

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Acacia Forest Industries Sdn. Bhd. 200301008656 (611076-A)	<b>Reference #</b>	GFSSBH 003-307
<b>Contact Person</b>	Kashim Othman (Manager-Safety, Health, Environment & Compliance)	<b>Date of Report</b>	19/07/2024
<b>Office Address</b>	<b>Hijauan Bengkoka Plantations Sdn. Bhd./Acacia Forest Industries Sdn. Bhd.</b> Unit 2, 2nd Floor, Block L, Metro Town, Jalan Lintas, 88300 Kota Kinabalu, Sabah, Malaysia.	<b>Date of close out</b>	-
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	GFS 093 LVS		
Issuance Date	22 July 2024	Expiration Date	21 July 2025

### Assessment Details

Assessment Dates	15-19 July 2024
Scope of Assessment	Sabah TLAS P1-4: Acacia Forest Industries concession Gazette Notification No. 684/83
Species	ITP: <i>Eucalyptus pellita</i> , <i>Acacia mangium</i>
Lead Assessor	Glory Linggou
Assessor(s)	Brandon James, Anis Andrew
SFD Staff	-

### 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:

Under the Gazette Notification No. 684/83 dated 22/07/1983, the State Government of Sabah delineated a portion of land measuring approximately 25,000 ha of land in the Bengkoka Peninsula in the District of Pitas, Sabah, for the Afforestation Resettlement Scheme Reserve to Sabah Forestry Development Authority (SAFODA).

According to the Management Representative, Samling Group of Companies purchased Acacia Forest Industries Sdn. Bhd. (AFI) in 2023.

The Supplement Agreement was made on 18/03/2024 between SAFODA and Hijauan Bengkoka Plantations Sdn. Bhd. [199501009688 (338888-X)]. SAFODA and Hijauan Bengkoka Plantations have entered into a Joint Venture Agreement (the JVA) dated 23/03/2018 in respect of a company known as Acacia Forest Industries. The parties entered into the JVA to regulate their relationship as the shareholders of Acacia Forest Industries and generally the management and operation of Acacia Forest Industries.

A Supplier Contract was made between Acacia Forest Industries and Liu Bersatu Enterprise from time to time subject to the issuance of a Work Order from the Plantation Manager for specific services.

Land use classification:

Land classification	Project Area (ha)	Current Status as of end of Jun 2024 (ha)
Total Gazette Area	25,000	25,000
Planted area	7,936.66	Gross total area planted: 7,936.66 Area planted by species: <i>Acacia mangium</i> = 1,585.35; Wild <i>A mangium</i> 1,084.60 <i>Eucalyptus pellita</i> = 5,160.60 R&D = 106.11
Plantable Area	13,542.68	Agriculture scheme = 864.12 Cultivated = 5,169.89 (Oil Palm, Rubber) Burnt = 12.57 Failed = 184.54 Fallow = 6,342.07 occupied by <i>orang kampung</i> = 969.49
Unplantable Area	3,796.04	<b>Protected Areas: 3581.73 ha</b> HCVF, Mangrove & wetlands, River/Stream Steep slope & Natural Forest <b>Infrastructure: 77.60 ha</b> Camp & Log yard <b>Village Use: 136.71</b> Community, Cultural site & Others

### Current Operations:

Currently, Acacia Forest Industries is focusing on the maintenance of planted trees in compartments SF10, SC07, SF10, CN18, NG04, SF01, CL14, CL18, SF06, CR15, CL01 and CL15.

In May 2024, a forest fire occurred within Compartments P13 (total area burnt was 23.36 ha) & P16 (total area burnt was 12.86 ha) whereby the planted trees in the affected area were harvested by Acacia Forest Industries to prevent the fire from spreading. As of the assessment, the logs remain within the affected areas. Thus, the volume and total number of logs have not been recorded.

A total compartment area prior to a forest fire.

Comp #	ITP/NFM	Status	Comp Area (ha)	Geo-location data
P13	ITP	Sabah TLAS EUDR	31.38	NE: E117°11'11.992" N6°54'29.927" NW: E117°10'59.526" N6°54'26.716" SW: E117°10'53.125" N6°54'7.646" SE: E117°11'6.919" N6°54'12.965"

P16	ITP	Sabah TLAS EUDR	39.41	NE: E117°11'24.864" N6°54'47.343" NW: E117°11'8.581" N6°55'2.675" SW: E117°11'5.789" N6°54'35.509" SE: E117°11'20.410" N6°54'30.112"
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### Environmental Context:

The forest area is predominantly flat along the coastline to rolling and undulating in the interior, with hill slopes between 0° – 25°. The Bengkoka Peninsula is classified as coastal zone land. Historically, it was covered by natural forests, most of which gradually disappeared between 1950-1980 because of uncontrolled harvesting.

HCV assessment was conducted in 2010 that identified one critically endangered and three between vulnerable and endangered species were identified such as *Bos javanicus*, *Helarctos malaynus*, *Nasalis larvatus* and *Neofelis nebulosa*.

The existing vegetation found within in and in the vicinity of the project site comprises shrubs (*Melastoma sp.*, *Mimosa pudica*), Acacia trees (*Acacia mangium* and *Acacia auriculiformis*), crawling plants (*Ipomeoea indica*), ferns (*Asplenium longissimum*) and coarse grasses. There are many types of fruits in the vicinity of the project site, including banana (*Musa sp.*), coconut (*Cocos nucifera*), tapioca (*Manihot esculenta*) and taro (*Colocassia esculenta*) plants.

There are five (5) major rivers in the vicinity of the project site namely Sg. Telaga, Sg. Malubang, Sg. Kakarangan and Sg. Bongkol and Sg. Badong. The main rivers of Sg. Kakarangan and Sg. Bongkol flow eastward into the Sulu Sea, while Sg. Telaga, Sg. Malubang and Sg. Badong flow westward to join Marudu Bay.

The EIA has identified environmental issues associated with operations within the project area, such as soil erosion, water quality, biomass and water management, ecological impacts, pest infestation, noise and air pollutions. Mitigation measures listed in the EIA includes soil conservation practices, protection of steep areas, provision of riparian reserves, management of hazardous waste, protection of water quality from sediment yield, biomass disposal, solid waste management and sewage management.

The EIA study titled "Proposed Replanting and Planting of 25,000 ha of *Acacia Mangium* at Bengkoka Peninsular, District of Pitas, Sabah by Acacia Forest Industries Sdn. Bhd." was prepared and approved by the EPD [Ref. #: JPAS/PP/15/600- 1/01/3/29 (93), dated 21/05/2010].

### Social Context:

Based on the SIA 2017, 7 clusters were identified, totalling 59 villages.

#	Cluster	Village
1	Datong	Kg. Datong, Kg. Sg. Eloi, Kg. Manggis, Kg. Kabatasan Laut, Kg. Kabatasan Darat, Kg. Kalipuon, Kg. Kuyuh, Kg. Tampakahu, Kg. Kinangoh, Kg. Andap, Kg. Batu 10 Lout, Kg. Ladap. (12)
2	Telaga	Kg. Telaga, Kg. Kodong, Kg. Liu Darat, Kg. Liu Pusat, Kg. Kandang, Kg. Kipahung, Kg. Kapok, Kg. Lok Dangkaan. (8)
3	Latip	Kg. Latip, Kg. Narandang Darat, Kg. Ampungoi, Kg. Kadayan, Kg. Narandang Laut, Kg. Petani Baru, Kg. Timboi Dagang. (7)
4	Mangkapon	Kg. Mangkapon, Kg. Mangkapon Lumingkog, Kg. Pangkalan Mangkapon, Kg. Pungiton Polod, Kg. Pituru, Kg. Mangkapon Darat. (6)
5	Bongkol	Kg. Bongkol Pusaka, Kg. Bongkol 2/Tg. Piring, Kg. Boluuh, Kg. Boluuh Darat, Kg. Pagung, Kg. Mapan-Mapan, Kg. Kakarangan Laut/Lio, Kg. Gumpa, Kg. Pagasaon, Kg. Kendingah, Kg. Tindondukan Minintod, Kg. Ungkup. (12)
6	Maringgan	Kg. Maringgan, Kg. Mangkubau Laut, Kg. Mangkubau Darat, Kg. Mantaya, Kg. Naruntung, Kg. Suang Duyung, Kg. Tg. Layak-Layak, Kg. Sorupil. (8)
7	Malubang	Kg. Malubang, Kg. Pansuran, Kg. Dalas, Kg. Bawing, Kg. Tiga Tarok, Kg. Bambang. (6)

Based on the SIA, the majority of the communities are heavily dependent on forests. Their dependence on forests was basically on the water catchment and rivers for water supply for daily consumption and non-timber forest products such as food supplements for their families. Community use on unplanted forest areas focus on expanding agricultural development.

Acacia Forest Industries has a Standard Operating Procedure (SOP) on Handling of Community Complaints and Grievances (AFI/SD/01) dated 01/03/2011 revised on 29/11/2023.

Scope of Assessment
<ul style="list-style-type: none"> <li>The scope of the evaluation is to verify compliance of Acacia Forest Industries Sdn. Bhd. with the Gazette Notification No. 684/83.</li> <li>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).</li> <li>Site evaluation to verify and report the level of compliance by Acacia Forest Industries Sdn. Bhd. and contractors to the standard in respect to each of the criteria within this report.</li> <li>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.</li> </ul>

**Itinerary & Mandays: 15 – 19 July 2024 / Acacia Forest Industries Sdn. Bhd. / Pitas District**

Date	Activity	GFS Staff	Mandays
15 July 2024 Monday	Travel to Pitas, opening meeting at Acacia Forest Industries, document review, overnight at campsite.	Glory Linggou Brandon James Anis Andrew	3
16 July 2024 Tuesday	Field visit to operation areas (Compartments P13 & P16), license boundary, HCV areas, log yard and workshop. Overnight at campsite.	Glory Linggou Brandon James Anis Andrew	3
17 July 2024 Wednesday	Community meeting for Kg. Taman Bukit Cantik, Kg. Kakarangan and Kg. Bongkol 2. Document review. Overnight at campsite.	Glory Linggou Brandon James Anis Andrew	3
18 July 2024 Thursday	Field visit to nursery and workers’ quarters. Document review. Overnight at campsite.	Glory Linggou Brandon James Anis Andrew	3
19 July 2024 Friday	Closing meeting at Acacia Forest Industries. Travel to Kota Kinabalu.	Glory Linggou Brandon James Anis Andrew	3
20-21 July 2024	Reporting/Administration: GFSSBH003-307	Dr. Kevin Grace Glory Linggou	2
<b>Total</b>			<b>17</b>

Highlights of Assessment
<p><b>(Major Gaps = 0; Minor Gaps = 2; Observations = 1)</b> Acacia Forest Industries Sdn. Bhd. has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 15-19 July 2024.</p> <p>Summary of status of operations by <b>Principle</b>:</p> <p><b>Principle 1. Right to Harvest</b> Acacia Forest Industries has a Joint Venture Agreement (the JVA) with SAFODA dated 23/03/2018 to manage 25,000 ha as timber plantations Bengkoka Peninsula based on Gazette Notification No. 684/83 dated 22/07/1983, <b>July 2024: Gap 001/2024 (Minor) - Checklist 1.2.5</b> Inadequate demarcation of the concession boundary in relation to the areas defined in the FMP.</p> <p>Acacia Forest Industries has developed an FMP covering 17,334 ha, approved by their Chief Executive Officer, for the period 01/01/2024 to 31/12/2033 to comply with the Malaysian Criteria and Indicators for Sustainable Forest Management (MC&amp;I SFM) under MTCS-PEFC certification.</p> <p><b>July 2024: GAP 002/2024 (Minor) - Checklist 1.3.2</b></p>

### Highlights of Assessment

FMP does not adequately define management of the 25,000 ha concession area in respect to:

- Planned production area of 15,132 ha.
- Land claims of 15,457.78 ha by local communities as documented in the 2017 Social Impact Assessment and 7,931.05 ha under Native Customary Right claims.
- ITP compartment areas totaling 15,671 ha with a planted area of 8,015.32 ha.
- Forest resources & land claims within unplanted areas in ITP compartments.

The SFD does not require the approval of the Forest Management Plan (FMP) and Annual Work Plan (AWP) for Acacia Forest Industries as the concession area is directly under SAFODA and not SFD. AFI submitted the FMP to the SFD and SAFODA (Ref. #: AFISB/BKL/FMP/01 dated 07/05/2024). Based on the FMP, no plan exists for salvage logging in unplanted ITP-zoned compartments.

Environmental Compliance Report (ECR) were submitted quarterly to the EPD.

#### **Principle 2. Forest Operations**

Acacia Forest Industries adequately implements a forest protection system for illegal activities and encroachment that are documented and reported to relevant authorities. There has been no harvesting of planted trees or salvage logging since 2019.

In May 2024, a forest fire occurred within the project area, Compartments P13 (total area burnt 23.36 ha) & P16 (total area burnt 12.86 ha) and the planted trees in the affected area were harvested to prevent the fire from spreading.

#### **July 2024: Observation 001-2024 - Checklist 2.1.14, 2.1.20**

Daily records of log production from harvesting in P13 & P16 have not been recorded.

#### **Principle 3. Statutory Charges**

Since Acacia Forest Industries is on gazetted land under SAFODA and the operation involves extracting planted trees, the SFD has exempted SAFODA from registering all their logging equipment / machinery and Occupational Permits with SFD. Log royalties are exempted for logs from planted trees.

#### **Principle 4. Other User Rights**

Based on the SIA 2017, 7 clusters were identified, each comprising villages totalling 59 villages. The majority of the communities are heavily dependent on forests. Their dependence on forests was basically on the water catchment and rivers for water supply for daily consumption and non-timber forest products such as food supplements for their families. Other than that, the reliance on forests to expand land reserves aims to transition from traditional shifting cultivation practices to modern agricultural methods.

### **Summary Results:**

**(Major gap = 0, Minor gap = 2, Observation = 1)**

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

GAP	Type	Checklist	Status	Description
001/2024	Minor	1.2.5	New	<b>July 2024:</b> Inadequate demarcation of the concession boundary in relation to the areas defined in the FMP.
002/2024	Minor	1.3.2	New	<b>July 2024:</b> FMP does not adequately define management of the 25,000 ha concession area in respect to: <ul style="list-style-type: none"> <li>• Planned production area of 15,132 ha.</li> <li>• Land claims of 15,457.78 ha by local communities as documented in the 2017 Social Impact Assessment and 7,931.05 ha under Native Customary Right claims.</li> <li>• ITP compartment areas totaling 15,595.05 ha with a planted area of 7,936.66 ha.</li> </ul>

GAP	Type	Checklist	Status	Description
				<ul style="list-style-type: none"> <li>Forest resources &amp; land claims within unplanted areas in ITP compartments.</li> </ul>

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

Obs #	Checklist	Description
001-2024	2.1.14 2.1.20	<b>July 2024:</b> Daily records of log production from harvesting in P13 & P16 have not been recorded.

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

Recommendations
<p><b>Acacia Forest Industries Sdn. Bhd.</b> 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><b>Gap 001/2024 (Minor) – Checklist 1.2.5:</b> AFI shall identify and demarcate the concession boundary in relation to the areas defined in the FMP.</p> <p><b>Gap 002/2024 (Minor) – Checklist 1.3.2:</b> AFI shall revise the FMP to reflect current area planted, forest conditions of unplanted areas within the net production area and define land use and NCR claims over the entire concession area.</p> <p><b>Observation 001-2024 – Checklist 2.1.14 &amp; 2.1.20:</b> Records of harvesting and log productions shall be completed daily for each compartment.</p> <p>The next annual surveillance audit will be scheduled for <b>July 2025</b>.</p>

**End of Summary Report**