

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Azam Surianiaga Sdn. Bhd. 201601019040 (1189977-U)	Reference #	GFSSBH 003-247
Contact Person	Kasmir Maichel (Director)	Date of Report	22/03/2024
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 171 LVS		
Issuance Date	25 March 2024	Expiration Date	24 March 2025

Assessment Details

Assessment Dates	18 – 22 March 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 02/2018 (FMU 3 partly)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (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 spp.</i> (Pulai), <i>Eugenia spp.</i> (Obah), Lithocarpus & Quercus (Mempening), Myristicaceae (Darah-darah), <i>Cratoxylum arborescens</i> (Serungan), <i>Pentace spp.</i> (Takalis), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Dialium indum</i> (KerANJI), <i>Anisoptera spp.</i> (Pengiran), <i>Endospermum diadenum</i> (Sendok – Sendok)
Lead Assessor	Priera Bagang
Assessor(s)	Aleeza Ho, Tommy Olui
SFD Staff	Zainuden Jimbun (PPW Kudat), Idris Mustan (DFO Kota Marudu), Jinik Dogilon (SFM Kota Marudu), Stepreed (KPPM Talantang)

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. (Azam Surianiaga) was registered with Companies Commission of Malaysia 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 (Ref.#: 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). The logging activity was recorded in 1997 when the area was licensed to Timberwell Berhad (SFMLA 06/97).
- As of the assessment, Azam Surianiaga has not engaging any other subcontractor in logging or planting activities inside the licensed area.
- The previous assessment was conducted in March 2023 that resulted in 2 gap(s) and 0 observation(s) (Report #: GFSSBH003-186).

Current Operations:

- There is no harvesting operations inside the NFM area.
- The main activity conducted by Azam Surianiaga is salvage logging inside the ITP couped areas.
- List of ITP compartments where logging operations were commenced as follows:

Cmpt #	Gross area, ha	Year harvest	Status
11	504.01	2024	On going
13	429.49	2023, 2024	On going
14	643.29	2023	Completed
15	583.51	2022, 2023	Completed
16	503.02	2022, 2023	Completed
Total	2,663.32		

- Land use classification:

Land classification	FMP Area (ha)	Current Status, February 2024
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
Industrial Tree Plantations (ITP)	5,873.45	5,873.45 Total mosaic planted area: 59 ha Total seedling planted: 23,600
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*. Other common canopy species are *Tristanopsis grandiflorus*, *Gymnostoma sumatrana*, *Dacrydium beccarii*, *Ceutorstoma 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 Borneon Pygmy Squirrel (*Exilisciurus exilis*), Borneon 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 titled "Proposed Forestry Operation Within SFMLA 02/2018 (10,195.28ha) under FMU 3 of Lingkabau Forest Reserve, District of Kota Marudu, Sabah." 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 (sub-village), Kg. Hangi (sub-village), 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 hectarages. 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 Surianiaga 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)).

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 3 (partly) / Azam Surianiaga Sdn. Bhd. / Kota Marudu District / 18-22 March 2024 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
18 March 2024 Monday	Travel to Kota Marudu and overnight.	Priera Bagang, Aleeza Ho, Tommy Olui	3
19 March 2024 Tuesday	Opening meeting at Azam Surianiaga camp office. Field assessment to licensed area: Licensed boundary, campsite, planting & harvesting compartments, protection areas.	Priera Bagang, Aleeza Ho, Tommy Olui	3
20 March 2024 Wednesday	Field assessment to logyard and community interview, Kg. Gana. Document review at PPD Kota Marudu. Compiling report.	Priera Bagang, Aleeza Ho, Tommy Olui	3
21 March 2024 Thursday	Document review at PPD Kota Marudu. Compiling report.	Priera Bagang, Aleeza Ho, Tommy Olui	3
22 March 2024 Friday	Closing meeting at PPD Kota Marudu and travel to homebase.	Priera Bagang, Aleeza Ho, Tommy Olui	3
23-24 March 2024	Reporting GFSSBH 003-247	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

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

Azam Surianiaga Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 18 – 22 March 2024.

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

Principle 1.

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

Principle 2.

Highlights of Assessment

Azam Surianiaga has complied with the forest operation principle. Protected areas are mapped and identified on the ground. Azam Surianiaga is still operating within ITP coupes areas 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 17/11/2023, which is valid for 1 year [Ref.#: JPHTN/FRM 700-2/3/3/JILID.3/(30)].

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

The property hammer mark is pending approval from the SFD.

March 2024: Gap 001/2023 (minor) – Closed

Azam Surianiaga has renewed the Property Hammer Mark.

March 2024: Gap 001/2024 (minor) - Checklist 2.1.9, 2.1.14

Azam Surianiga did not submit the quarterly log production reports to SFD.

March 2024: Observation 001-2024 – Checklist 2.3.7

The revised FFMP is pending for approval by 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.

March 2024: Gap 002/2023 (minor) – Closed

Azam Surianiaga has registered and paid all OP to the SFD, and the OP signboards are 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 Surianiaga 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 an interview with the local community, there is still a dependence on the forest products before Azam Surianiaga took over.

Summary Results:

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

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

GAP	Type	Checklist	Status	Description
001/2023	minor	2.1.7	Closed	March 2023: The property hammer mark is pending approval from the SFD. March 2024: Azam Surianiaga has renewed the Property Hammer Mark.
002/2023	Raised to	3.1.1	Closed	March 2022:

GAP	Type	Checklist	Status	Description
	minor			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. March 2024: Azam Surianiaga has registered and paid all OP and the OP signboards are within the SFD size standards.
001/2024	minor	2.1.9 2.1.14	New	March 2024: Azam Surianiaga did not submit the quarterly log production reports to SFD.

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

Obs #	Checklist	Description
001-2024	2.3.7	March 2024: The revised FFMP is pending for approval by SFD.

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

Recommendations
<p>Azam Surianiaga Sdn. Bhd. has 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 001/2024 (minor) - Checklist 2.1.9, 2.1.14: Azam Surianiaga shall submit quarterly log production reports to the DFO.</p> <p>Observation 001-2024 – Checklist 2.3.7: SFD should expedite the FFMP approval.</p> <p>The next annual surveillance audit will be scheduled for March 2025.</p>

End of Summary Report