

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Acacia Forest Industries Sdn. Bhd. (611076-A)	Reference #	GFSSBH 003-090
Contact Person	Junextopher J. Maing (AFI Resources Manager)	Date of Report	08/10/2021
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		Approved By	Dr. Kevin Grace

Statements			
Audit Statement	GFS 093 LVS		
Issuance Date	11 October 2021	Expiration Date	10 October 2022

Assessment Details	
Assessment Dates	04 – 08 October 2021
Scope of Assessment	TLAS P1-4: Acacia Forest Industries Sdn. Bhd.
Species	<i>Acacia mangium</i> and <i>Eucalyptus pellita</i>
Lead Assessor	Varenius Untomon
Assessor(s)	Priera Bagang
SFD Staff	Fadzil Moxin (ADFO Pitas), Kinidih Ludin (ADFO Pitas), Peter Sumpit (KPPM Tangkarason), Madric Majawal (PPM Tangkarason), Rizman Tammat (PPM Tangkarason)

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 (**FDS-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:

- In 1976, Sabah Forest Development Authority (SAFODA) was established by the State Government of Sabah. The initial objective was to reforest 250,000 ha of degraded land dominated by lalang (*Imperata cylindrical*), mainly in Sabah's northern and interior regions. However, due to the various land acquisition problems and further land re-delineation and de-gazettement exercise, currently, SAFODA has a land bank of about 63,000 ha throughout Sabah, mainly in the Bengkoka area (Pitas District), Kota Marudu District, and Keningau District.
- The first trial plantation of *Acacia mangium* in the Bengkoka Plantation was established by SAFODA in 1981, followed by planting an area of 17,000 ha on the Bengkoka Peninsula. SAFODA introduced the Reforestation and Re-settlement Scheme at Bongkol in 1982, which involved resettling 200 local families into a centralised housing scheme. The objective was to resettle shifting cultivators into settlement housing, using forest plantation establishment as the vehicle for economic development. A 4,000-ha pilot forest plantation was financed under a World Bank pilot project between 1985 and 1989. During this period, SAFODA personnel were trained in a large-scale plantation establishment.
- Through the involvement of affected smallholders, SAFODA had a mutual agreement by permitting them to develop a land area of 15 acres with *Acacia mangium* plantation and housing. In return, SAFODA will grant the smallholder a land title. The species planted are mainly *Acacia mangium*. By 2001, SAFODA had returned the land to the cultivators as promised for their owned use. At the end of 2006, SAFODA had established about 18,400 ha of *Acacia mangium* plantations.
- In 2003, SAFODA had signed a 60 years joint venture project agreement with Mangium Plantations Sdn. Bhd. [known as Hijauan Bengkoka Plantations Sdn. Bhd. (Hijauan Bengkoka Plantation)] over a total area of 25,000 ha of SAFODA gazetted land to be developed for forest plantations on the Bengkoka Peninsula. The agreement detailed the company's involvement in the development of infrastructure, training and forest management.
- Hijauan Bengkoka Plantation is a subsidiary company of the holding company, Hijauan Asia Sdn. Bhd.
- Acacia Forest Industries Sdn. Bhd. (Acacia Forest Industries), a joint venture company between SAFODA and Hijauan Bengkoka Plantation on a 30:70 equity basis, was established in 2004 to plant an area of 25,000 ha with timber species for a period ending in 2060.
- With the cessation of harvesting in 2016 by Hijauan Bengkoka Plantation of the original regenerated forest, the company ceased its trading and harvesting operation effective from 1st June 2016. The operating division has been merged with Acacia Forest Industries, while Hijauan Bengkoka Plantation will become a non-operating company.
- Acacia Forest Industries currently engages subcontractors for various activities:

#	Contractor	Activity category
1	Armor Enterprise	Planting, weeding, Pruning
2	Marhen Enterprise	Planting, weeding, Pruning
3	BM Enterprise	Planting, weeding, Pruning
4	Kelvin Enterprise	Planting, weeding, Pruning
5	Liu Bersatu Enterprise	Planting, weeding, Pruning
6	Pemborong JM Enterprise	Planting, weeding, Pruning
7	Dinar Enterprise	Planting, weeding, Pruning
8	Le & Ra Enterprise	Planting, weeding, Pruning
9	Kinabalu Enterprise	Planting, weeding, Pruning
10	Smartcocom Trading	Land Clearing & Road Maintenance

- Land use classification:

Land classification	FMP Area 2019 revision (ha)	Current Status (Monthly report as of Aug 21) (ha)
Total Gazetted Area	25,197	24,908
Production Area	15,132	
- Natural Forest Management	0	0
- Plantation Forest (ITP)	15,132	8,826 Area planted by species <i>Acacia mangium</i> – 3,185.30 ha <i>Eucalyptus pellita</i> – 5,630.10ha <i>Octameles Sumatrana</i> – 10.6 ha
Unplantable		2,800 Cultural Site – 56 ha HCV – 51 ha Natural Forest – 1,789 ha Other (Camp, mangrove, reserve, work area) – 67 ha Bongkol Office area – 48 ha Protected Area – 789 ha
Infrastructure, Roads, Buildings etc.	452	0
Other areas		2,816 SAFODA – 996 ha State – 1,788 ha Community – 32 ha
Temporary unstocked		10,466

Note: The SFD does not require Acacia Forest Industries to submit the Forest Management Plan. The total gazetted area differs from the previous FMP due to the requirements of FSC to update the management plan based on monitoring information to promote adaptive management. An annual review is undertaken to ensure the FMP is executed accordingly to the plan. SFD will conduct a full review in 2023.

Environmental Context:

- The major land use pattern surrounding the site is dominated by a blend of shrubs, secondary forest used for mixed horticulture and wild *Acacia* Forest. The project site was previously planted with *Acacia mangium*. Currently, the project site is pre-dominated by natural vegetation of secondary forest and *Acacia* wildings and undergrowth vegetation such as ferns, coarse grasses and aquatic habitat (Sg. Telaga, Sg. Malubang, Sg. Bongkol, and Sg. Kakarangan).
- Bengkoka and Tambalugu Forest Reserve (both are Class I – Protection Forest Reserves), Bengkoka Peninsula Forest Reserve (a Class V – Mangrove Forest Reserve) and Paitan Forest Reserve (a Class II – Commercial Forest Reserve) can be found within and in the immediate surrounding areas of project site.
- Existing development (human settlements and mixed horticulture) located near the proposed project have caused fewer fauna species to be found in the area. In addition, the area within the project site was previously planted with *Acacia mangium*. Some common faunal species, which can be found in the project area, include squirrel (*Sciurus sp.*), rat (*Rattus sp.*), dove (*Streptopelia chinensis*), bulbul (*Pyconotus goiaver*), lizard (*Calotes versicolor*), toad (*Bufo asper*), grass frog (*Rana limnocharis*), and tree frog (*Polypedates leucomystax*).
- A study was carried out from December 2009 to January 2010 using Malaysian HCVF identification toolkit. One compartment of 43 ha (BH 11 Wasoi Forest) was stocked with natural forest of high biodiversity, including some protected plant species under Schedule II of the Sabah Wildlife Conservation Enactment 1997. Graveyards and water catchment areas of local communities are to be left undisturbed. Lakes and wetland areas have been earmarked for conservation.
- On the fauna side, the reptiles, amphibians, freshwater fish and other aquatic life did not reveal protected category. Out of the 46-bird species recorded, only two are listed as threatened;

Anorrhinus galeritus and the Bushy-crested Hornbill. Several vulnerable to endangered species were reported from the Bengkoka plantation and adjacent areas: the Proboscis monkey (*Nasalis larvatus*), the Tembadau (*Bos javanicus*), the Clouded Leopard (*Neofelis nebulosa*) and the Sun Bear (*Helarctos malayanus*). These species are listed under the Sabah Wildlife Conservation Enactment 1997 Schedule I.

- EIAs have been carried out for both timber harvesting and replanting operations at Hijauan Bengkoka Plantations. The recommended mitigation measures deal with steep slope protection, erosion, proper road maintenance, condition and maintenance of buildings, quarters and workshops, effective river protection and water quality, proper waste disposal, fire control, noise and air pollution, traffic and transportation, ecological impacts, as well as with occupational safety and health procedures.

Social Context:

- Three social studies have been carried out in conjunction with the FMP preparation. Kiwiheng Wood & Environmental Consultant Sdn carried out the first Social Impact Assessment (SIA). Bhd. during the 2nd half of 2009, covering 125 households in 14 out of 29 settlements were identified within and in the vicinity of the plantation area. The second survey regarding High Conservation Values (HCV) covering 72 households in 17 villages was carried out in December 2009 and January 2010. The first two studies served as input for the third study, which used the results for strategy development.
- The FMP stated the dominant ethnic group is formed by the *Rungus*, followed by the *Tembenuo*, *Sungai*, *Dusun*, *Bugis*, *Bajau* and other minorities. SAFODA employed local people as planting contractors to establish the *Acacia* plantations and assist with silvicultural tending measures from 1982-1996. In 1996, there was a change in government, and the funding to support the project has ended. Once the plantations matured, fewer jobs were required. In 2003, the number of staff and local people employed on daily rated pay was dropped dramatically. There was no information on the dependency of the gazetted area in the livelihood and Native Customary Rights in the current FMP.
- The vast majority of people living within and surrounding the SAFODA gazetted area now are farmers. 80% of the village leaders were consulted and reported that almost all households rely on farming. The primary crops are dry and wetland rice, as well as vegetables. Rubber and oil palm are also planted for additional income.
- Acacia Forest Industries carried out a new Social Baseline Survey (SBS) since July 2014, to identify and update socioeconomic data and information of villages located inside and adjacent to SAFODA gazetted areas. To date, a total of 52 registered villages were identified. A full report on the SBS was available for 2015.

Region	Villages
Datong	Datong, Sungai Eloi, Manggis, Kabatasan Laut, Kalipuon, Kuyuh, Tampakahu, Kinangoh, Andab, Batu 10 Lout, Kabatasan Darat
Malubang	Malubang, Pansuran, Dalas, Bawing
Maringgan	Maringgan, Mangkubau Laut, Mantaya, Naruntung, Mangkubau Darat, Suang Duyung, Tanjung Layak-layak
Bongkol	Bongkol, Bukit Cantik, Gumpa, Boluoh, Pagung, Kandingo, Pagasaon, Mapan-mapan
Mangkapon	Mangkapon, Mangkapon Darat, Pongiton Polod, Pituru, Kamuning
Telaga	Telaga, Kodong, Liu Darat, Kandang, Kipahung, Kapuk, Liu Pusat, Lok Dangkaan
Latip	Latip, Untang-untang, Narandang Laut, Ampungoi, Tiomboi Dagang, Narandang Darat, Kadayan, Lumikong, Petani Baru

- Social activities benefiting the local communities were recorded and maintained.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Acacia Forest Industries Sdn. Bhd.** with Sabah TLAS Compliant for 25,325 ha of the Long-Term License (LTL).
- The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (FDS-TLAS-002).
- Site evaluation to verify and report the level of compliance by of **Acacia Forest Industries 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: Acacia Forest Industries Sdn. Bhd. / Pitas District / Dates: 04 – 08 October 2021 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
04 October 2021 Monday	Travelling to Pitas. Opening meeting at PPD Pitas.	Priera Bagang Varenus Untomon	2
05 October 2021 Tuesday	Site Visit: Southern Part – License Boundary, PSP plot, Pruning and slashing activity, HCV area, contractor campsite, basecamp area.	Priera Bagang Varenus Untomon	2
06 October 2021 Wednesday	Interview with the community. Document review.	Priera Bagang Varenus Untomon	2
07 October 2021 Thursday	Document Review.	Priera Bagang Varenus Untomon	2
08 October 2021 Friday	Closing meeting at PPD Pitas Travel to home base	Priera Bagang Varenus Untomon	2
09-10 October 2021	Reporting GFSSBH 003-090	Dr. Kevin Grace Priera Bagang	2
Total			12

Highlights of Assessment

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

Acacia Forest Industries Sdn. Bhd has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on **04 – 08 October 2021**.

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

Principle 1.

Under the Gazette Notification No. 684/83 dated 22/07/1983 and 900/83 dated 17/11/1983, the State Government of Sabah delineated a portion of land measuring approximately 61,480 ha of land in the Bengkoka Peninsula in the District of Pitas, Sabah, for the Afforestation Resettlement Scheme Reserve to SAFODA. A series of signed agreements shows the legal use rights of Acacia Forest industries in the current area.

The SFD did not require the submission of FMP and AWP for Acacia Forest Industries. Therefore, the Management Plan is only approved by their General Manager.

ECRs were submitted quarterly. Adequate implementations of environmental mitigation measures were observed at the contractors' campsite. Demarcation of HCV, riparian reserves and steep areas were observed clear and intact.

Principle 2.

Acacia Forest Industries adequately implements a forest protection system for illegal activities and encroachment that are documented and reported to relevant authorities.

There is no extraction of logs from 2020 until September 2021.

Principle 3.

Since Acacia Forest Industries is on a gazetted land under SAFODA and the operation involves extraction of planted trees, the SFD has exempted SAFODA from registering all their logging equipment / machinery with SFD (Ref.#: JPHTN/PP100-15/42(47)).

No new land preparation as of 2020 until September 2021. Hence, there is no royalty payment contributed. The last contribution was in 2019.

Principle 4.

Social Baseline Survey was prepared for the settlements within the SAFODA gazetted area. Acacia Forest Industries has a Standard Operating Procedures (SOP) for managing community disputes within the gazetted area.

Series of meetings, discussions and community approach programmes were conducted with the local

Highlights of Assessment

communities, documented and maintained.

Summary Results:

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

Gap raised against indicators & criteria during the October, 2021 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October, 2021 assessment.

Obs #	Checklist	Description
-	-	-

Highlights of Close Out Visit (if applicable)

Dates

Not Applicable.

Recommendations

Acacia Forest Industries 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.

The next surveillance audit will be scheduled for October 2022.

End of Summary Report