

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Sabah Softwoods Berhad (016887-D)	<b>Reference #</b>	GFSSBH 003-230
<b>Contact Person</b>	Ahmat Bin Yappe (Head of Tree Plantation)	<b>Date of Report</b>	10/11/2023
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Audit Statement	GFS 149 LVS		
Issuance Date	13 November 2023	Expiration Date	12 November 2024

### Assessment Details

Assessment Dates	06 - 10 November 2023
Scope of Assessment	Sabah TLAS P1-4: Tree Plantation Development at CL No. 105467687 (Brumas) & CL No. 105472508 (Kalabakan)
Species	Planted tree: <i>Acacia mangium</i> , <i>Albizia falcataria</i> , <i>Gmelina arborea</i> , <i>Tectona grandis</i> , <i>Eucalyptus pellita</i> , <i>Eucalyptus hybrid</i> . Plantation salvage logging: <i>Eucalyptus pellita</i> , <i>Eucalyptus hybrid</i>
Lead Assessor	Priera Bagang
Assessor(s)	Brandon James, Tommy Olui
SFD Staff	Judon Lamiting (KPPM Brumas), Feledie Jalane (PPM Brumas), Mohd Ferdaus Bin Syamsudin (PPM Brumas)

### 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:

- Sapangar Sdn. Bhd. is a company incorporated in Malaysia, a registered land owner in Country Lease No. 105467687 for Brumas with an area of 41,505 ha and Country Lease No. 105472508 for Kalabakan with 19,113 ha, respectively. On 1<sup>st</sup> January 1977, a Memorandum of Sub-Lease between Sapangar Sdn. Bhd. and Sabah Softwoods Berhad has been signed (valid for 60 years) to establish the tree plantation.
- Sabah Softwoods Berhad commenced operation in 1974 with the primary objective of planting 2 pieces of logged-over lands with fast-growing tree species. Over the years, the licensee gradually diversified its business by developing oil palm and crude palm oil mills.
- The tree plantation area is certified under the Forest Stewardship Council (FSC) Certification #: SCS-FM/COC-0010P; license code: FSC-C010070 from 01/12/2022 to 30/11/2027.
- Sabah Softwoods Berhad engages subcontractors for replanting and maintenance (Amalia Contractor and Dompea Contractor) as well as harvesting (Kinshope Trading, Pembangunan Kok Hung, Pengangkutan MBI, Vatmas Contractor, W&Y Contractor, and Tunas Jaya Enterprise).
- Sabah Softwoods Berhad has a separate Forest Management Plan, Ten-Year Forest Management Plan (2013-2023) for its Commercial Natural Forest and the Tree Plantation Management Plan (2016-2025) for its Tree plantation. The SFD did not require Sabah Softwoods Berhad to submit its Management Plan. However, Sabah Softwoods Berhad has taken the initiative to submit the FMP to the SFD on 31/03/2016 [Ref. #: SSB/MGT/GOV.DEPT-3(16)/3.31].
- The previous assessment was conducted in December 2022 that resulted in 1 gap(s) and 1 observation(s) (Report #: GFSSBH003-168).

### Current Operations:

- As of September 2023, the total planted area is 15,510 ha with a total planted tree of 18,651,694.
- Summary planting as of September 2023:

Year of Planting	Planted area (ha)						Total
	<i>A. falcataria</i>	<i>E. hybrid</i>	<i>E. pellita</i>	<i>A. mangium</i>	Teak	Mixed	
1996	0	0	0	0	0	17	17
1998	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0
2003	0	0	0	0	19	0	19
2004	0	0	0	0	0	0	0
2006	0	0	0	0	0	0	0
2007	30	0	0	0	0	0	30
2008	37	11	0	0	27	0	75
2009	186	0	21	0	0	0	207
2010	174	0	34	5	238	12	463
2011	471	0	0	0	10	0	481
2012	424	0	45	0	0	0	469
2013	804	0	238	0	0	0	1,042
2014	821	148	565	0	0	0	1,534
2015	690	324	725	0	0	0	1,740
2016	412	222	1,046	0	0	0	1,680
2017	360	43	1,063	0	0	11	1,476
2018	182	38	1,108	0	22	0	1,350
2019	75	4	1,008	0	7	3	1,098
2020	116	0	1,023	39	0	32	1,210
2021	133	0	955	0	0	23	1,110
2022	40	0	903	0	0	46	989
2023	0	0	520	0	0	0	520
<b>Total</b>	<b>4,955</b>	<b>790</b>	<b>9,254</b>	<b>44</b>	<b>323</b>	<b>144</b>	<b>15,510</b>

- Land use classification:

Land classification	Management Area (ha)	Current Status (ha)
Total Concession Area Country Lease No. 105467687 (Brumas) - 41,505 ha Country Lease No. 105472508 - (Kalabakan) - 19,113 ha	60,618.00	60,618.00
Production Area	60,618.00	
Tree Plantation area (Brumas & Kalabakan Division)	23,784.89	<b>Tree Plantation FSC certified area:</b> 23,344.10 ha (Brumas Division) Total area for Tree Plantation: FSC & Non- FSC area = 23,809 ha
Oil Palm Plantation (Brumas & Kalabakan Division)	36,833.10	<b>MSPO certified areas:</b> 36,623.59ha Oil palm planted: 26,072.82ha
Commercial Natural Forest (Brumas Division)	(774.72)	774.72
Protected Forest & Conservation (Brumas & Kalabakan Division); <i>Riparian reserves, watercatchment / steep area, water catchment, wildlife corridor</i>	(5,360.00)	5,360.00 Brumas HCV: 2,721.76ha Kalabakan HCV: 2,638.24ha
Others (Roads, infrastructures, etc)	(2,978.00)	2,978.00

### Environmental Context:

- The project area is situated within the Tree Plantation Project. The main species that were planted are *Albizia falcataria* and *Eucalyptus pelita*.
- Sabah Softwoods Berhad conducts a monthly Environment Impact Score Evaluation covering tree plantation and harvesting operations. The evaluation covers the Riparian Zone, Worker's Quarter, Contractor Housing, Harvesting Signboard, Field Road, Safety, and Environment & Trucking.
- In 1987, an Order (Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order/Appendix 2) was included under the Environmental Quality Act to prescribe all activities that are subject to having an EIA. However, the Tree Plantation development commenced in 1974 when an EIA was not required.

### Social Context:

- There are no settlements located within or adjacent to Sabah Softwoods Berhad area.

### Scope of Assessment

- The scope of the evaluation is to verify compliance of **Sabah Softwoods Berhad** with the Tree Plantation Development at Country Lease No. 105467687 & 105472508 under the Sabah Forestry Department regulations.
- 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 (**SFD-TLAS-002**).
- Site evaluation to verify and report the level of compliance by **Sabah Softwoods Berhad** 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: Sabah Softwoods Berhad / Kalabakan / 06-10 November 2023 (Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
06 November 2023 Monday	Travelling to Sabah Softwoods Berhad's rest house and overnight.	Priera Bagang, Brandon James Tommy Olui	3
07 November 2023 Tuesday	Opening meeting at Sabah Softwoods Berhad Central office and field assessment to harvesting area and planting area.	Priera Bagang, Brandon James Tommy Olui	3
08 November 2023 Wednesday	Field assessment to silviculture area and campsite. Document review at Sabah Softwoods Central office.	Priera Bagang, Brandon James Tommy Olui	3
09 November 2023 Thursday	Document review at Sabah Softwoods Central office. Closing meeting at Sabah Softwoods Central office.	Priera Bagang, Brandon James Tommy Olui	3
10 November 2023 Friday	Finalizing report and travel to homebase.	Priera Bagang, Brandon James Tommy Olui	3
11-12 November 2023	Reporting GFSSBH 003-230	Dr Kevin Grace, Priera Bagang	2
<b>Total</b>			<b>17</b>

### Highlights of Assessment

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

Sabah Softwoods Berhad has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 06 – 10 November 2023.

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

**Principle 1.**

Sabah Softwoods Berhad demonstrated compliance with the license agreement, the EIA, FMP, demarcation and mapping and forest inventory.

An Environmental Impact and Monitoring Programme & Mitigation Plan was developed for the tree plantation operation areas to control and mitigate risks.

Sabah Softwoods Berhad develops a monthly Environment Impact Score Evaluation to monitor waste disposal, watercourse demarcation, scheduled waste management, fire, pulling of residual logs, biodiversity, trucking, soil erosion, and safety.

The SFD did not require a coupe permit for the licensed area.

Sabah Softwoods Berhad has a separate Forest Management Plan, the Ten-Year Forest Management Plan (2013-2023) for its Commercial Natural Forest and the Tree Plantation Management Plan (2016-2025) that was submitted to the SFD on 31/03/2016 [Ref. #: SSB/MGT/GOV.DEPT-3(16)/3.31].

**December 2022: Gap 001/2022 (minor) - Checklist 1.2.3**

Inadequate mitigation against oil spillage and waste management (domestic & scheduled waste) at the Mile 5 housing areas.

**November 2023: Gap 001/2022 (minor) - Closed**

Sabah Softwoods Berhad has maintained a good waste management practice at Mile 5 housing areas.

**Principle 2.**

Sabah Softwoods Berhad is committed to protecting the environment under its environmental monitoring system. The system identified potential problems under a formal checklist. Sabah Softwoods Berhad also conducted enrichment planting in the identified HCV areas. There is no evidence that Sabah Softwoods Berhad disturbed protected areas.

Sabah Softwoods Berhad is exempted using a removal pass to transport plantation logs to the Sabah Softwoods Berhad Chipmill at Sungai Udin, Tawau (Ref. #: SSB/MGT/2.06/M&T/2(71) dated 21/07/2022). Subsequently, Sabah Softwoods records each trucking receipt of plantation logs, from plantation blocks with estimated production volumes, submitted to the DFO Kalabakan and the DFO Tawau (Ref. #: JPHTN/FRM 700-3/3/5/JILID.9/61 dated 02/09/2022).

### Highlights of Assessment

The SFD did not require the submission of an Annual Work Plan. Sabah Softwoods Berhad practices the long cable harvesting system to reduce soil disturbance and damage. Workers are legally employed and covered by SOCSO. Sabah Softwoods Berhad also implemented adequate safety and fire control training for its workers.

**November 2023: Gap 001/2023 (minor) – Checklist 2.3.1**

Observed two of the foreign workers sampled have an expired work permit, which are still in process of renewal.

**December 2022: Observation 001-2022 - Checklist 2.3.7**

2 units of fire extinguishers were expired at Mile 5 dwelling areas.

**November 2023: Observation 001-2022 (Addressed)**

All fire extinguishers were observed valid and with pressure at Mile 5 dwelling areas.

**Principle 3.**

Associated fees are paid with the related department. Currently, there is no export of logs by Sabah Softwoods Berhad.

**Principle 4.**

**Not applicable** - There is no village located within or adjacent to the project area.

### Summary Results:

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

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

GAP	Type	Checklist	Status	Description
001/2022	minor	1.2.3	Closed	<p><b>December 2022:</b> Inadequate mitigation against oil spillage and waste management (domestic &amp; scheduled waste) at Mile 5 housing areas.</p> <p><b>November 2023:</b> Sabah Softwoods Berhad has maintained a good waste management practice at Mile 5 housing areas.</p>
001/2023	minor	2.3.1	New	<p><b>November 2023:</b> Observed two of the foreign workers sampled have an expired work permit, which are still in process of renewal.</p>

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

Obs #	Checklist	Description
001-2022 Addressed	2.3.7	<p><b>December 2022:</b> 2 fire extinguishers were expired at Mile 5 dwelling areas.</p> <p><b>November 2023:</b> All fire extinguishers were observed valid and with pressure at Mile 5 dwelling areas.</p>

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

**Recommendations**

**Sabah Softwoods Berhad** 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:

**Gap 001/2023 (minor) – Checklist 2.3.1:** Sabah Softwoods Berhad shall renew the work permits for foreign workers before expiry.

The next surveillance audit will be scheduled for November 2024.

**End of Summary Report**