

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Sunggang Binti Apong & 50 Peserta Contractor: Privilege Capital Sdn. Bhd. (1245339-P)	Reference #	GFSSBH 003-155a
Contact Person	Chong Chun Yew (Director) Steven Lee (Management Rep)	Date of Report	07/10/2022
Office Address	E-2, 5 th Floor, CPS Tower, Centre Point Sabah, 88000 Kota Kinabalu, Sabah, Malaysia.	Date of close out	06/12/2022
		Telephone	+6088 201 419
Email	-	Fax	+6088 201 879
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criterion 1.2 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	03 - 07 October 2022
Scope of Assessment	Sabah TLAS P1-4: Form IIB #: JPHTN/FRM 700-2/4/1/840/16
Species	Mixed species
Lead Assessor	Priera Bagang
Assessor(s)	Varenius Untomon
SFD Staff	Rustum Mison (DFO Kudat), Saikol Aya (ADFO Kudat), Jaludin Urubit (KPPM Kudat/Banggi), Bigwaison Rudini (PPM Kudat/Banggi)

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 01st January 2015 (**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:

- The State Government of Sabah has initiated a program for rural development that focuses on the establishment of agricultural crops as well as on enhancing communities' economic values on native-titled land, which is managed by an entity.
- The resulting dividend payments from the agricultural crops and other community benefits significantly enhance the livelihood of the rural population who also participate in agricultural projects, such as rubber and oil palm plantation development.
- As an initial step of site preparation, the identified agricultural development areas require the harvesting and removing remaining residual timber stocks. Power of Attorney was given to Privilege Capital Sdn. Bhd. (Privilege Capital) by Sunggang Binti Apong & 50 Peserta, who acts as the logging contractor related to the licensed area.
- Land use classification:

Land classification	Total Form IIB Area (ha)	Current Status (ha)
Native Title land (51 lots)	206.346ha	Total production, as of 4 th Form IIB application: 6,032 pcs(5,585.21m ³) Total logs transported: 3,163 pcs (2,760.12m ³) Production rate: 27m ³ /ha (clear felling)

Environmental Context:

- The Form IIB area is located at Kampung Selamat, Balambangan Island, Kudat.
- The nearest forest reserve is Pulau Banggi & Pulau Balambangan, Class I FR, located approximately 2km from the licensed area.
- Based on the production records, the area is predominantly with mixed lowland dipterocarp species.
- No evidence of existing EIA study for the licensed area.

Social Context:

- There is no village identified within the licensed area. Land titles have been awarded to Sunggang Binti Apong & 50 Peserta as private property. The nearest village, Kg. Selamat, Pulau Balambangan, Kudat located in the north, approximately 5KM from the licensed area.
- There is no other NCR claim area inside the titled land. Based on the contractor, the area is to be developed into an oil palm plantation.

Scope of Assessment

- The scope of the evaluation is to verify compliance of Sunggang Binti Apong & 50 Peserta (Privilege Capital Sdn. Bhd.) with the Form IIB #: JPHTN/FRM 700-2/4/1/840/16 dated 02/09/2022.
- The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (SFD-TLAS-002).
- Site evaluation to verify and report the level of compliance by Sunggang Binti Apong & 50 Peserta and contractor 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: Form IIB: Masding Bin Ikim & 8 Peserta (Syarikat Projek Tetap Sdn. Bhd.) & Sunggang Binti Apong & 50 Peserta (Privilege Capital Sdn. Bhd.) / Kudat District / 03 – 07 October 2022 (Total Mandays = 15)

Date	Activity	GFS Staff	Mandays
03 October 2022 Monday	Opening meeting at SFD Kudat.	Priera Bagang Varenus Untomon	2
04 October 2022 Tuesday	Document review at SFD Kudat office.	Priera Bagang Varenus Untomon	2
05 October 2022 Wednesday	Field visit to the licensed areas: Pulau Banggi (Masding Bin Ikim & 8 Peserta) & Pulau Balambangan (Sunggang Binti Apong & 50 Peserta).	Priera Bagang Varenus Untomon	2
06 October 2022 Thursday	Closing meeting at SFD Kudat.	Priera Bagang Varenus Untomon	2
07 October 2022 Friday	Travel to home base. Close-out: Bornion Timber	Priera Bagang Varenus Untomon	2
08 – 09 October 2022	Reporting GFSSBH 003-154 Reporting GFSSBH003-155 Reporting GFSSBH 003-142a	Dr. Kevin Grace, Varenus Untomon	5
Total			15

Highlights of Assessment

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

December 2022: (Major Gaps = 1; Minor Gaps = 1; Observations = 0)

Sunggang Binti Apong & 50 Peserta (Privilege Capital Sdn. Bhd.) has not complied with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criterion 1.2 during the assessment on 03-07 October 2022.

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

Principle 1.

The Sabah Government through the Land and Survey Department has recently granted the beneficiaries the Native Title land to Sunggang Binti Apong & 50 Peserta for the purpose of agriculture. The title land is permanently owned by the beneficiaries' subject to the Sabah Land Ordinance regulations.

List of Form IIB approved by the SFD.

Phase	IIB permit approval	Total logs	Total volume, m ³
1	JPHTN/FRM 700-2/4/1/840/7 dated 22/06/2022	1,759	1,418.88
2	JPHTN/FRM 700-2/4/1/840/11 dated 20/07/2022	1,404	1,341.24
3	JPHTN/FRM 700-2/4/1/840/14 dated 29/08/2022	1,501	1,398.99
4	JPHTN/FRM 700-2/4/1/840/16 dated 02/09/2022	1,368	1,426.10

October 2022: Gap 001/2022 (Major) - Checklist 1.2.2

No evidence of that a Proposal for Mitigation Measures was developed and approved by EPD for the 206.346ha (51 lots) with respect to land conversion.

December 2022: Gap 001/2022 (Major) - Outstanding

Privilege Capital has yet to prepare a Proposal for Mitigation Measures for the licensed area as required.

October 2022: Gap 002/2022 (Major) - Checklist 1.2.3

ECR monitoring reports were not submitted as the PMM was not submitted to the EPD for conversion of the 206.346ha (51 lots) to agricultural land use.

December 2022: Gap 002/2022 (Major) - Outstanding

Privilege Capital could not provide evidence of ECR monitoring reports.

Principle 2.

Sunggang Binti Apong & 50 Peserta (Privilege Capital Sdn. Bhd.) complies with the Forest Operation principle as no non-compliant was identified.

The GFS team could not access the licensed area due to poor weather conditions. The licensed area is located at Balambangan Island, Kudat and the only main access to the licensed area is by boat, which is

Highlights of Assessment

located approximately 40KM from the mainland.

This assessment solely depends on documentation presented by the SFD during the assessment. The verification visit shall be conducted in the next surveillance visit.

Power of Attorney was granted to the contractor, Privilege Capital. The contractor is permitted to enter, liaison with the government body, remove residual logs and pay any statutory charges to the government.

October 2022: Gap 003/2022 (Minor) – Checklist 2.3.2 & 2.3.7

The company did not conduct safety and fire training prior to harvesting operations.

Principle 3.

All applicable fees were paid accordingly.

Principle 4.

Not applicable – There is no village or local settlement located within the licensed area. Therefore, the State Government has awarded the land titles to the beneficiaries as private property.

Summary Results:

(Major gap = 2, Minor gap = 1, Observation = 0)

December 2022: (Major Gaps = 1; Minor Gaps = 1; Observations = 0)

Gap raised against indicators & criteria during the October 2022 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Major	1.2.2	Outstanding	<p>October 2022: No evidence of that a Proposal for Mitigation Measures was developed and approved by EPD for the 206.346ha (51 lots) with respect to land conversion.</p> <p>December 2022: Privilege Capital has yet to prepare a Proposal for Mitigation Measures for the licensed area as required.</p>
002/2022	Major	1.2.3	Outstanding	<p>October 2022: ECR monitoring reports were not submitted as the PMM was not submitted to the EPD for conversion of the 206.346ha (51 lots) to agricultural land use.</p> <p>December 2022: Privilege Capital could not provide evidence of ECR monitoring reports.</p>
003/2022	Minor	2.3.2 2.3.7	New	<p>October 2022: The company did not conduct safety and fire training prior to harvesting operations.</p>

Observation raised against indicators & criteria during the October 2022 assessment

Obs #	Checklist	Description
-	-	-

Highlights of Close Out Visit (if applicable)	Dates
Major Gaps 001/2022 & 002/2022 shall be addressed within 2 months by December 2022. Privilege Capital did not prepare the PMM; thus, no ECR monitoring reports were provided. Therefore, the Major Gaps remain outstanding.	06 December 2022

Recommendations
<p>Sunggang Binti Apong & 50 Peserta (Privilege Capital Sdn. Bhd.) has NOT demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified in Criterion 1.2 and is NOT recommended to receive a GFS Audit Statement and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gap shall be addressed within two months by December 2022:</p>

Gap 001/2022 (Major) Outstanding - Checklist 1.2.2: Privilege Capital shall prepare a Proposal for Mitigation Measures for the licensed area and submit it to EPD for approval.

Gap 002/2022 (Major) Outstanding - Checklist 1.2.3: ECR monitoring reports are required to be developed and submitted to the EPD for conversion of the 206.346ha (51 lots) to agricultural land use.

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 003/2022 (Minor) – Checklist 2.3.2, 2.3.7: Conduct safety and fire training prevention awareness/training for the forest workers for harvesting operations.

The next surveillance audit will be scheduled for October 2023 (if applicable).

End of Summary Report