

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Azam Surianiaga Sdn. Bhd. (1189977-U)	Reference #	GFSSBH 003-186
Contact Person	Kasmir Maichel (Director)	Date of Report	10/03/2023
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		Approved By	

Statements

Audit Statement	GFS 171 LVS		
Issuance Date	13 March 2023	Expiration Date	12 March 2024

Assessment Details

Assessment Dates	06 – 10 March 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 02/2018 (FMU 3 partly)
Species	<i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Alstonia</i> spp. (Pulai), <i>Eugenia</i> spp. (Obah), Lithocarpus & Quercus (Mempening), Myristicaceae (Darah-darah), <i>Cratoxylum arborescens</i> (Serungan), <i>Pentace</i> spp. (Takalis), <i>Tristanopsis merguensis</i> (Pelawan-pelawan), <i>Dialium indum</i> (KerANJI), <i>Anisoptera</i> spp. (Pengiran), <i>Endospermum diadenum</i> (Sendok – Sendok), <i>Osmelia maingayi</i> (Tambalikan)
Lead Assessor	Varenius Untomon
Assessor(s)	Glory Linggou, Prieria Bagang, Asraf Mahmud
SFD Staff	Idris Mustan (DFO Kota Marudu), Jinik Dogilon (SFM Kota Marudu)

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 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:

- Azam Surianiaga Sdn. Bhd. (1189977-U) was registered with Azam Surianiaga Commission (SSM) on 02/06/2016 in Kuala Lumpur, Malaysia.
- Azam Surianiaga was granted a licensed area of 10,195 ha in part of the Lingkabau Forest Reserve (FMU 3) by the State Government of Sabah under the Sustainable Forest Management License Agreement (SFMLA 02/2018).
- Azam Surianiaga is permitted to develop and manage the area for sustainable timber production from plantations, natural forests or both from 20/04/2018 to 19/04/2068 (50 years). Recent logging activity was recorded in 1997 when the area was licensed to Timberwell Berhad (SFMLA 06/97).
- The previous assessment was conducted in March 2022 that resulted in 8 gap(s) and 1 observation(s) (Report #: GFSSBH003-118).

Current Operations:

- There is no harvesting operation inside the NFM area.
- The current main activity conducted by Azam Surianiaga is salvage logging inside the ITP coupes areas.
- Summary logs production by compartment in 2022 as follows:

Cmpt #	Area (ha)	Volume (m ³)	Planted area, ha
14 & 15	640.36	17,781.63	0
Total	640.36	17,781.63	0

- There are no planting activities conducted by Azam Surianiaga as the salvage logging is still in progress.
- Summary schedule for harvesting and expected timber production inside Azam Surianiaga.

Year harvest	NFM-RIL (m ³)	ITP (m ³) salvage logging	Total yield (m ³)
2021	0	30,423	30,423
2022	0	71,046	71,046
2023	54,570	62,987	117,557
2024	36,637	0	36,637
2025	37,448	0	37,448
Grand total	128,655	164,456	293,111

- Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	10,195.32	10,195.32
Production Area	9,047	9,047
Natural Forest Management (NFM)	2,502.86	2,502.86
Intensive Tree Plantations (ITP)	5,873.45	5,873.45 Total logged area in 2022: 640.36 ha. Log production, 2022: 17,781.63 m ³
Tourism	1,819.01	1,819.01

Environmental Context:

- The natural vegetation of the licensed area can be classified into only two (2) types, the Upland Mixed Dipterocarp Forest and Lowland Mixed Dipterocarp Forest. Lower montane heath forest is also found in particular compartments.
- Due to poor logging practices in the past, the vegetation has been reduced to secondary forests dominated by *Macaranga* spp. The most common dipterocarps found are *Shorea venulosa*, *S. coriaceae*, *Dryobalanops lanceolata*, *Shorea parvifolia*, *S. leprosula* and *S. laevis*. In contrast, other common canopy species are *Tristanopsis grandiflorus*, *Gymnostoma sumatrana*, *Dacrydium becarii*, *Ceustostoma terminale* and *Ilex cymosa*. Pioneer species can also be found, such as *Neolamarckia cadamba* (Laran) and *Octomeles sumatrana* (Binuang).
- At least 23 species of mammals were recorded, including Bornean Pygmy Squirrel (*Exilisciurus exilis*), Bornean Yellow Muntjac (*Muntiacus atherodes*), Muller's Gibbon (*Hylobates muelieri*) and Ear-spot Squirrel (*Callosciurus adamsi*). Others include a Critically Endangered (CR) species of Sunda Pangolin (*Manis javanica*) and endangered species such as the Bearded Pig (*Sus barbatus*), Bornean Clouded Leopard (*Neofelis diardi borneensis*) and Binturong (*Arctictis binturong*).
- Three (3) different species of hornbill, including the endangered Wrinkled Hornbill, are also found with an addition of 97 other species of birds. Five (5) endemic fish species are found along the upper reaches of Sungai Bengkoka and Sungai Toguhu.
- EIA study was prepared and approved by the EPD (Ref.#: JPAS/PP/KM/600-1/01/3/14 Klt.2(26) dated 20/06/2019).

Social Context:

- Timberwell Berhad carried out the initial Social Baseline Survey (SBS) from May to August 2013 as the licensed area was previously managed by Timberwell and identified 26 villages (24 villages and 2 sub-villages) that are associated with Lingkabau Class II FR as shown in the table below:

Zone	Coverage	Villages	Village name
Gana	Kg. Gana	10	Kg. Gana (Villagers are from Kg. Linangkahan, Kg. Nasapu, Kg. Gouton, Kg. Garung, Kg. Kipopogong, Kg. Minsusurud, Kg. Sonsogon Paliu, Kg. Sonsogon Makatol Darat, Kg. Toguhu, Kg. Sonsogon Makatol Laut)
Lingkabau	From Kg. Dampiron, Sugut to Kg. Salan including all villages in the upstream of Kg. Lingkabau	13	Kg. Dampiron, Kg. Timbulus, Kg. Salan, Kg. Lingkabau, Kg. Atok (sv), Kg. Hangi (sv), Kg. Ponindakan, Kg. Abuan, Kg. Waigon 1, Kg. Waigon 2, Kg. Tagapalang, Kg. Mangkasulap and Kg. Nakadong
Togibang	From Kg. Garung Lama Ranau and up to Kg. Wokok, Kota Marudu	3	Kg. Garung Asal, Kg. Togibang, Kg. Wokok

- The villages in the Zone Gana settlement were formerly scattered within and adjacent to the licensed area. However, the villagers volunteered to resettle in Kg. Gana through the Gana Resettlement and Integrated Development (GRID) Project in 2000. Ten villages were involved in the relocation process, Kg. Linangkahan, Kg. Nasapu, Kg. Gouton, Kg. Garung, Kg. Kipopogong, Kg. Minsusurud, Kg. Sonsogon Paliu, Kg. Sonsogon Makatol Darat, Kg. Toguhu and Kg. Sonsogon Makatol Laut.

Results of the 2013 Social Baseline Survey include:

- The villages adjacent to and partly within the licensed area are populated with approximately 7,480 people, which belong to about 1,630 households, living in 1,150 houses and residing in 22 settlements. This indicates an average population of 4.59 per household. Zone Togibang has the highest average number of households per village due to better government infrastructure and better health care.
- The communities surveyed originated from the diverse ethnic groups are Dusun, Dusun Sonsogon, Dusun Sandazot Ouavang, Dusun Kimaragang, Dusun Tinagas, Dusun Sugut and Sungai Tombonuo. The Dusun Sonsogon formed the largest group of the population followed by Sungai Tombonuo. Christianity is the main religion for most of the villages.

- Subsistence farming based on traditional methods remains the main economic activity of all the communities surveyed. 90% and 100% of respondents are farmers or small holders.
- Rubber is the main economic activity or cash crop of the local communities. About 84% of the villages planted rubber trees with various clones and in different hectares. Oil palm is getting popular among the villagers. The farmers that own less than 2 ha have converted more farmlands into oil palm. Food crops are paddy, either hill or wet, depending on their land types. Various types of common fruit trees and vegetables were also planted for home consumption. Excess food crops were usually sold to other villagers, to the weekend market or put for sale on the roadside stall, usually unattended.
- The local communities depend on the licensed area for fishing (15% of the households), harvesting rattan (60% of the households), hunting (95% of the households), harvesting medicinal plants (10% of the households), source of water for consumption (100% of the households), sources of firewood (15% of the households).
- Villages such as Kg. Atok, Kg. Hangi, Kg. Gouton, Kg. Sonsogon Paliu, Kg. Sonsogon Makatol Darat, Kg. Toguhu and Kg. Dampiron previously claimed the lands inside the licensed area as NCR. All villages except for Kg. Dampiron has resettled in Kg. Gana and no longer claims areas in the Forest reserve. They are grouped according to their former Kampung name and headed by their respective ketua kampung.
- A second Social Baseline Survey was conducted under Azam Surinaga as part of the EIA in 2018, which identified 3 communities within 5km from the project area (Kg. Kaurun (1km), Kg. Minitampak (3km), Kg. Gana (3km) and Kg. Panosukan (5km). The FMP identified seven (7) households that planted fruit trees within the licensed area. The community exists on cultivated food crops, fishing and hunting bush meat.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Azam Surianiaga Sdn. Bhd.** with the Sustainable Forest Management License Agreement (SFMLA 02/2018) for FMU 3 (partly).
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated November 2020 (SFD-TLAS-002).
- Site evaluation to verify and report the level of compliance by **Azam Surianiaga 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 03 (partly) / Azam Surianiaga Sdn. Bhd. / Close Out: Maxland Sdn. Bhd. & Form 1: Francis Bin Madangan & 40 Peserta (Sahabat Jayasama Sdn. Bhd.) / Kota Marudu District / 06 – 10 March 2023 / (Total Mandays = 24)

Date	Activity	GFS Staff	Mandays
06 March 2023 Monday	Travel to PPD Kota Marudu and opening meeting.	Varenus Untomon, Glory Linggou, Prieria Bagang, Mohd Asraf	4
07 March 2023 Tuesday	Field assessment to licensed area, Licensed boundary, campsite, harvesting compartment.	Varenus Untomon, Glory Linggou, Prieria Bagang, Mohd Asraf	4
08 March 2023 Wednesday	Field assessment to logyard and community interview. Document review.	Varenus Untomon, Glory Linggou, Prieria Bagang, Mohd Asraf	4
09 March 2023 Thursday	Document review at PPD Kota Marudu.	Varenus Untomon, Glory Linggou, Prieria Bagang, Mohd Asraf	4
10 March 2023 Friday	Closing meeting at PPD Kota Marudu. Close-out: Maxland & Form 1: Francis Bin Madangan & 40 Peserta.	Varenus Untomon, Glory Linggou, Prieria Bagang, Mohd Asraf	4
11-12 March 2023	Reporting GFSSBH 003-186 Reporting GFSSBH 003-171a Reporting GFSSBH 003-173a	Dr. Kevin Grace Varenus Untomon	4
Total			24

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 2; Observations = 0)

Azam Surianiaga Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 06 – 10 March 2023.

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

Principle 1.

The State Government granted SFMLA 02/2018 to Azam Surianiaga for 50 years.

The Environmental Impact Assessment was conducted and approved by Environment Protection Department (EPD) 2019.

SFD approved a Coupe Permit (KDT03/2021), allowing Azam Surianiaga to conduct forestry operations inside the concession area.

Azam Surianiaga has a 10-year approved management plan describing the concession and activities, which expires in 2032. An annual work plan was also developed and submitted to the SFD as required.

March 2022: Gap 001/2022 (Minor) – Checklist 1.2.3 & 2.1.11

Lack of proper storage of scheduled waste/chemicals, no safety measure applied in the store.

March 2023: Gap 001/2022 (Minor) – Closed

Permanent structure was constructed to the scheduled waste store and labelled accordingly.

March 2022: Gap 002/2022 (Minor) – Checklist 1.7.1

Poor identification of boundaries and inadequate maintenance.

March 2023: Gap 002/2022 (Minor) – Closed

Licensed boundaries were adequately maintained.

March 2022: Gap 003/2022 (Minor) – Checklist 1.7.3 & 2.1.13

Inconsistent marking of protected areas. Excessive soil was pushed into buffer zones from road construction and maintenance.

March 2023: Gap 003/2022 (Minor) – Closed

Marking of protected areas was conducted and excluded from forestry activities.

Principle 2.

Azam Surianiaga started logging operations in October 2021. Protected areas are mapped and identified on the ground. Azam Surianiaga is still operating within ITP coupes as of the assessment. No evidence of logging operations outside permitted areas.

Azam Surianiaga had an approved exemption of Transit Pass and Checked Scaling form from the SFD to transport logs to the stumping area on 11/10/2021, which is valid for 1 year (Ref.#: JPHTN/FRM 700-2/1/41/1/16).

March 2022: Gap 004/2022 (Minor) – Checklist 2.1.18

A security gate has not yet been constructed to support the prevention of illegal activities.

March 2023: Gap 004/2022 (Minor) – Closed

Security gate has been constructed by Azam Surianiaga.

March 2022: Gap 005/2022 (Minor) – Checklist 2.3.1

No evidence that workers hired in February 2022 were registered with SOCSO.

March 2023: Gap 005/2022 (Minor) – Closed

Azam Surianiaga has maintained the SOCSO contribution for their workers.

March 2022: Gap 006/2022 (Minor) – Checklist 2.3.2 & 2.3.7

No Forest Fire Management Plan or evidence of safety and fire training was conducted since the start of logging operations.

March 2023: Gap 006/2022 (Minor) – Closed

Azam Surianiaga developed and submitted a Forest Fire Management Plan to SFD and conducted safety & fire safety training.

March 2023: Gap 001/2023 (Minor) – Checklist 2.1.7

Highlights of Assessment

The property hammer mark is pending approval from the SFD.

Principle 3.

Associated fees were paid and royalty payment was maintained by Azam Surianiaga. Records are available and maintained.

March 2022: Observation 001-2022 – Checklist 3.1.1

Lack of OP and signs for the guardhouse and proposed security gate.

March 2023: Gap 002/2023 (Raised to Minor) – Checklist 3.1.1

The OP registration for the proposed quarry and guardhouse is pending approval from SFD and the OP signboards (i.e., campsite, stumping) are not within the SFD size standards.

Principle 4.

An initial Social Baseline Survey (SBS) was carried out by Timberwell Berhad from May to August 2013 and identified 26 villages (24 villages and 2 sub-villages) associated with Lingkabau Class II FR.

The Gana Resettlement and Integrated Development (GRID) Project in 2000 for villages was scattered within and adjacent to the FMU 3 licensed area. The villages that volunteered to resettle under the project included Kg. Gana, Kg. Linangkahan, Kg. Nasapu, Kg. Gouton, Kg. Garung, Kg. Kipopogong, Kg. Minsusurud, Kg. Sonsogon Paliu, Kg. Sonsogon Makatol Darat, Kg. Toguhu and Kg. Sonsogon Makatol Laut.

A second Social Baseline Survey was conducted under Azam Surinaga as part of the EIA in 2018, which identified 3 communities within 5km from the project area (Kg. Kaurun (1km), Kg. Minitampak (3km), Kg. Gana (3km) and Kg. Panosukan (5km). Based on the approved EIA report, no community and NCR areas were identified within the licensed area.

Azam Surianiaga recorded in the FMP that seven households planted areas with fruit trees within the licensed area. Map has been produced to identify the areas used by communities with coordinates during the assessment.

March 2022: Gap 007/2022 (Minor) – Checklist 4.1.2, 4.1.3

No evidence of identification of areas planted and structures built by local communities prior to the issuance of the licensed concession area.

March 2023: Gap 007/2022 (Minor) – Closed

Azam Surianiaga has mapped and identified the area planted and structure built by the local community and excluded from harvesting operation.

Based on an interview with the local community, there is still a dependence on the forest products and fruit trees planted before Azam Surianiaga took over.

The relationship is neutral, and they are aware of the FR. However, they are still dependent on the forest product.

March 2022: Gap 008/2022 (Minor) – Checklist 4.1.4

No evidence of communication with communities regarding land use and potential claims for structures and planted areas prior to issuing the concession license.

March 2023: Gap 008/2022 (Minor) - Closed

Community engagement was conducted in 2022 by Azam Surianiaga.

Summary Results:**(Major gap = 0, Minor gap = 2, Observation = 0)**

Gap raised against indicators & criteria during the March, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Minor	1.2.3 2.1.11	Closed	March 2022: Lack of proper storage of scheduled waste/chemicals, no safety measures applied in the store. March 2023: Permanent structure was constructed to the scheduled waste store and labelled accordingly.
002/2022	Minor	1.7.1	Closed	March 2022: Poor identification of boundaries and inadequate maintenance. March 2023: Licensed boundaries were adequately maintained.
003/2022	Minor	1.7.3 2.1.13	Closed	March 2022: Inconsistent marking of protected areas. Excessive soil was pushed into buffer zones from road construction and maintenance. March 2023: Marking of protected areas was conducted and excluded from forestry activities.
004/2022	Minor	2.1.18	Closed	March 2022: A security gate has not yet been constructed to support the prevention of illegal activities. March 2023: Security gate has been constructed by Azam Surianiaga.
005/2022	Minor	2.3.1	Closed	March 2022: No evidence that workers hired in February 2022 were registered with SOCSO. March 2023: Azam Surianiaga has maintained the SOCSO contribution for their workers.
006/2022	Minor	2.3.2 2.3.7	Closed	March 2022: No Forest Fire Management Plan or evidence of safety and fire training since the start of logging operations. March 2023: Azam Surianiaga developed and submitted a Forest Fire Management Plan to SFD and conducted safety & fire safety training.
007/2022	Minor	4.1.2 4.1.3	Closed	March 2022: No evidence of identification of areas planted and structures built by local communities prior to the issuance of the licensed concession area. March 2023: Azam Surianiaga has mapped and identified the area planted and structure built by the local community and excluded from harvesting operation.
008/2022	Minor	4.1.4	Closed	March 2022: No evidence of communication with communities in respect to land use and potential claims for structures and planted areas prior to the issuance of the concession license. March 2023:

GAP	Type	Checklist	Status	Description
				Community engagement was conducted in 2022 by Azam Surianiaga.
001/2023	Minor	2.1.7	New	March 2023: The property hammer mark is pending approval from the SFD.
002/2023	Obs 001-2022	3.1.1	Raised to Minor	March 2022: Lack of OP and signs for the guardhouse and proposed security gate. March 2023: The OP registration for the proposed quarry and guardhouse is pending approval from SFD and the OP signboards (i.e. campsite, stumping) are not within the SFD size standards.

Observation raised against indicators & criteria during the March, 2023 assessment.

Obs #	Checklist	Description
-	-	-

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

Recommendations
<p>Azam Surianiaga 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.</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>Gap 001/2023 (Minor) – Checklist 2.1.7: SFD shall expedite the Property Hammer Mark’s approval.</p> <p>Gap 002/2023 (Raised to Minor) – Checklist 3.1.1: SFD shall expedite the OP registration and all OP signboards must be according to the SFD Circular # CF 34/2017.</p> <p>The next annual surveillance audit will be scheduled for March 2024.</p>

End of Summary Report