

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Asian Forestry Company (Sabah) Sdn. Bhd.	<b>Reference #</b>	GFSSBH 003-015
<b>Contact Person</b>	Thondik Venantius (Project Director)	<b>Date of Report</b>	14/04/2019
<b>Office Address</b>	Block F, Lot 55-2A, 1 Avenue Commercial Centre, Jalan WK, 89108 Kota Marudu, Sabah.	<b>Date of close out</b>	-
		<b>Telephone</b>	+6088 663 494
<b>Email</b>	t.venantius@forestsolutions.asia	<b>Fax</b>	+6088 662 494
		<b>Approved By</b>	Dr. Kevin T. Grace

### Statements

Audit Statement	GFS 015 LVS		
Issuance Date	01 May 2019	Expiration Date	30 April 2020

### Assessment Details

Assessment Dates	8 – 12 April 2019
Scope of Assessment	TLAS Principles 1 - 4: TPFMA and Form 1 License [JP(DKM)008/2010(F1), JP(DKM) 004/2014(F1) and JP(DKM)008/2016(F1)]
Species	<i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), Lauraceae (Medang), <i>Scaphium spp.</i> (Kembang semangkuk), Lithocarpus & Quercus (Mempening), <i>Drybalanops spp.</i> (Kapur), <i>Heritiera simplicifolia</i> (Kembang), <i>Sapotaceae spp.</i> (Nyatoh), Myristicaceae (Darah-darah), <i>Neolamarckia cadamba</i> (Laran), <i>Pterocymbium javanicum</i> (Teletto), <i>Eugenia spp.</i> (Obah), <i>Cotylelobium spp.</i> (Resak batu), <i>Koompassia malaccensis</i> (Impas), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Parkia spp.</i> (Petai), <i>Cratoxylum arborescens</i> (Serungan), <i>Nauclea spp. / Neonauclea spp.</i> (Bangkal), <i>Hopea sangal</i> (Gagil), Annonaceae (Pisang-pisang), <i>Camptosperma auriculatum</i> (Terentang), <i>Pentace spp.</i> (Takalis), <i>Anisoptera spp.</i> (Pengiran), <i>Alstonia spp.</i> (Pulai), <i>Shorea inappendiculata</i> (Selangan batu), Prerospermum (Bayor), <i>Tamarindus indica</i> (Assam), <i>Shorea pauciflora</i> (Oba suluk), <i>Dillenia spp.</i> (Simpur), <i>Castanopsis motleyana</i> (Berangan), <i>Parartocarpus or Artocarpus</i> (Tarap), <i>Dialium indum</i> (KerANJI), <i>Intsia spp.</i> (Merbau), <i>Dyera spp.</i> (Jelutong), <i>Combretocarpus spp.</i> (Perapat hutan), <i>Annonaceae spp.</i> (Karai), Endospermum diadenum (Sendok – Sendok ), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Sindora beccariana</i> (Sepetir), <i>Planchonia valida</i> (Putat), <i>Macaranga spp.</i> (Sedaman)
Lead Assessor	Franklin Emang
Assessor(s)	Priera Bagang, Walter Marcus, Cynthia D. John
FDS Staff	Rosli bin Siki (DFO Kota Marudu), Nasrin Ladu (KPPM Menggaris), Nazmil Jikal (PPD 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 01<sup>st</sup> January 2015 (**FDS-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:**

- A Joint Venture Agreement dated 19<sup>th</sup> March 1996 was made between Sabah Forestry Development Authority (SAFODA), a statutory body established under the Sabah Forestry Development Authority Enactment, 1981, Resofocus Corporation Sdn. Bhd. and Begaraya Sdn. Bhd. (Begaraya) to jointly develop an Industrial Tree Plantation (ITP) covering an area of approximately 60,000 ha, situated in the District of Kota Marudu and Pitas.
- On 6<sup>th</sup> February 1997, Begaraya entered into an agreement known as “Tree Plantation and Forest Management Agreement (TPFMA) with the government of the State of Sabah to develop and manage the licensed area on degraded forest land.
- On 25<sup>th</sup> September 2003, a supplemental agreement between SAFODA, Resofocus Corporation Sdn. Bhd. and Begaraya was made. According to the terms of the agreement, SAFODA and Resofocus shall utilize Begaraya as the company to undertake the extraction, processing of residual timber, and to carry out replanting activities under the ITP programme within the licensed area.
- In 2009, the management of Begaraya was taken over by Asian Forestry Company (Sabah) Sdn. Bhd. (AFCS).
- The legal status of the licensed area is Stateland, requiring all logging activities to be carried out in the project area and shall be subject to the issuance of Form 1 license.
- The project area of 64,113 ha is divided into 2 Divisions; Pitas Division (23,824.7 ha) and Kota Marudu Division (40,288.7 ha). The perimeter of the licensed area had been surveyed by the Land & Survey Department and the total gross area identified for plantation establishment was said to be 54,026 ha, following area deductions of land title areas (6,606 ha) and water catchment areas (3,482 ha).
- Land tenure is based on the conditions of the Tree Plantation and Forest Management Agreement (TPFMA) covering a period of 60 years, commencing on 6<sup>th</sup> February 1997.
- AFCS has appointed three (3) registered contractors namely Gadaya Company, Pentareign Sdn. Bhd. and Guan On Rice Mill Sdn. Bhd. to carry out salvage logging operations.
- Planting activity is carried out by Forest Solutions Malaysia, an associated company to AFCS.
- The previous assessment was conducted in January 2018 that resulted in 1 gap(s) and 0 observation(s) (Report #: G161-217).
- There is a total of 346.30 ha difference (FMP against Coupe Development Plan) was not identified accordingly based on the land use classification.
- Land use classification:

Component	Approved FMP Area (ha)	Coupe Development Plan Area (ha) (March 2019)
Original TPFMA	64,113	
<i>Titled Land</i>	6,606	
<i>Water Catchment</i>	3,482	

Current TPFMA Area	54,026	53,679.70
<i>Communal Reserve</i>	9,354	
Final TPFMA Area (est.)	44,672	
<i>Riparian Zones</i>	3,925	4,301.90
<i>Steep Area</i>	5,962	17,930.90
<i>Other Losses</i>	2,085	329.40
Net ITP Area (est.)	32,700	30,819.70
Road structure		297.80
Native Claim (Communal Titled land, land claim, Village reserve, Individual claim)		17,170.50

Component	Approved FMP Area (ha)	Coupe Development Plan Area (ha) (March 2019)	Current Status (ha)* (planted)	
Net ITP Area (est.)	32,700	30,819.70	3,838.8	
			<i>Acacia aulacocarpa</i>	17.1
			<i>Acacia crassicarpa</i>	350.7
			<i>Albizia falcataria</i>	169.1
			<i>Acacia mangium</i>	757.7
			<i>Eucalyptus pelita</i>	2,528.2
			<i>Mix spp.</i>	16.0

Note: \*Based on Summary of Planting records at coupes 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15.

### Environmental Context:

- Prior to the 1970s, the licensed area was covered with rich lowland Mixed Dipterocarp Forest. This forest type is characterized by the predominance of the Dipterocarpaceae family that accounts for 70% to 90% of the commercial timber volume. In the early 70's, numerous short-term licenses (mostly Form 1 License) were issued to logging contractors, most notably Hap Seng Sdn. Bhd., that carried out conventional logging activities. As the results of heavy impact logging, most of the forests in the project area are severely depleted and colonized by secondary forest and pioneer forest species dominating the residual forest area.
- The topography of the licensed area consists of undulating to hill terrain at an elevation of 160 to 800 m a.s.l. suitable for the establishment for ITP. About 84% of the area falls under the slope category below 25°.
- Six major rivers had been identified under the HCV 1 category in the current FMP; Sg. Bengkoka, and tributaries (flowing to larger river) Sg. Nibang, Sg. Tandek, Sg. Menurodiang, Sg. Masalog and Sg. Kinaram. A total of 3,482 ha from the licensed area have been set aside for water catchments.
- Previously, AFCS aims to establish an ITP area with *Acacia mangium*. However, changes in the species selection were made due to the increment of *ceratocystis* attack (fungal) on *Acacia mangium*.
- AFCS has diversified its tree species for planting to minimise the risk of being attacked by a disease. Species of the planted trees were *Eucalyptus pelita*, *Acacia crassicarpa*, *Acacia aulacocarpa* and *Albizia falcataria*.
- AFCS engages *Raleigh International* that has been conducting wildlife assessments since 2009. Wildlife sighted inside the project area includes slow loris, pangolin, bearded pig, sambar deer, barking deer, mouse deer, pigtail macaques, long-tailed macaque, gibbon, and the giant squirrel.

- AFCS has an approved EIA report (May 2009) for an area of 42,000 ha, and Environmental Compliance Reports (ECR) being conducted at 4-monthly intervals.

### Social Context:

- A Canadian Head of Community and Partners of Community Organisations (PACOS) conducted a Social Baseline Assessment in February to March 2009 that identified 50 communities living within the licensed area and 12 communities living outside the licensed area.
- Based on the 1<sup>st</sup> FMP (2010 – 2019), the Land and Survey Department, with the assistance of the District Office of Kota Marudu and Pitas, an area of 6,606 ha were excluded in respect of the community rights within the licensed area. Subsequently, according to the Coupe Development Plan shows another 4,258.3 ha (Communal Titled land) have been excised to the project area.
- AFCS has a Community Development Master Plan (CDMP) covering 2009 – 2018 to address the social and development issues affecting the communities within the licensed area. The objective of this plan is to develop and implement sustainable strategies for the target communities to create self-sustaining social, cultural and economic development by the end of the project period.
- The estimated population data of local communities settling inside or adjacent to the licensed area are shown in the table below, as identified in the approved FMP:

Districts	Locations	Number of Villages	Approx. Population
Pitas	Inside the licensed area	21	5,466
	Adjacent to the licensed area	7	1,800
<b>Sub total</b>		<b>28</b>	<b>7,266</b>
Kota Marudu	Inside the licensed area	29	8,468
	Adjacent to the licensed area	5	660
<b>Sub total</b>		<b>34</b>	<b>9,128</b>
<b>TOTAL</b>		<b>62</b>	<b>16,394</b>

### Scope of Assessment

- The scope of the evaluation is to verify compliance of **Asian Forestry Company (Sabah) Sdn. Bhd.** with both Tree Plantation and Forest Management Agreement (TPFMA) and Form 1 Licenses.
- 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 (FDS-TLAS-002).
- Site evaluation to verify and report the level of compliance by **Asian Forestry Company (Sabah) 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: Form 1 License / Asian Forestry Company (Sabah) Sdn. Bhd. / Kota Marudu  
8 – 14 April 2019 (Total Mandays = 22)**

Date	Activity	GFS Staff	Mandays
08 April 2019 Monday	Travelling to Kota Marudu. Opening meeting at PPD Kota Marudu office.	Franklin Emang Walter Marcus Piera Bagang Cynthia D. John	4
09 April 2019 Tuesday	Field visit to Samparita Stumping, Coupe 15 (salvage logging), Coupe 8 (maintenance), Coupe 12 (planting & salvage logging), riparian reserve Sg. Nibang, licensed area / coupe / block boundaries, nursery, dumping pit, nursery, diesel depot, genset room, Chemical Store, Petrol Store, basecamp, fire depot, Gadaya campsite, Mangas campsite, etc.	Franklin Emang Walter Marcus Piera Bagang Cynthia D. John	4
10 April 2019 Wednesday	Field visit to buffer zone Sg. Bengkoka at Coupe 15 (Block 7). Community visit to Kg. Sonsogon Magandai, Kota Marudu. Document review at AFCS office.	Franklin Emang Walter Marcus Piera Bagang Cynthia D. John	4
11 April 2019 Thursday	Document review at AFCS office.	Franklin Emang Walter Marcus Piera Bagang Cynthia D. John	4
12 April 2019 Friday	Closing meeting at AFCS office. Travel to home base.	Franklin Emang Walter Marcus Piera Bagang Cynthia D. John	4
13-14 April 2019	Reporting GFSSBH 003-015	Dr. Kevin T. Grace Franklin Emang	2
<b>Total</b>			<b>22</b>

### Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 2; Observations = 3)

**Asian Forestry Company (Sabah) Sdn. Bhd.** has complied with the Sabah Legality Standard (FDS-TLAS-002) as no non-compliance was identified during the assessment on 8 – 12 April 2019.

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

**Principle 1.**

AFCS demonstrated compliance with the license requirements, management planning, and submission of documents/reports such as the EIA monitoring report to the relevant authorities.

Currently, AFCS is in the midst of revising their FMP, which was delayed due to the ongoing evaluation land claims within the area. AFCS work with relevant authorities such as the Sabah State Government, Land and Survey Department, Forestry Department of Sabah as well as the local communities on land claims, which has significantly affected the total production area. An official notification letter on the above matter by AFCS (Ref. #: AFCS/KM/18/07/125-1 dated 10.07.2018) has been extended to FDS.

**April 2019: Observation 001-2019 – Checklists 1.4.2.4, 4.1.2**

Although the company is in the midst of revising the FMP, it was observed a total of 346.30 ha difference (FMP against Coupe Development Plan) was not identified accordingly based on the land use classification.

## Highlights of Assessment

### April 2019: Observation 002-2019 – Checklists 1.5.1, 1.7.1

AFCS has not a clear schedule to revise the 1<sup>st</sup> FMP that will expire on 31<sup>st</sup> December 2019.

### April 2019: Gap 002/2019 (Minor) – Checklists 1.8.3

Evidence of machinery's track crossing the Sg. Nibang was observed in Coupe 8 (Block 7).

### Principle 2.

AFCS is committed to implement the relevant mitigation measures to protect the environment. Environmental Compliance Report (ECR) for 2018/2019 is prepared quarterly by an appointed EIA consultant to ensure AFCS compliance with the environmental matters. Demarcation of areas prohibited from harvesting such as steep slopes, riparian reserve and buffer zones were identifiable on the ground.

Notification letter to Wildlife Department was submitted by AFCS prior to the commencement of harvesting operations.

Requirements on logs from salvage logging operations were followed such as logs' serial number are incised on the log's end as well as marking of Property Hammer Mark, FDS Inspection Hammer Mark and FDS Royalty Hammer Mark. Related documents such as TDP, Scaling Order and royalty receipts were made available.

AFCS has yet to harvest the planted trees from their planting coupe. Therefore, there are no planted trees available for felling and extraction. The oldest planted trees were in Coupe 4 and Coupe 1 with planted tree species of *Acacia mangium* (planting date: 06.05.2011) and *Eucalyptus pelita* (planting date: 09.12.2011) respectively.

AFCS had submitted their Forest Fire Management Plan (FFMP) to FDS. However, the FFMP was reverted back to AFCS for amendment (Ref. #: JPHTN/KM:100-4/1/JILID 9/ (60) dated 20<sup>th</sup> December 2017). Currently, AFCS is in the process of revising their FFMP.

### January 2018: GAP 001/2018 (Minor) – Checklist 2.1.3

Application of fungicide does not comply with the FSC Chemical List and not accepted by FDS:

- Three types of fungicides, which contained *thiram*, *benomyl*, and *copper hydroxide* were found kept in the chemical store.
- Safety Data Sheets for the chemical materials were not made available during the field visit.

### April 2019: Gap 001/2018 (Minor) – Closed

No evidence of purchased or used of fungicide that contained *thiram*, *benomyl*, and *copper hydroxide*. Herbicide such as Ally 20DF (a.i. *metsulfuron-methyl* 20.0% w/w) and Roundup Transorb (a.i. *glyphosate-isopropylammonium* 41.0% w/w) was purchased that complies with the FSC Chemical List and kept in the Chemical Store for field use. SDS for both herbicides are kept and displayed in the Chemical Store as well.

### April 2019: Gap 002/2019 (Minor) – Checklists 2.1.5

Evidence of machinery's track crossing the Sg. Nibang was observed in Coupe 8 (Block 7).

### April 2019: Gap 003/2019 (Minor) – Checklists 2.1.3, 2.6.10

Two (2) units of fire extinguisher expired on 23.01.2019 and first aid kits contents were inadequate at Gadaya salvage logging campsite.

### April 2019: Observation 003-2019 – Checklist 2.1.11a

AFCS is in the process of completing a manned guard post at the boundary of Coupe 15 and Communal Titled land (RO 808772; BOR 719290). It is necessary to expedite the progress of work as part of the access control system to the licensed area.

### Highlights of Assessment

**Principle 3.**

AFCS has paid the licensing fees and other charges to Kota Marudu District Forestry Office. The records were available and maintained.

**Principle 4.**

AFCS excised a total of 6,606 ha of the communities' area (land title) from the licensed area.

AFCS maintained all documents of meetings and discussions with the villages.

The assessing team has visited Kg. Sonsogon Magandai, Kota Marudu (RO818320; BOR709421), one of the settlements that located within the licensed area.

**April 2019: Observation 001-2019 – Checklists 1.4.2.4, 4.1.2**

Although the company is in the midst of revising the FMP, it was observed a total of 346.30 ha difference (FMP against Coupe Development Plan) was not identified accordingly based on the land use classification.

### Summary Results:

(Major gap = 0, Minor gap = 2, Observation = 3)

Gaps raised against indicators & criteria during the **April 2019** assessment.

GAP	Type	Checklist	Status	Description
001/2018	Minor	2.1.3	Closed	<p><b>January 2018:</b> Application of fungicide does not comply with the FSC Chemical List and not accepted by FDS:</p> <ul style="list-style-type: none"> <li>Three types of fungicides, which contained <i>thiram</i>, <i>benomyl</i>, and <i>copper hydroxide</i> were found kept in the chemical store.</li> <li>Safety Data Sheets for the chemical materials were not made available during the field visit.</li> </ul> <p><b>April 2019:</b> No evidence of purchased or used of fungicide that contained <i>thiram</i>, <i>benomyl</i>, and <i>copper hydroxide</i>. Herbicide such as Ally 20DF (a.i. <i>metsulfuron-methyl</i> 20.0% w/w) and Roundup Transorb (a.i. <i>glyphosate-isopropylammonium</i> 41.0% w/w) was purchased (comply with the FSC Chemical List) and kept in the Chemical Store for application in the field. SDS for both herbicides are kept and displayed in the Chemical Store as well.</p>
002/2019	Minor	1.8.3 2.1.5	New	Evidence of machinery tracks crossing the Sg. Nibang was observed in Coupe 8 (Block 7).
003/2019	Minor	2.1.3 2.6.10	New	Two (2) units of fire extinguisher expired on 23.01.2019 and first aid kits contents were inadequate at Gadaya salvage logging campsite.

Observations raised against indicators & criteria during the **April 2019** assessment.

Obs #	Checklist	Description
001-2019	1.4.2.4 4.1.2	Although the company is in the midst of revising the FMP, it was observed a total of 346.30 ha difference (FMP against Coupe Development Plan) was not identified accordingly based on the land use classification.

Obs #	Checklist	Description
002-2019	1.5.1 1.7.1	AFCS has not included a scheduled plan in the AWP to revise the 1 <sup>st</sup> FMP that will expire on 31 <sup>st</sup> December 2019.
003-2019	2.1.11a	AFCS is in the process of completing a manned guard post at the boundary of Coupe 15 and Communal Titled land (RO 808772; BOR 719290). It is necessary to expedite the progress of work as part of the access control system to the licensed area.

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

Recommendations
<p><b>Asian Forestry Company (Sabah) Sdn. Bhd.</b> has demonstrated compliance with the Sabah Legality Standard (FDS-TLAS-002) for its designated area and is recommended to receive a GFS Audit Statement and STCC from FDS.</p> <p>Gaps/observations identified in this assessment should be addressed before the next surveillance visit. Action required to close the gaps/observations include:</p> <p><b>Gap 002/2019 (Minor) – Checklists 1.8.3, 2.1.5:</b> AFCS must strictly monitor (supervision) their machinery's operator during operations (e.g. road maintenance, logging operation, etc.) adjacent to the riparian reserve, buffer zone and steep slopes.</p> <p><b>Gap 003/2019 (Minor) – Checklists 2.1.3, 2.6.10:</b> Secondary containment must be equipped at any possible oil/lubricant dripping points not limited to machinery that undergone service and maintenance, diesel pump's nozzle, diesel storage tank. The cleanliness in the camp shall be maintained. Fire extinguishers shall be serviced (before expiry due date) and replenish the first aid kits regularly.</p> <p><b>Observation 001-2019 – Checklists 1.4.2.4, 4.1.2:</b> AFCS shall identify and document the area (FMP against Coupe Development Plan) based on the land use classification.</p> <p><b>Observation 002-2019 – Checklists 1.5.1, 1.7.1:</b> AFCS to ensure there is a clear schedule / plan to revise the FMP in the current AWP.</p> <p><b>Observation 003-2019 – Checklist 2.1.11a:</b> AFCS to expedite the progress of work for the new manned guard post and assign security personnel at the post.</p> <p>The next surveillance audit will be scheduled in February 2020.</p>

**End of Summary Report**