p> <p>Gap 001/2022 (Major) Outstanding – Checklist 1.3.1, 1.3.3, 1.6.1: Maxland Timber shall expedite the 2nd PDP revision and submit to the SFD for approval.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Actions required to close the gap(s)/observation(s) include:</p> <p>Gap 001/2023 (minor) Outstanding – Checklist 1.8.2: Maxland Timber shall monitor PSP plots and analyze the data to evaluate growth in relation to estimated yields.</p> <p>Gap 001/2024 (minor) - Checklist 1.3.2.6: Maxland Timber shall review and revise the total area designated for protection and inoperable areas in the 2nd PDP.</p> <p>Observation 001-2024 - Checklist 1.3.2.5: Maxland Timber shall review and update the total gross area within the 2nd PDP in accordance with the approved coupe permit.</p> <p>Observation 002-2024 - Checklist 1.3.2.7: Maxland Timber shall include the analysis result of the latest inventory data defining estimated log production inside the mosaic restoration and plantation area.</p> <p>Observation 003-2024 - Checklist 1.3.2.8: Maxland Timber shall include the estimated timber production after 10 years of planting, and implementation of the mosaic system shall be based on the guidelines for Mosaic restoration dated 2017.</p> <p>Observation 004-2024 - Checklist 1.8.1: Maxland Timber shall update the forest condition inside the project area according to the SFD standard of forest stratification.</p> <p>The next annual surveillance audit will be scheduled for April 2025.</p>

End of Summary Report