

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Asian Forestry Company (Sabah) Sdn. Bhd. (371259-W)	<b>Reference #</b>	GFSSBH 003-223
<b>Contact Person</b>	Thondik Venantius (Projects Director)	<b>Date of Report</b> <b>Date of close out</b>	06/10/2023 -
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### Statements

Audit Statement	GFS 162 LVS		
Issuance Date	09 October 2023	Expiration Date	08 October 2024

### Assessment Details

Assessment Dates	02-06 October 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2021 (FMU 2 - Paitan)
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 crassiparpa</i>
Lead Assessor	Glory Linggou, Brandon James
Assessor(s)	Vanessa Abin, Anne Gimbir
SFD Staff	Jaludin Urubit (PPD Pitas), Peter Sumpit (KPPM Tangkarason/Rosob)

### 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 01<sup>st</sup> 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 (KDT 01/2022) is approved on 18/02/2022 with an area of 5,070.40 ha, which will expire on 07/02/2037.
- The contractor, Paulus Enterprise Sdn. Bhd., is appointed to carry out the salvage logging [contractor #: KON(PTS)009/2023(KM)]. The planting activity is carried out by Asian Forestry Company (Sabah) planting team.
- The previous assessment was conducted in November 2022 that resulted in 0 gap(s) and 1 observation(s) (Report # GFSSBH 003-162).

### Current Operations:

- Asian Forestry Company (Sabah) is currently conducting salvage logging for establishment of Industrial Tree Plantations.
- As of October 2023, the planted area recorded is 766.80 ha in Compartment 5, 7, 8 & 9.
- As of October 2023, the salvage logged area recorded is 910.80 ha in Compartment 5, 7, 8 & 9.
- The current operations are according to FMP/AWP/PDP schedules.
- Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area <sup>1</sup>	11,191	12,123.40
Production Area	10,420.26	8,804.88
Plantation Forest (ITP)	10,420.26	<u>Planted area as of October 2023</u> (Compartment 5, 7, 8 & 9) Total Planted: 766.80 ha
> Timber plantation (0° – 15°)	9,000.40	<u>Salvage logging as of October 2023</u> (Compartment 5, 7, 8 & 9) Logged area = 910.80 ha
> Potential Timber Plantation (16° – 25°) <sup>2</sup>	1,419.86	
Protected Area	551.12	Conservation = 422.62 ha River Buffer = 347.38 ha Slope > 25° = 2,236.78 ha Virgin Jungle Reserve buffer = 18.05 ha <b>Total = 3,024.83 ha</b>
Infrastructure, Roads Buildings, etc.	219.61	Campsite = 68.00 ha Log Depot = 5.12 Nursery = 4.68 Roadway = 215.68 ha Security Post = 0.16 ha Dumping Pit = 0.05 ha <b>Total = 293.69 ha</b>

**Note<sup>1</sup>:** The approved SFMLA area is approximately 11,191 ha. 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 12,123.40 ha. Based on the SFD Ref. #: JPHTN/SFM800-1/1/37/25 dated 13/08/2021, Asian Forestry Company (Sabah) is required to submit the survey map to the SFD for the surveyed area of 12,123.60 ha. The SFD letter also stated that the duration of the SFMLA01/2021 to 50 years will be subject to performance; thus, the validity of the SFMLA 01/2021 shall be maintained for 30 years.

**Note<sup>2</sup>:** Areas that are 16-25 degrees 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.
- Based on Sabah Wildlife Department published documents related to the greater area covering the FMU 2 (of which the project area forms a part of), based on sightings during the company's initial surveying, IUCN red list status and other inspections have shown that there is an endangered species, such as Banteng/Tembadau (*Bos javanicus*); vulnerable mammals, such as Malayan Sun bear (*Helarctos malayanus*), Sambar deer (*Rusa unicolor*), Pig-tailed macaque (*Macaca nemestrina*), Slow loris (*Nycticebus kayan*), Long-tailed macaque (*Macaca fascicularis*), and least concern mammals, such as Lesser mousedeer (*Tragulus kanchil*), Greater mousedeer (*Tragulus napu*), Sunda stink badger (*Mydaus javanensis*), red Muntjac (*Muntiacus muntjac*), Malay civet (*Viverra zibetha*) and Moon rat (*Echinosorex gymnura*).
- 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:**

- Based on SIA, there are no settlements within the project site. However, several villages are identified to be near the project site, namely Kg. Alungai, Kg. Lubang Buaya, Kg. Tawanan and Kg. Timpus. 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"> <li>• The scope of the evaluation is to verify compliance of <b>Asian Forestry Company (Sabah) Sdn. Bhd.</b> with the Sabah Forest Management License Agreement (SFMLA 01/2021) for FMU 2.</li> <li>• The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01<sup>st</sup> January 2015 (<b>SFD-TLAS-002</b>).</li> <li>• Site evaluation to verify and report the level of compliance by <b>Asian Forestry Company (Sabah) Sdn. Bhd.</b> 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 demonstrate adequate compliance to a criterion.</li> </ul>

**Itinerary & Mandays: Asian Forestry Company (Sabah) (FMU 2) / Gerak Saga (FMU 2) / Kota Marudu & Pitas District / 02-06 October 2023 (Total Mandays = 24)**

Date	Activity	GFS Staff	Mandays
02 October 2023 Monday	Travel to Kota Marudu. Opening meeting, document review & compiling report.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
03 October 2023 Tuesday	<u>Gerak Saga (FMU 2)</u> : Field visit to licensed boundary, planting area, protected areas, campsite, nursery. Community visit to Kg. Kapok. Document review & compiling report. Overnight at campsite.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
04 October 2023 Wednesday	<u>Asian Forestry Company (Sabah) (FMU 2) in Paitan</u> : Field visit to licensed boundary, planting area, protected areas, campsite, nursery. Community visit to Kg. Tawanan. Document review & compiling report. Travel to Kota Marudu.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
05 October 2023 Thursday	Document review at Forest Solution Malaysia office. Interview Kg. Suang Duyung & Kg. Alungai via What's App calls. compiling reports.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
06 October 2023 Friday	Closing meeting at PPD Kota Marudu. Travel back to home base.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
07-08 October 2023	Reporting GFSSBH 003-222 Reporting GFSSBH 003-223	Dr. Kevin Grace Glory Linggou Brandon James	4
<b>Total</b>			<b>24</b>

### 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 02-06 October 2023.

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. Based on the SFD Ref. #: JPHTN/SFM800-1/1/37/25 dated 13/08/2021, Asian Forestry Company (Sabah) is required to submit the survey map to the SFD for the surveyed area of 12,123.60 ha. The SFD letter also stated that the duration of the SFMLA01/2021 to 50 years will be subject to performance; thus, the validity of the SFMLA 01/2021 shall be maintained for 30 years.

The coupe permit KDT.01/2022 is approved on 18/02/2022 with an area of 5,070.40 ha, which will expire on 07/02/2037.

The EIA study was 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. Asian Forestry Company (Sabah) submitted the survey map to the SFD. The company conducted a Quarterly meeting progress on 11/07/2023 between the staff and the SFD Pitas personnel to follow up on the survey map status.

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). The AWP 2023 was submitted to the SFD and approved by the Chief Conservator of Forests on 23/12/2022.

### Highlights of Assessment

#### Principle 2.

Asia Forestry Company (Sabah) demonstrated compliance with the forest operation requirements. Logging contractor is registered with the SFD.

As of assessment in October 2023, the planted area recorded is 766.80 ha, whereas Salvage logging recorded is 910.80 ha from Compartment 5, 7, 8 & 9.

#### November 2022: Observation 001-2022 – Checklist 2.2.2

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

#### October 2023: Observation 001-2022 (Outstanding)

Lack of processing by SFD for the Occupation Permit application.

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.

#### November 2022: Observation 001-2022 – Checklist 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.

#### October 2023: Observation 001-2022 (Outstanding)

Lack of processing from the SFD for the Occupation Permit application & heavy machinery renewal.

#### Principle 4.

Based on SIA, there are no settlements within the project site. However, several villages are identified to be near the project site, namely Kg. Alungai, Kg. Lubang Buaya, Kg. Tawanana and Kg. Timpus. Based on the EIA study's analysis, the villagers still depend on the water source from Sg. Kawananan.

### Summary Results:

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

Gap raised against indicators & criteria during the October 2023 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October 2023 assessment.

Obs #	Checklist	Description
001-2022 Outstanding	2.2.2 3.1.1	<b>November 2022:</b> The company has submitted the OP application for Stumping, Nursery Extension and Access Road to DFO Pitas that is pending approval from SFD HQ. <b>October 2023:</b> Lack of processing from the SFD for the Occupation Permit application & heavy machinery renewal.

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 (Outstanding) – Checklist 2.2.2, 3.1.1:** SFD shall expedite the process for a new Occupational Permit application & heavy machinery. Asian Forestry Company (Sabah) should renew the heavy machinery 3 months before the expiry date.

The next surveillance audit will be scheduled for October 2024.

**End of Summary Report**