

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

| | | | |
|-----------------------|--|--------------------------|--------------------------------|
| Licensee | Jawala Plantation Industries Sdn. Bhd. | Reference # | GFSSBH 003-019 |
| Contact Person | Bernan Ibanez Billones (Forest Manager) | Date of Report | 13/05/2019 |
| Office Address | Lot 2-10 & 2-11, Pusat Komersil Latitud 6 Lintas, Off Jalan Lintas, 88000 Kota Kinabalu, Sabah. | Date of close out | - |
| | | Telephone | +6088 395 757 +6088 395 775 |
| Email | maxybrayanself@gmail.com | Fax | +6088 395 111 |
| | | Approved By | Dr. Kevin Grace |

Statements

| | | | |
|-----------------|--------------|-----------------|-------------|
| Audit Statement | GFS 100 LVS | | |
| Issuance Date | 01 June 2019 | Expiration Date | 31 May 2020 |

Assessment Details

| | |
|---------------------|--|
| Assessment Dates | 6 th – 10 th May 2019 |
| Scope of Assessment | TLAS Principle 1 – 4: ITP development, SFMLA 02/15 |
| Species | <i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Koompassia malaccensis</i> (Impas), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Scaphium spp.</i> (Kembang semangkuk), (Nyatoh), <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>Nauclea spp./Neonauclea spp.</i> (Bangkal), <i>Annonaceae spp.</i> (Karai), <i>Eugenia spp.</i> (Obah), <i>Sindora beccariana</i> (Sepetir), Lauraceae (Medang), <i>Planchonia valida</i> (Putat), <i>Lophopetalum spp.</i> (Perupok), <i>Terminalia subspathulata</i> (Talisai), <i>Lithocarpus & Quercus</i> (Mempening), <i>Myristicaceae</i> (Darah-darah), <i>Dillenia spp.</i> (Simpur), <i>Cotylelobium spp.</i> (Resak batu), <i>Cratoxylum arborescens</i> (Serungan), <i>Pentace spp.</i> (Takalis), <i>Koordersiodendron pinnatum</i> (Ranggu), <i>Hopea sangal</i> (Gagil), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Gluta/ Semecarpus/Melanochyla & Swintonia</i> (Rengas), <i>Annonaceae</i> (Pisang-pisang), <i>Azadirachta excels</i> (Bawang-bawang), <i>Endospermum diadenum</i> (Sendok-Sendok), Assam, Perapat Hutan. |
| Lead Assessor | Franklin Emang |
| Assessor(s) | Priera Bagang |
| FDS Staff | Alexius Pius (ADFO Tibow), Hamdan Faridz (ADFO Tibow), RH Anselmus Pedro (KPPM Sapulut), Albert Daffy (PPM Sapulut), Mazlan Azman (MCEE Keningau) |

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 (**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:

- Formerly, the licensed area was part of the management area under the Sustainable Forest Management License Agreement (SFMLA) 04/97 and managed by Sapulut Forest Development Sdn. Bhd (SFD).
- Prior to reverting the area to Jawala Plantation Industries Sdn. Bhd. (Jawala Plantation Industries), SFD was given a special dispensation by the Forestry Department of Sabah (FDS) to harvest the licensed area until December 2015.
- Jawala Plantation Industries is fully owned, subsidiary of Jawala Corporation Sdn. Bhd. and incorporated with the State Government of Sabah for a long-term agreement.
- Tenure based on SFMLA 02/15 that started on 12th August 2015 and expires on 31st December 2115 (100-years agreement) to develop an "Industrial Tree Plantation" within the FMU 14 concession, comprising an area of 11,043 ha.
- Jawala Plantation Industries engaged Perusahaan J&T Sdn. Bhd. As their contractor to carry out salvage logging at the ITP areas.
- Jawala Plantation Industries has engaged Universal Contractor, Ansilang Plantation Enterprise, Kerokot Enterprise and Jaya Enterprise as their contractor to conduct a site preparation, which includes brushing and clear felling, spreading and planting.
- The previous assessment was conducted in May 2018 that resulted in 0 gap(s) and 0 observation(s) (report #: G161-244).
- The land use zoning based on the approved FMP.

| Land Use | Area (ha) |
|--|---------------|
| Total licensed area | 11,043 |
| Production Area | 8,930 |
| <i>i. Industrial Tree Plantation (ITP)</i> | 8,442 |
| <i>ii. Industrial Tree Plantation (RIL Harvesting)</i> | 488 |
| Non-Production Area | 1,364 |
| <i>i. Roads & clearings</i> | 84 |
| <i>ii. Streams, ponds & riparian reserves</i> | 1,192 |
| <i>iii. Steep areas & inoperable areas</i> | 68 |
| <i>iv. Infrastructure</i> | 20 |
| Conservation Area | 749 |

| Land Use | FMP Area (ha) | *Current Status (ha) | | | |
|---|---------------|----------------------|------------------|---------------|--------------|
| | | Cmpt # | Species | Tree # | Planted (ha) |
| <i>Industrial Tree Plantation (ITP)</i> | 8,442 | 7 | Laran | 49,889 | 183.87 |
| | | | Albizia | 15,430 | |
| | | | <i>E. pelita</i> | - | |
| | | 8 | Laran | 20,755 | 62.33 |
| | | | Albizia | - | |
| | | | <i>E. pelita</i> | - | |
| | | 9 | Laran | 4,770 | 35.75 |
| | | | Albizia | 900 | |
| | | | <i>E. pelita</i> | 6,235 | |
| | | Total | 97,979 | 281.95 | |

Note: *Based on record of planting progress as of 30/04/2019.

Environmental Context:

- It was recorded that this area was first logged in the late 1980's. Poor logging practices had resulted in poor forest structure with extensive pioneer trees cover, and heavy vine loads. SFD conducted RIL harvesting system in this area from 2011 to 2013 under the SFMLA 04/97 and subsequently rehabilitated the area with native dipterocarp species and fast-growing species.
- The SFMLA area comprises of 3 forests type, which are Lowland Mixed Dipterocarp Forest (LMDF), Upland Mixed Dipterocarp Forest (UMDF) and Limestone Vegetation (LV). LMDF comprises approximately 8,121 ha (72.9%) of the licensed area where the common tree species belongs to the Dipterocarp genera of Shorea, Parashorea, Dryobalanops and Dipterocarpus. Unfortunately, this forest type has been logged heavily in the past. UMDF covers an area of approximately 2,987 ha (26.8%) of the total licensed area.
- A rapid assessment wildlife survey was conducted within the licensed area. A total of 24 mammal species (i.e. *sus barbatus*, *cervus unicolor*, *helarctos malayanus*, and *prinaillurus bengalensis*), 1 reptile species, and 106 bird species.
- The registered EIA consultant prepared the Environmental Impact Assessment and approved by the Environment Protection Department (EPD) (Ref.#: JPAS/PP/NDN/600-1/01/3/62 (35); dated 16th May 2017).

Social Context:

- There are no communities living or claim areas within the SFMLA licensed concession.
- The surrounding villages are Kg. Simatuoh, Kg. Sebuloh, Kg. Samuran, Kg. Tataluan and Kg. Salung. The local communities are mainly from the Murut Tagol ethnic group. The communities are sedentary agriculturists, who do not use the resources in the SFMLA area because local Stateland forest resources are sufficient to meet the local needs.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Jawala Plantation Industries Sdn. Bhd.** with the Sabah Forest Management License Agreement (SFMLA 02/2015) for FMU 14.
- The assessment is in accordance on the terms of the agreement for the "Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (**FDS-TLAS-002**).
- Site evaluation to verify and report the level of compliance by **Jawala Plantation Industries 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 14 / Jawala Plantation Industries Sdn. Bhd. / Tibow 6th – 10th May 2019 (Total Mandays = 12)

| Date | Activity | GFS Staff | Mandays |
|--------------------------|---|---------------------------------|---------|
| 06 May 2019 Monday | Travel to Tibow (Jawala Plantation Industries Sdn. Bhd. – Overnight at basecamp) | Franklin Emang, Piera Bagang | 2 |
| 07 May 2019 Tuesday | Opening meeting (a.m.) Field visit to compartments of salvage logging, plantation, maintenance, riparian reserves, stream buffer zones, nursery, steep area, conservation area and boundaries (licensed area, compartment, coupe), manned gate, basecamp, etc. | Franklin Emang, Piera Bagang | 2 |
| 08 May 2019 Wednesday | Field visit to licensed boundary, stumping & basecamp. Document review (partly). Travel to Keningau. | Franklin Emang, Piera Bagang | 2 |
| 09 May 2019 Thursday | Document review at PPD Keningau | Franklin Emang, Piera Bagang | 2 |
| 10 May 2019 | Closing meeting at PPD Keningau office. | Franklin Emang, | 2 |

| | | | |
|----------------|--------------------------|------------------------------------|-----------|
| Friday | Travel to Kota Kinabalu. | Priera Bagang | |
| 11-12 May 2019 | Reporting GFSSBH 003-019 | Dr. Kevin Grace, Franklin Emang | 2 |
| Total | | | 12 |

Highlights of Assessment

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

Jawala Plantation Industries Sdn. Bhd. has complied with the Sabah Legality Standard (**FDS-TLAS-002**) as no non-compliance was identified during the assessment on 6th – 10th May 2019.

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

Principle 1.

Forestry Department of Sabah and Jawala Plantation Industries have signed an agreement (SFMLA 02/15) whereby a total of 11,043 ha of the Sapulut Forest Reserve were placed under the management of Jawala Plantation Industries and expired on 31st December 2115. Harvesting operations in the licensed area based on Coupe permit issued by FDS.

Jawala Plantation Industries has submitted their application for a new coupe permit in 2019 to FDS covering 6 compartments (C28, C29, C31, C32, C38 and C39) with an approximate area of 1,661.30ha (Ref.#: JPHTN/TO 700-2/1/12/Jld.2/(38) dated 15/04/2019). The application is pending for approval by FDS.

May 2019: Gap 001/2019 (Minor) – Checklist 1.4.2, 1.9.1

The results of the inventory do not follow the SFD forest quality strata based on density of commercial trees over 60 cm dbh/ha as all Jawala Plantation Industries stratas (Good Moderate & Poor) consist of the same density of 13 trees/ha. Density of trees in the Poor Quality Strata is higher than the Moderate Quality Strata and volume/ha of the Poor Quality Strata is higher than the Good Quality Strata.

Conversion of forest quality strata 2 areas to plantations conflicts with Jawala Plantation Industries Policy regarding *ensuring environmentally appropriate* management activities.

Jawala Plantation Industries demonstrated compliance with the license requirements, management planning, and submission of documents or reports such as the EIA monitoring report to the relevant authorities.

Principle 2.

Jawala Plantation Industries has adequately implemented mitigation measures to protect the environment based on the Environmental Compliance Reports (ECR) for 2018/2019 prepared quarterly by an appointed EIA consultant. The company demonstrated compliance with the 2018 AWP and Environmental Impact Assessment requirements. Demarcation of areas prohibited from harvesting such as steep slopes, riparian reserve and buffer zones were identifiable on the ground. No signs of disturbance observed during the field assessment.

Jawala Plantation Industries submitted Notification letter to Wildlife Department before the commencement of harvesting operations.

Requirements for salvage logging were followed and each log was incised with a serial number as well as a 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.

Jawala Plantation Industries has yet to harvest planted trees from their planting coupes. The oldest planting area is in compartment 7 (date of planting: April 2018) with planted tree species of Laran and Albizia.

The company has an approved Forest Fire Management Plan (FFMP) by FDS dated 25/07/2018.

Highlights of Assessment

Principle 3.

Jawala Plantation Industries has paid the licensing fees to Tibow District Forestry office. Royalty fees for salvage logging paid and records were available for inspection.

Principle 4.

There are no communities living or claim areas within the SFMLA licensed concession.

The surrounding villages are Kg. Simatuoh, Kg. Sebuloh, Kg. Samuran, Kg. Tataluan and Kg. Salung. The local communities are mainly from the Murut Tagol ethnic group. The communities are sedentary agriculturists, who do not use the resources in the SFMLA area because local Stateland forest resources are sufficient to meet the local needs. Jawala Plantation keeps and maintains all records of donation / assistance given to the adjacent local communities.

Summary Results:

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

Gap raised against indicators & criteria during the May, 2019 assessment.

| GAP | Type | Checklist | Status | Description |
|----------|-------|----------------|--------|---|
| 001/2019 | Minor | 1.4.2 1.9.1 | New | The results of the inventory do not follow the SFD forest quality strata based on density of commercial trees over 60 cm dbh/ha as all Jawala Plantation Industries strata (Good Moderate & Poor) consist of the same density of 13 trees/ha. Density of trees in the Poor Quality Strata is higher than the Moderate Quality Strata and volume/ha of the Poor Quality Strata is higher than the Good Quality Strata. Conversion of forest quality strata 2 areas to plantations conflicts with Jawala Plantation Industries's Policy regarding <i>ensuring environmentally appropriate</i> management activities. |

Observation raised against indicators & criteria during the May, 2019 assessment

| Obs # | Checklist | Description |
|-------|-----------|-------------|
| - | - | - |

Highlights of Close Out Visit (if applicable)

Dates

-

Not applicable

Recommendations

Jawala Plantation Industries Sdn. Bhd. 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.

Gaps identified in this assessment shall be addressed before the next surveillance visit. Action required to close the gaps include:

Gap 001/2019 (Minor) - Checklist 1.4.2 & 1.9.1: Re-evaluate inventory data and results in relation to SFD forest quality strata. Ensure that the company operates in accordance to policy statement.

The next surveillance audit will be scheduled in March 2020.

End of Summary Report