

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Asian Forestry Company (Sabah) Sdn. Bhd. 199501042055 (371259-W)	Reference #	GFSSBH 003-314
Contact Person	Thondik Venantius (Projects Director)	Date of Report	11/10/2024
Office Address	Headquarters: B2-10-01 Level 10, Riverson Suite, Off Jalan Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia. Field Office: F-55-2A, 1 Avenue Commercial Centre, Jalan WK, 89108 Kota Marudu, Sabah, Malaysia.	Date of close out	-
		Telephone	+6088 663 494
Email	t.venantius@forestsolutions.asia DFO Pitas: Norahmad.Jumain@sabah.gov.my PPW Kudat: Nesesius.Nasir@sabah.gov.my	Fax	+6088 662 494
		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 162 LVS		
Issuance Date	14 October 2024	Expiration Date	13 October 2025

Assessment Details

Assessment Dates	07-11 October 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2021 (FMU 2 - Paitan)
Species	Salvage logged: <i>Shorea inappendiculate</i> (Selangan Batu), <i>Shorea spp.</i> (Obah Suluk), <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), <i>Dryobalanops spp.</i> (Kapur) OT (other timbers). Tree Plantation: <i>Eucalyptus pellita</i> , <i>Acacia crassicarpa</i>
Lead Assessor	Glory Linggou
Assessor(s)	Priera Bagang, Brandon James, Sheanna Kehong
SFD Staff	Fadzil D. Moxin (ADFO Pitas), Rayner Marcello (PPM Tangkarason), Peter Sumpit (KPPM 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 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:

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.

Asian Forestry Company (Sabah) is managed by Forest Solutions Malaysia Sdn. Bhd.

Asian Forestry Company (Sabah) has 3 contractors to support the forestry activities within the licensed area.

Contractor	Remarks
Paulus Enterprise	Land preparation
JNJ Enterprise	Silviculture
Forest Solutions Services Sdn. Bhd.	Planting and silviculture

Land use classification:

Land classification	FMP Area (ha)	Current Status as of Sep 2024 (ha)
Total Concession Area	11,191	11,191
Production Area	10,420.26	10,420.26
Production Area (ITP)	10,420.26	Area planted = 1,569.70 <i>Eucalyptus pellita</i> = 1,492.50 <i>Acacia crassicarpa</i> = 63.70 Others = 13.50
Protected Area	551.12	551.12
Infrastructure, Roads, Buildings, etc.	219.61	219.61

Current Operations:

Asian Forestry Company (Sabah) is currently conducting salvage logging for establishment of Industrial Tree Plantations. As of September 2024, the planted area recorded is 1,569.70 ha with a total planted tree of 2,216,006, whereas the total logged area is 1,757.40ha.

The current operations are according to FMP/PDP/AWP schedules.

Coupe #	NFM/ITP	Status	Area (ha)	Geo-location data
KDT.01/2022	ITP	Sabah TLAS	5,070.40	NW: RO830000 BOR720000 SW: RO840000 BOR704000 NE RO862000 BOR710000 SE RO860000 BOR704000

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.

The EIA study titled "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." was prepared and approved by the EPD [Ref. #: JPAS/PP/BLN/600-1/01/3/70(29) dated 27/09/2021].

Social Context:

Social Assessment Summary

- Based on the FMP and the EIA report, there are no settlements within the project area in Paitan Forest Reserve.
- Villages identified in the peripheral of the licensed area are stated in the EIA report.

#	Name of village	Number of houses	Population	Ethnicity	Direction from Project site boundary
1	Kg. Timpus	70	350	Dusun Tombonuo	0.7 KM south
2	Kg. Tawanan	76	386	Dusun Tombonuo	1.2 KM south
3	Kg. Alungai	60	280	Dusun Tombonuo	2.0 KM north
4	Kg. Lubang Buaya	54	432	Dusun Tombonuo	2.0 KM northwest

Native Customary Rights

- No areas subject to native customary rights were identified within the licensed area.
- Based on the social assessment in 2023, Asian Forestry Company (Sabah) identified several potential graveyards and fruit trees belonging to Kg. Alungai, Kg. Lubang Buaya, Kg. Tawanan, and Kg. Timpus within the licensed area.
- As of the assessment, only the demarcation for Kg. Timpus has been completed, with the total affected area estimated at about 5 hectares. The location was mapped and excluded it from the operation. Asian Forestry Company (Sabah) is still in the process of identifying and demarcating the areas used by the communities in the remaining villages.
- Asian Forestry Company (Sabah) recognizes the concerns and rights of the communities living adjacent to the Project Area and is dedicated to minimizing and offsetting any social and environmental impacts of the project on their livelihoods.

Identified communities associated to the FMU

- No local community settlements are situated within the licensed area. There are 4 villages are identified to be near the project site, namely Kg. Alungai, Kg. Lubang Buaya, Kg. Tawanan and Kg. Timpus. Through a detailed socio-economic study, Asian Forestry Company (Sabah) has

accommodated the local communities that can benefit from this project and has taken the initiative of establishing a Community Development Master Plan to address the social development and to improve the quality of the local communities.

Community Forestry Projects

- Implementation of the Community Development Master Plan has become an avenue for employment and a platform to settle grievances and conflict resolution (land claims) among the local communities.
- There was no NCR claim in the licensed area, however, there were several land disputes identified. The villagers have planted several areas with crops (palm oil, fruits trees and rubber trees). Based on the Coupe Development Plan, approximately 22.14 ha of the disputed area was identified and is now temporarily excluded from forest operations.
- Asian Forestry Company (Sabah) is continuously giving assistance and resolving issues that affects the communities through engagements and consultations.

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 Sustainable Forest Management License Agreement (SFMLA 01/2021) for FMU 2. • 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). • 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 comply adequately with a criterion.

Itinerary & Mandays: 07-11 Oct 2024 / FMU 2: Gerak Saga Sdn. Bhd. & Asian Forestry Company (Sabah) Sdn. Bhd. / Kota Marudu & Pitas District

Date	Activity	GFS Staff	Mandays
07 October 2024 Monday	Travel to Kota Marudu. Opening meeting at Forest Solutions Malaysia office, document review & compiling report.	Glory Linggou Piera Bagang Brandon James Sheanna Kehong	4
08 October 2024 Tuesday	Document review at Forest Solutions Malaysia office.	Glory Linggou Piera Bagang Brandon James Sheanna Kehong	4
09 October 2024 Wednesday	Document review at Forest Solutions Malaysia office.	Glory Linggou Piera Bagang Brandon James Sheanna Kehong	4
10 October 2024 Thursday	Gerak Saga (FMU 2): Field visit to licensed boundary, planting area, protected areas, campsite, nursery. Community visit at Kg. Bongkol and Kg. Bawing. Document review & compiling report. Overnight at campsite.	Glory Linggou Piera Bagang Brandon James Sheanna Kehong	4
11 October 2024 Friday	Asian Forestry Company (Sabah) (FMU 2) in Paitan: Field visit to licensed boundary, planting area, protected areas, campsite, nursery, log yard. Community visit at Kg. Alungai. Travel back to homebase.	Glory Linggou Piera Bagang Brandon James Sheanna Kehong	4
12-13 October 2024	Reporting/Administration: GFSSBH003-313 Reporting/Administration: GFSSBH003-314	Dr. Kevin Grace Glory Linggou	4
Total			24

Highlights of Assessment
<p>(Major Gaps = 0; minor Gaps = 0; Observations = 1)</p> <p>Asian Forestry Company (Sabah) Sdn. Bhd. has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 07-11 October 2024.</p> <p>Summary of status of operations by Principle:</p> <p>Principle 1. Right to Harvest Asian Forestry Company (Sabah) demonstrated compliance with the license requirements, required management planning, and submission of documents or reports such as the EIA monitoring report to the relevant authorities.</p> <p>Principle 2. Forest Operations Asian Forestry Company (Sabah) demonstrated compliance with the licensed area security, maintenance of the licensed boundary, and protection of the riparian reserve. Asian Forestry Company (Sabah) has also implemented their system to monitor planted trees and ensure compliance with the regulatory requirements for workers.</p> <p>October 2024: Observation 001-2024 - Checklist 2.3.5 Asian Forestry Company (Sabah) has yet to conduct the forest fire awareness campaign as required in the FFMP.</p> <p>Principle 3. Statutory Charges Asian Forestry Company (Sabah) has paid licensing fees and other charges to the SFD.</p> <p>Principle 4. Other User Rights The licensed area is located within the Paitan Forest Reserve which is a Class II –Commercial Forest. Based on SIA, there are no settlements within the project site. However, there are 4 villages are identified to be near the project site, namely Kg. Alungai, Kg. Lubang Buaya, Kg. Tawanan and Kg. Timpus. Asian Forestry Company (Sabah) recognizes the concerns and rights of the communities living adjacent to the Project Area and is dedicated to minimizing and offsetting any social and environmental impacts of the project on their livelihoods.</p>

Summary Results:

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

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

GAP	Type	Checklist	Status	Description
-	-	-	-	-

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

Obs #	Checklist	Description
001-2024	2.3.5	October 2024: Asian Forestry Company (Sabah) has yet to conduct the forest fire awareness campaign as required in the FFMP.

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

Recommendations

Asian Forestry Company (Sabah) Sdn. Bhd. 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.

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 001-2024 - Checklist 2.3.5: Asian Forestry Company (Sabah) shall conduct the forest fire awareness campaign as required.

The next annual surveillance audit will be scheduled for **October 2025**.

End of Summary Report