

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. (371259-W)	Reference #	GFSSBH 003-162
Contact Person	Thondik Venantius (Projects Director)	Date of Report	04/11/2022
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 162 LVS		
Issuance Date	07 November 2022	Expiration Date	06 November 2023

Assessment Details

Assessment Dates	31 October – 04 November 2022
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2021 (FMU 2)
Species	Salvage logged: Mixed species - <i>Shorea inappendiculate</i> (Selangan Batu), <i>Shorea spp.</i> (Obah Suluk), <i>Myristicaceae</i> (Darah-Darah), <i>Parashorea spp.</i> (White Seraya), <i>Shorea spp.</i> (Red Seraya, Yellow Seraya, Melapi), <i>Dyera sp.</i> (Jelutong), <i>Planchonia valida</i> (Putat), OT (other timbers). Tree Plantation: <i>Eucalyptus pellita</i> . <i>Acacia crassicarpa</i>
Lead Assessor	Varenius Untomon
Assessor(s)	Sandra George
SFD Staff	Norahmad Bin Jumain (DFO Pitas), Fadzil D. Moxsin (ADFO Pitas), Rizman Tammat (PPD Pitas), Peter Sumpit (PPD Pitas)

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 land is owned by the Sabah State Government under the jurisdiction of the Sabah Forestry Department (SFD). Subsequently, on 18/01/2021, Asian Forestry Company (Sabah) Sdn. Bhd. [Asian Forestry Company (Sabah)] was awarded the Sustainable Forest Management License Agreement (SFMLA), SFMLA 01/2021, by the State Government to manage 11,191 ha inside the FMU 2 Class II Paitan Forest Reserve, allowing the company to manage the area for 30 years.
- The area is targeted for the establishment of Industrial Tree Plantations.
- The coupe permit (KDT01/2022) is approved on 18/02/2022 with an area of 5,070.40 ha.
- The contractor, Arus Jaya Enterprise, is appointed to carry out the salvage logging [contractor #: KON(DPS)008/2022(KM)]. The planting activity is carried out by Asian Forestry Company (Sabah) planting team.
- Current Operations: November 2022, the planted area recorded is 161.4 ha, salvage logging is approximately 80 ha from Compartments 5 & 7.
- The previous assessment was conducted in November 2021 that resulted in 0 gap(s) and 1 observation(s) (Report # GFSSBH 003-099).
- Land use classification:

Land classification	FMP Area (ha)	As of November 2022 (ha)
Total Concession Area ¹	11,191	12,123.40
Production Area	10,420.26	9,000
Plantation Forest (ITP)	10,420.26	<u>As of November 2022</u> A. <i>Crassiparva</i> : 4.30 ha E. <i>Pellita</i> : 156.30 ha Total Planted: 161.40 ha
> Timber plantation (0° – 15°)	9,000.40	
> Potential Timber Plantation (16° – 25°) ²	1,419.86	<u>Salvage logging as of November 2022</u> (Compartment 5 & 7) Logged area = 80 ha Unlogged area = 819.53 ha Volume (m ³) = 90.33 m ³ Logs = 89 pieces
Protected Area	551.12	FR buffer = 126.20 ha River Buffer = 241.10 ha Slope > 25° = 214.30 ha Slope 16° - 25° = 2,015.80 ha VJR buffer = 18.00 ha Swamp area = 173.40 ha Total = 2,788.80 ha
Infrastructure, Roads Buildings, etc.	219.61	Campsite = 73.00 ha Roadway = 188.70 ha Fire break = 72.90 ha Total = 334.60 ha

Note¹: The approved SFMLA area is approximately 11,191ha. However, based on the ground survey conducted by the Asian Forestry Company (Sabah) using the digitized map given by the SFD, the total area was 12,123.40ha. The company notified SFD of the discrepancy and is now waiting for the issuance of a supplemental SFMLA (Ref.#: JPHTN/SFM 800-1/1/37/25 dated 13/08/2021).

Note²: Areas that are 16-25 degree slope can be developed if they are “**degraded forest land having no exploitable volume of trees greater than 60cm DBH, and insufficient regeneration, but not exceeding 25 degrees slope**” [SFMLA 01/2021 section 49 (2)(b)]. Otherwise, the area will be subjected under protected area.

Environmental Context:

- The area is a secondary degraded logged over forest consisting of Dipterocarps such as Urat mata beludu, Seraya putih, Seraya kuning, Seraya merah, Keruing and Oba suluk and, other pioneer species such as Laran,
- The major soil type is acidic and nutrient-poor Orthic Acrisols with undulating topography between 20 m - 400 m asl.
- Two main rivers draining the licensed area are Sg. Paitan & Sg. Kawananan and its tributaries in the northwest.
- A total of 27 species of wildlife were identified within the Paitan and Sugut Forest Reserves. with several species under Schedule 1 of the Wildlife Conservation Enactment 1997, i.e., totally protected. Identified species included (1) Sun Bear, (2) Orangutan, (3) Clouded Leopard, (4) Proboscis Monkey, (5) Banteng/Tembadau and (6) Sunda Pangolin. Under the IUCN Red List, Orang Utan and Sunda Pangolin are classified as Critically Endangered, while Sun Bear and Clouded Leopard as vulnerable and Proboscis Monkey and Banteng/Tembadau as endangered species.
- Other species identified are listed as protected under Schedule 2 of the Wildlife Conservation Enactment, which included Saltwater crocodile, Long-tailed macaque, Pig-tailed macaque, Red Langur, Gibbon, Grey leafed monkey, Silvered leaf-monkey, Malayan Civet, Asian palm civet, Small-toothed palm civet, Malay Badger, Smooth-coated otter and Oriental small-clawed otter. Gibbon is categorised as endangered under the IUCN Red List, while the remaining species are vulnerable or least concerned.
- An Environmental Impact Assessment was conducted and approved by the Environment Protection Department (EPD).

Title	EPD Approval Letter #	EIA Consultant
Proposed Salvage Logging and Industrial Tree Plantation (ITP) [11,191 hectares] within Paitan Forest Reserve under Forest Management Unit (FMU) No. 2, Labuk Sugut, Beluran District, Sabah	JPAS/PP/BLN/600-1/01/3/70(29) dated 27/09/2021	Chemsain Konsultant Sdn. Bhd.

Social Context:

- There are no settlements within the project site. There are 5 settlements, Kg. Alungai, Kg. Lubang Buaya, Kg. Pongu, Kg. Tawanan and Kg. Timpus are situated within a 1KM of the project area. Based on the EIA study's analysis, the villagers still depend on the water source from Sg. Kawananan.

Scope of Assessment
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Asian Forestry Company (Sabah) Sdn. Bhd. with the Sabah Forest Management License Agreement (SFMLA 01/2021) for FMU 2. • 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 Asian Forestry Company (Sabah) 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 2 - Asian Forestry Company (Sabah) Sdn. Bhd. / Pitas District / 31
October – 04 November 2022 (Total Mandays = 12)**

Date	Activity	GFS Staff	Mandays
31 October 2022 Monday	Travel to Kota Marudu. Opening meeting at FSM Office.	Varenius Untomon, Sandra George	2
01 November 2022 Tuesday	Document review at FSM Office.	Varenius Untomon, Sandra George	2
02 November 2022 Wednesday	Field visit: Licensed Boundary, Compartment Boundary, Protected Area, Basecamp.	Varenius Untomon, Sandra George	2
03 November 2022 Thursday	Field visit: Community visit at Kg. Timpus, Paitan.	Varenius Untomon, Sandra George	2
04 November 2022 Friday	Closing meeting at FSM Office. Travel to Kota Kinabalu.	Varenius Untomon, Sandra George	2
05-06 November 2022	Reporting GFSSBH 003-162	Dr. Kevin Grace, Varenius Untomon	2
Total			12

Highlights of Assessment

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

Asian Forestry Company (Sabah) Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 31 October – 04 November 2022.

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

Principle 1.

Asian Forestry Company (Sabah) demonstrated compliance with the SFMLA No. 01/2021 valid for 30 years. The approved SFMLA area is approximately 11,191 ha. However, based on the ground survey conducted by the company using the digitized map given by the SFD, the total area was 12,123.60 ha. The company notified SFD of the discrepancy and is now waiting for the issuance of a supplemental SFMLA (Ref. #: JPHTN/SFM 800-1/1/37/25 dated 13/08/2021).

The coupe permit KDT.01/2022 is approved on 18/02/2022 with an area of 5,070.40 ha.

The EIA study was also developed and approved by the EPD for the licensed area in September 2021. Based on the EIA report, the assessment scope covers 12,123.60 ha. However, the EPD only approved 11,191 ha following the SFMLA total area licensed. A supplementary agreement will be added after the finalization of the supplementary SFMLA agreement.

A 10-year Forest Management Plan (2021 – 2030) was prepared and approved by the SFD on 23/09/2021 (Ref. #: JPHTN/SFM 800-1/1/37/30). AWP 2022 was submitted to the SFD and approved. (Ref. #: JPHTN/SFM 800-1/1/37/64, dated 12/06/2022).

November 2021: Observation 001-2021 – Checklist 1.1.1

The DFO Pitas approved the land preparation inside the R&D compartment, but the activity was carried out before the coupe permit approval date.

November 2022: Observation 001-2021 (Addressed)

The coupe permit (KDT.01/2022) was approved on 18/02/2022 with an area of 5,070.40 ha.

Principle 2.

As of assessment in November 2022, the planted area recorded is 161.4 ha, whereas Salvage logging recorded is approximately 80 ha from Compartment 5 & Compartment 7.

Based on the field assessment, the company adequately identified and mapped all protected areas. All workers are legally employed, and the company gave adequate safety and fire control training to the forest workers.

Principle 3.

Applicable fees have been paid to the SFD.

Highlights of Assessment

November 2022: Observation 001-2022 – Checklist 2.2.2 & 3.1.1

The company has submitted the OP application for Stumping, Nursery Extension and Access Road to DFO Pitas that is pending approval from SFD HQ.

Principle 4.

There are no settlements within the project site. There are 5 settlements, Kg. Alungai, Kg. Lubang Buaya, Kg. Pongu, Kg. Tawanan and Kg Timpus are situated within a 1KM of the project area., Records of meetings are recorded and available during the assessment reflecting that the company maintains a good relationship with the communities.

Summary Results:

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

Gap raised against indicators & criteria during the November, 2022 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the November, 2022 assessment.

Obs #	Checklist	Description
001-2021 Addressed	1.1.1	<p>November 2021: The DFO Pitas approved the land preparation inside the R&D compartment, but the activity was carried out before the coupe permit approval date.</p> <p>November 2022: The coupe permit (KDT.01/2022) was approved on 18/02/2022 with an area of 5,070.40 ha.</p>
001-2022	2.2.2 3.1.1	<p>November 2022: The company has submitted the OP application for Stumping, Nursery Extension and Access Road to DFO Pitas that is pending approval from SFD HQ.</p>

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

Recommendations

Asian Forestry Company (Sabah) 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.

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:

Observation 001-2022 – Checklist 2.2.2, 3.1.1: SFD shall expedite the approval of the OP for Stumping, Nursery Extension, and Access Road.

The next surveillance audit will be scheduled for November 2023.

End of Summary Report