

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Sabah Softwoods Berhad 197301003426 (16887-D)	Reference #	GFSSBH 003-319
Contact Person	Mohd Hafizzul Samutu (Head of Tree Plantation)	Date of Report	08/11/2024
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	GFS 149 LVS		
Issuance Date	11 November 2024	Expiration Date	10 November 2025

Assessment Details

Assessment Dates	04-08 November 2024
Scope of Assessment	Sabah TLAS P1-4: Tree Plantation Development CL #:105467687 (Brumas)
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> .
Lead Assessor	Priera Bagang
Assessor(s)	Anis Andrew, Awena Jaibin, Teddy Quintin
SFD Staff	David Shagun (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 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:

Sapangar Sdn. Bhd. is a company incorporated in Malaysia and a registered landowner for

- Country Lease #: 105467687 for Brumas, with an area of 41,505 ha,
- Country Lease #: 105472508 for Kalabakan with an area of 19,113 ha.

On 1st January 1977, a Memorandum of Sub-Lease between Sapangar Sdn. Bhd. and Sabah Softwoods Berhad has been signed (valid for 60 years) for the establishment of the tree plantation. Sabah Softwoods Berhad commenced operation in 1974 with the primary objective of planting the 60,618 ha 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 with an expiry date of 30/11/2027.

Sabah Softwoods Berhad has a 10-Year Forest Management Plan (2013-2023), which expired on 31 Dec 2023. There are 2 drafts to replace the FMP:

- a) Sustainability Management Plan (2024-2033) for Commercial Natural Forest,
- B) Tree Plantation Management Plan (2016-2025) for Tree Plantation.

The SFD did not require Sabah Softwoods Berhad to submit the Tree Plantation Management Plan (2016-2025); however, the company took the initiative to provide a copy to the SFD on 31/03/2016 [Ref. #: SSB/MGT/GOV.DEPT-3(16)/3.31].

Land use classification:

Land classification	Management area (ha)	Current Status (ha)
Total Concession Area Country Lease #: 105467687 (Brumas)	41,505.00	41,505
Production Area	24,162.90	24,162.90
Tree Plantation area (Brumas Division)	24,162.90	Planted area = 15,503.77 <i>Albizia falcataria</i> = 4,827.46 <i>Eucalyptus pellita</i> = 9,197.56 <i>Eucalyptus hybrid</i> = 741.67 <i>Acacia mangium</i> = 44.17 Mixed local species = 145.12 Teak = 547.79
Oil Palm Plantation (Brumas Division)	17,342.10	17,342.10 Oil palm planted: 14,933.31ha
Commercial Natural Forest (Brumas Division)	774.72	774.72
Protected Forest & Conservation (Brumas Division): <i>Riparian reserves, water catchment / steep area, water catchment, wildlife corridor</i>	3,894.84	3,894.84
Others (Roads, infrastructures, etc)	474.55	474.55

Current Operations:

Sabah Softwoods is currently focusing on salvage logging and re-planting activities within Brumas region. Based on the 2024 annual record, the area targeted for logging is 1,078 ha. Whereas, the replanting activity were targeted at 975 ha. The SFD did not require the submission of AWP from Sabah Softwoods.

Land title #	NFM/ITP	Status	Area (ha)	Geo-location data
CL 105467687	Tree Plantation	Sabah TLAS EUDR	41,505	NE: N04° 43' 20.50" E117° 45'41.90" NW: N04° 41' 14.30" E117°39'41.80" SE: N04° 32' 12.90" E117°49'16.60" SW: N04° 31' 05.80" E117°39'03.90"

Environmental Context:

The project area is a logged-over area that has been planted with timber plantation species such as *Eucalyptus pellita*, *Albizia falcataria*, *Eucalyptus hybrid*, teak, and *Acacia mangium*.

Dipterocarp forests are located within water catchment areas, riparian reserves, and steep areas. Other natural vegetation are non-tree species group, such as creepers and weeds.

The project area is mainly underlain by Gumpal, Bang and Kretam Associations. The major soil type is the acidic and nutrient poor Orthic acrisols.

Despite being a Tree Plantation area wildlife populations still exist. This can be partly attributed by the 4 Forest Reserve adjacent to the project area, namely, Ulu Kalumpang Forest Reserve (Class I), Binuang Tingkayu Forest Reserve (Class I), Ulu Segama Forest Reserve (Class I), and Kalabakan Forest Reserve (Class II). Sabah Softwoods has established wildlife corridors of approximately, 1,043.70ha supportig wildlife foraging and shelter.

Wildlife survey shows the biological habitat has terrestrial mammals including Bornean Elephant, Sambar Deer, Borneon Yellow Muntjac, Bearded Pig, Malayan Civet, Common Palm Civet, Long-tailed and Pig-tailed Macaque. Avian species identified through calls and sightings: Slender-billed Crow, Hornbills, Junglefowl, Plaintive Cuckoo and Crested Serpent Eagle. Reptiles species identified are snakes, lizards and fresh water crocodiles. The biggest threat to wildlife in the licensed area is poaching.

Significant impacts:

- Soil erosion exacerbated by clear felling practice.
- Water quality deterioration and sedimentation.
- Refugia disturbance.
- Ease of ignition due to increase in fuel loads (logging residue).

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 activities commenced/validated in 1974 when the necessity of preparing an EIA was yet to be imposed. Thus, the EIA is exempted.

However, Sabah Softwoods Berhad has an Environmental Impact and Monitoring Programme and Mitigation Plan to monitors waste disposal, watercourse demarcation, scheduled waste management, fire, pulling of residual logs, biodiversity, trucking, soil erosion, and safety. The monitoring was conducted monthly through the Environment Impact Score Evaluation and report submission to the management.

Social Context:

There are no community settlements located within or adjacent to the licensed area.

Scope of Assessment

- The scope of the evaluation is to verify compliance of Sabah Softwoods Berhad with the Tree Plantation for CL 105467687 (Brumas).
- 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 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 comply adequately with a criterion.

Itinerary & Mandays: 04-08 November 2024 / Sabah Softwoods Berhad / Kalabakan District

Date	Activity	GFS Staff	Mandays
04 November 2024 Monday	Travelling to Sabah Softwoods Berhad basecamp and overnight.	Priera Bagang, Anis Andrew, Awena Jaibin, Teddy Quintin	4
05 November 2024 Tuesday	Sabah TLAS P5-6: Sabah Softwoods Berhad's Chip mill. Opening meeting and document review. Overnight at campsite.	Priera Bagang, Anis Andrew, Awena Jaibin, Teddy Quintin	4
06 November 2024 Wednesday	Opening meeting and field assessment to logging areas, planting areas, protection areas, and campsite. Document review. Overnight at campsite.	Priera Bagang, Anis Andrew, Awena Jaibin, Teddy Quintin	4
07 November 2024 Thursday	Document review. Overnight at campsite.	Priera Bagang, Anis Andrew, Awena Jaibin, Teddy Quintin	4
08 November 2024 Friday	Closing meeting at Sabah Softwoods Berhad basecamp office. Travel to homebase.	Priera Bagang, Anis Andrew, Awena Jaibin, Teddy Quintin	4
09-10 November 2024	Reporting/Administration: GFSSBH003-319	Dr. Kevin Grace Priera Bagang	2
Total			22

Highlights of Assessment

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

Sabah Softwoods Berhad has complied with the Sabah TLAS requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 04-08 November 2024.

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

Principle 1. Right to Harvest

Sabah Softwoods Berhad demonstrated compliance with the license agreement.

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 10-Year Forest Management Plan (2013-2023), expired on 31 Dec 2023. There are 2 management plans to replace the expired FMP, Sustainability Management Plan (2024-2033) for Commercial Natural Forest and Tree Plantation Management Plan (2016-2025) for Tree Plantation.

The Sustainability Management Plan does not follow the SFD standard for Natural Forest Management as

Highlights of Assessment

the cutting diameter limit of 36 cm is way below the 60 cm standard by SFD.

November 2024: Gap 001/2024 (minor) - Checklist: 1.3.1, 1.3.2.7

The draft Sustainability Management Plan (2024-2033) is not in line with Natural Forest Management and RIL Guidelines in respect to harvesting trees below 60 cm diameter over the 30 year cycle.

November 2024: Observation 001-2024 - Checklist: 1.3.2.5

Data on tree species planted in each of the 161 blocks is not available.

Principle 2. Forest Operations

Sabah Softwoods Berhad operates the timber plantation areas for the production of wood chips.

Sabah Softwoods Berhad has an environmental monitoring system to identify problems under a formal checklist. Sabah Softwoods Berhad implemented their system to monitor planted trees and ensure compliance with the regulatory requirements for workers.

Sabah Softwoods Berhad has conducted enrichment planting in identified HCV areas.

There is no evidence that Sabah Softwoods Berhad disturbed protected forest areas or has plans for harvesting in commercial natural forest areas.

November 2024: Observation 002-2024 – Checklist 2.3.3

Sabah Softwoods Berhad has yet to establish the PSP and analysis within the Commercial Natural Forest areas.

The company implements an annual training programme is scheduled for all workers at Tree Plantations area. However there was no evidence of training on fire prevention & suppression.

November 2024: Gap 002/2024 (minor) – Checklist 2.4.5

No evidence of training on fire prevention and suppression .

Principle 3. Statutory Charges

Sabah Softwoods Berhad is under a land title which-involves in extracting planted trees.

The SFD exempted Sabah Softwoods Berhad from registering COI, all their logging equipment / machinery and Occupational Permits with SFD. Log royalties are exempted for logs from planted trees.

Principle 4. Other User Rights

Not applicable - There are no community settlements located within or adjacent to the licensed area.

Summary Results:

(Major gap = 0, Minor gap = 2, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2024	minor	1.3.1 1.3.2.7	New	November 2024: The draft Sustainability Management Plan (2024-2033) is not in line with Natural Forest Management and RIL Guidelines in respect to harvesting trees below 60 cm diameter over the 30 year cycle.
002/2024	minor	2.4.5	New	November 2024: No evidence of training on fire prevention and suppression.

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

Obs #	Checklist	Description
001-2024	1.3.2.5	November 2024: Data on tree species planted in each of the 161 blocks is not available
002-2024	2.3.3	November 2024: Sabah Softwoods Berhad has yet to establish PSPs and analysis within Commercial Natural Forest areas.

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

Recommendations

Sabah Softwoods Berhad 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:

Gap 001/2024 (minor) - Checklist 1.3.1, 1.3.2.7: Sabah Softwoods Berhad shall revise the draft Sustainability Management Plan (2024-2033) align with Natural Forest Management and RIL Guidelines in respect to harvesting trees 60-120 cm diameter over a 30-year cycle.

Gap 002/2024 (minor) – Checklist 2.4.5: Sabah Softwoods Berhad shall conduct the fire prevention and suppression annually.

Observation 001–2024 - Checklist 1.3.2.5: Data on tree species planted in each of the 161 blocks should be available.

Observation 002-2024 - Checklist 2.3.3: Sabah Softwoods Berhad shall establish the PSP and conduct analysis to the Commercial Natural Forest area for monitoring residual tree growth and yield projection.

The next annual surveillance audit will be scheduled for November 2025.

End of Summary Report