

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Rakyat Berjaya Sdn. Bhd.(009867-W) Contractor: Beta Bumi Sdn. Bhd. (741542-H)	Reference #	GFSSBH 003-217
Contact Person	Ronnie Bibi (Forestry Manager RBJ Sandakan) Ah Soon Ah Choi (Maxland) Jovinia Johin (Maxland)	Date of Report Date of close out	15/09/2023 -
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 038 LVS		
Issuance Date	18 September 2023	Expiration Date	17 September 2024

Assessment Details

Assessment Dates	11 – 15 September 2023
Scope of Assessment	Sabah TLAS 1-4: FMU 16 (SFMLA 09/97) Coupe Licenses: (SDK 06/13, SDK 02/14, SDK 04/14, SDK 01/14, SDK 06/14, SDK 05/15, SDK 08/21)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Eugenia spp.</i> (Obah) and OT (Other timber)
Lead Assessor	Priera Bagang
Assessor(s)	Glory Linggou, Tommy Olui, Sandra George
SFD Staff	Jamal Ibrahim (DFO Tongod), James Torimoh (ADFO Tongod), Afif Affendy (ADFO Tongod), Yaacob Beni (KPPM Pinangah)

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:

- Yayasan Sabah, the main concessionaire under the Sustainable Forest Management License Agreement (SFMLA) 09/97, assigned Rakyat Berjaya Sdn. Bhd. (Rakyat Berjaya), a subsidiary of Yayasan Sabah to manage forest licensed areas within the Pinangah Forest Reserve – FMU 16. The tenure is based on SFMLA 09/97, which expired on 10/09/2097.
- The Forest Management Plan for FMU 16 has identified an area of approximately 20,151 hectares of degraded forest inside FMU 16 for intensive forest rehabilitation combining natural forest management and fast-growing forest tree plantations.
- Rakyat Berjaya engages Beta Bumi Sdn. Bhd. (Beta Bumi) as a contractor to develop the licensed area, which involves harvesting and establishing plantations of fast-growing trees.
- The area managed by Beta Bumi is divided into areas 'A', 'B' and 'C' located in the centre of Sabah and clustered around the Imbak Canyon Conservation Area. Areas A, B, C have 7 approved Coupe Permits with 50-year validity.

Coupe Permit #	Block	Expiry	Area (ha)
SDK 06/13	YS 01/12 (Area A1)	10/03/2063	5,662.62
SDK 02/14	YS 01/12 (Area A2)	12/03/2064	946.00
SDK 04/14	YS 01/12 (Area A2)	12/03/2064	1,021.00
SDK 08/21	YS 01/12 (Area B)	25/07/2071	3,959.49
SDK 01/14	YS 01/12 (Area C1)	12/03/2064	2,308.53
SDK 06/14	YS 01/12 (Area C1)	12/03/2064	1,964.00
SDK 05/15	YS 01/12 (Area C2)	17/02/2066	3,559.96
Total area			19,421.60

- Currently, Beta Bumi does not engage any sub-contractor for tree harvesting and forest plantation.
- Beta Bumi's management is associated with and supported by Maxland Sdn. Bhd. and Maju Sinar Sdn. Bhd.
- The previous assessment was conducted in September 2022 that resulted in 6 gap(s) and 1 observation(s) (Report #: GFSSBH003-153a).

Current Operations:

- The logging operations in Area B have been temporarily suspended on 30 December 2022.
- As of December 2022, the logged area in Area B was 3,435.60 ha with a total log production of 99,754.22 m³.
- Due to poor planting performance, the SFD required that Beta Bumi to complete the planting activities for a total net backlog area of 4,501 ha (Ref. #: JPHTN/SFM 800-1/1/7/7/99 dated 23/05/2023).
- However, the SFD has granted a net area of 1,500 ha as a planting target for 2023. Until the planting activities are achieved, the SFD is not allowing additional salvage logging activities inside the Beta Bumi licensed area.
- The 1st Forest Management Plan (2012 - 2023) has been lapsed since 31/03/2023. The SFD has approved the 2023 AWP based on the 1st Forest Management Plan planned activities and required Beta Bumi to submit the 2nd Forest Management Plan (2024 - 2033) by 31/10/2023 [Ref. #: JPHTN/SFM 800-1/1/7/7(JILID.2)(32) dated 17/08/2023].
- No new mosaic planting has been conducted inside Area B by Beta Bumi as of the assessment.

Planting summary:

Year Planted	Area Planted (ha)					Species
	Area A1	Area A2	Area C1	Area C2	Total Area	
2014	87.44	-	-	-	87.44	Albizia
2015	801.57	-	-	-	801.57	Albizia

2016	529.45	266.78	-	-	796.23	Albizia: 653.27ha <i>Eucalyptus hybrid</i> : 142.96ha
2017	725.54	-	-	-	725.54	Albizia: 453.26ha <i>Eucalyptus hybrid</i> : 221.98ha <i>Hopea odorata</i> : 50.00ha
2018	-	-	74.83	-	74.83	Albizia: 72.67ha <i>Eucalyptus hybrid</i> : 1.44ha <i>Eucalyptus pellita</i> : 0.72ha
Total	2,144	266.78	74.83	0.00	2,485.61	

- Land use classification:

Land classification	1 st FMP Area (ha)	Current Status (ha)
Total Concession Area	20,151	20,151
Production Area	20,151	Coupe permit = 19,421.60 ha Logged area = 12,589.96
- Natural Forest Management	4,211	Logged NFM = 2,299 ha
- Intensive Tree Planting (Mosaic) Total Area	15,940	Planted area = 2,485.61ha Liberation treatment = 2,866.55ha
a) Planted Area (50%)	7,970	Revised FMP Mosaic planning (balance unplanted): 9,448.98 ha
b) Natural Stands (50%)	7,970	Planting area (60%) = 4,853.69 ha Natural stands (40%) = 3,682.39 ha
Protected Forest & Conservation	2,045	Steep Area = 195 ha River Stream Buffer = 1,550 ha Imbak Canyon Conservation Area buffer = 300 ha
Infrastructure, Roads Buildings, etc.	205	205

Environmental Context:

- Area 'B' is relatively flat, whereas the terrain in Area 'A' and 'C' is more undulating topography.
- The highest point is 620 m located in Area 'C' and 80% of all licensed area falls below 300 m asl.
- Site relief of the 3 licensed areas is given in the table below:

Gradient	Area (ha)	Percentage
0 ^o – 8 ^o	5,332	28
8 ^o – 15 ^o	8,359	42
15 ^o – 25 ^o	6,313	29
>25 ^o	199	1

- The major rivers draining the area are:
 - Sg. Pinangah
 - Sg. Millian
 - Sg. Imbak
 - Sg. Sinoa
- The main soil type is Orthic Acrisols and deemed marginal for agriculture development.
- Mean annual rainfall is 3,063 mm, with the driest months in March, April and October, while December and January are the wettest months.
- The 3 licensed areas once supported rich lowland mixed dipterocarp forests and are now relegated to a residual forest that is considered poor due to bad logging practices in the past.
- The forest area harbours some iconic species, such as the Orangutans, Borneo gibbons, Tembadau and Borneo pygmy elephants but in low numbers. Poor logging practices have exacerbated the already low wildlife density by forest fragmentation (broken canopy, large gaps, open conditions, etc.). Wildlife habitat is expected to improve as the forest recovers over time.

- The mosaic planting area shares a common boundary with Buffer Zone 1 of the Maliau Basin Conservation Area and is also located in Buffer Zone 2 of the Maliau Basin Conservation Area.
- The list of approved EIA studies from the EPD;

#	Title	EPD Approval Letter #	EIA Consultant
1	Proposed Forest Restoration and Tree Planting of Mixed Species at Sungai Pinangah Forest Reserve For YS 1/12 (Area A1) and YS 1/12 (Area A2) Covering An Area of 7,705.82 ha. <i>* The EIA covers salvage logging and any forest rehabilitation/restoration activities.</i>	JPAS/PP/24/600 -1/01/3/51 dated 15/03/2013	Kiwiheng Wood & Environmental Consultants Sdn. Bhd.
2	Proposed Forest Restoration and Tree Planting of Mixed Species at Sg. Pinangah Forest Reserve for YS 1/12 (Area C1 and C2) Covering an Area of 8,286.49ha. <i>* The EIA covers selective logging system (RIL), forest rehabilitation and restoration activities.</i>	JPAS/PP/24/600 -1/01/3/53 dated 17/03/2014	Kiwiheng Wood & Environmental Consultants Sdn. Bhd.
3	Proposed 4,192 hectares Forest Restoration (Mosaic) and Enrichment Planting for YS1/12 (Area B) at Sg. Pinangah Forest Reserve, District of Tongod, Sabah by Rakyat Berjaya Sdn. Bhd.	JPAS/PP/TGD/6 00-1/01/3/56 Klt.2(9) dated 27/03/2018	Kiwiheng Environmental Consultants Sdn. Bhd.

Social Context:

- Based on the Social Baseline Survey, there are no human settlements within the licensed area. However, the EIA has identified 2 villages within 3 km from the licensed area boundary, Kg. Bulot and Kg. Kuala Tongod. These villages are located along the Milian and Pinangah Rivers.
- The village communities residing near the management area are largely subsistence farmers, and income-earning potential is very limited. Fishing and hunting are important subsistence activities. As the population grows, there is increasing demand for scarce land to support growing families that may cause issues with encroachment. The EIA has defined that there is no significant negative impact in the communities living near to the licensed area.
- Rakyat Berjaya has cooperated with the local community to obtain their land titles with the relevant authorities. The licensee has also assisted the community in developing their rubber plantation outside FMU 16 to enhance the community’s livelihood and the sustainability of the land.
- Rakyat Berjaya maintained their connection with the local community to supply non-timber forest resources for their own consumption. The licensee has also organized and conducted several activities with the villagers to present the forest products created by the community to the public.

Scope of Assessment
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) with the Sustainable Forest Management License Agreement (SFMLA 09/97) for FMU 16 (Partly). • The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated November 2020 (SFD-TLAS-002). • Site evaluation to verify and report the level of compliance by Rakyat Berjaya Sdn. Bhd. and Beta Bumi Sdn. Bhd. 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 16 (Partly) / Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) / Close-out: Borneo Sulaman Cove Sdn. Bhd. / Tongod District / 11–15 September 2023 (Total Mandays = 24)

Date	Activity	GFS Staff	Mandays
11 September 2023 Monday	Travel to IPS Telupid and overnight. Close-out: Requesting information for Borneo Sulaman Cove Sdn. Bhd.	Priera Bagang Glory Linggou Tommy Olui Sandra George	4
12 September 2023 Tuesday	Opening meeting at SFD Tongod office. Field assessment to Beta Bumi Area B. Compiling report.	Priera Bagang Glory Linggou Tommy Olui Sandra George	4
13 September 2023 Wednesday	Field assessment to Beta Bumi's campsite and stumping. Document review at SFD Tongod office. Compiling report.	Priera Bagang Glory Linggou Tommy Olui Sandra George	4
14 September 2023 Thursday	Document review at SFD Telupid office and compiling report.	Priera Bagang Glory Linggou Tommy Olui Sandra George	4
15 September 2023 Friday	Finalising report and closing meeting at SFD Telupid. Travel to home base.	Priera Bagang Glory Linggou Tommy Olui Sandra George	4
16-17 September 2023	Reporting GFSSBH 003-217 Reporting GFSSBH 003-207a	Dr. Kevin Grace Priera Bagang Sandara George	3
Total			23

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 8; Observations = 0)

Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 11 – 15 September 2023.

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

Principle 1.

Rakyat Berjaya (Beta Bumi) have an approved EIA, Annual Work Plan, PDP, CPP.

September 2023: Gap 001/2023 (minor) – Checklist 1.2.3

Inadequate mitigation measures against diesel spillage at the genset and diesel depot area.

September 2023: Gap 002/2023 (minor) - Checklist 1.3.1

No evidence the Beta Bumi developed the 2nd Forest Management Plan (2024 - 2033) for submission to SFD as required.

September 2022: Gap 001/2022 (minor) – Checklist 1.3.2.7

The current FMP did not adequately define the harvest schedule for NFM areas and sustainable yield based on the PSP data on harvest damage and regrowth of residual stands.

September 2023: Gap 001/2022 (minor) - Outstanding

No evidence that Beta Bumi has developed the 2nd FMP to include the harvest schedule for NFM areas and sustainable yield based on PSP data.

September 2022: Gap 002/2022 (minor) – Checklist 1.6.1

The CPP/CHPP does not adequately define areas to be planted in the Mosaic system.

September 2023: Gap 002/2022 (minor) - Outstanding

No evidence that Beta Bumi has revised the CPP to define areas within compartments for Mosaic planting.

September 2022: Gap 003/2022 (minor) – Checklist 1.8.1

Highlights of Assessment

No evidence of an inventory being conducted to define existing forest resources and quality strata in relation to the development of the revised FMP for FMU 16, due in September 2022.

September 2023: Gap 003/2022 (minor) - Outstanding

No evidence of an inventory being conducted to define existing forest resources and quality strata in relation to the development of the revised FMP for FMU 16, due in September 2022.

September 2022: Gap 004/2022 (minor) – Checklist 1.8.2

Inadequate establishment of PSPs to monitor mosaic plantation and natural forest resources in relation to current operations.

September 2023: Gap 004/2022 (minor) - Outstanding

Inadequate establishment and measurement of PSPs to monitor mosaic plantation and natural forest resources in relation to current operations.

Principle 2.

Beta Bumi demonstrated compliance with harvesting operation, log transportation, workers safety & health. Currently, no plans for RIL harvesting inside the NFM compartments.

Protected areas, such as buffer zones, are marked and excluded from forestry operation. No evidence of encroachment inside the protection areas was observed during the assessment.

Based on the log sampling and TDPs, there is no evidence that Beta Bumi have felled undersize or oversize logs within Mosaic areas.

No illegal activities were reported from September 2022 to August 2023.

September 2021: Observation 005-2021 – Checklist 2.2.2

OP signboard has not been erected as Beta Bumi has submitted the application letter of Occupation Permit to SFD that is pending approval.

September 2022: Observation 005-2021 (Outstanding)

OP signboard for stumping area has yet to be erected.

September 2023: Gap 003/2023 (Raised to minor)

No evidence that the Occupation Permit for stumping was renewed.

September 2021: Gap 002/2021 (minor) – Checklist 2.3.1

The license to hire foreign workers expired (expiry date: 07/07/2021) and documents such as passports and work permits for foreign workers were not available during the assessment visit.

September 2022: Gap 002/2021 (minor) – Outstanding

The license to hire foreign workers, expired on 19/09/2022 and inconsistency in registering workers to SOCSO.

September 2023: Gap 002/2021 (minor) Outstanding - Closed

The JTK license was renewed and the current workers were registered under SOCSO.

The workers inside Beta Bumi project area are employed under Maxland Sdn. Bhd.

September 2021: Observation 004-2021 – Checklist 2.3.7

i) No evidence of fire training conducted in relation to the start of harvesting operations.

ii) The draft of forest fire management plan has not been submitted for approval.

September 2022: Gap 006/2022 (Raised to minor)

The company has yet to submit the FFMP to the SFD for approval.

September 2023: Gap 006/2022 (minor) - Outstanding

No evidence that Beta Bumi submitted a Forest Fire Management Plan to the SFD.

Principle 3.

Beta Bumi demonstrated compliance with the statutory charges.

Beta Bumi has paid the royalty fees as required.

All transportation of royalty paid logs were accompanied with valid TDPs, Removal Pass, and royalty payment receipts as records of royalty payment.

September 2021: Observation 005-2021 – Checklist 3.1.1

OP signboard has not been erected as Beta Bumi has submitted the application letter of Occupation

Highlights of Assessment

Permit to SFD that is pending approval.

September 2022: Observation 005-2021 (Outstanding)

OP signboard for stumping area has yet to be erected.

September 2023: Gap 003/2023 (Raised to minor)

No evidence that the Occupation Permit for stumping was renewed.

Principle 4.

Beta Bumi demonstrated compliance with the community benefits and rights to occupy and use and users' right by natives.

Based on the Social Baseline Survey (SBS), there are no human settlements within the licensed area. However, the EIA has identified 2 villages within 3 km from the licensed area boundary namely, Kg. Bulot and Kg. Kuala Tongod. These villages area all located along the Milian and Pinangah Rivers.

The EIA has defined no significant adverse impact on the communities living near the licensed area.

Summary Results:

(Major gap = 0, Minor gap = 8, Observation = 0)

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

GAP	Type	Checklist	Status	Description
002/2021	minor	2.3.1	Closed	<p>September 2021: The license to hire foreign workers expired (expiry: 07/07/2021) and documents such as passports and work permits for foreign workers were not available during the assessment visit.</p> <p>September 2022: The license to hire foreign workers, expired on 19/09/2022 and inconsistency in registering workers to SOCSO.</p> <p>September 2023: The JTK license was renewed and the current workers were registered under SOCSO.</p>
001/2022	minor	1.3.2.7	Outstanding	<p>September 2022: The current FMP did not adequately define the harvest schedule for NFM areas and sustainable yield based on the PSP data on harvest damage and regrowth of residual stands.</p> <p>September 2023: No evidence that Beta Bumi has developed the 2nd FMP to include the harvest schedule for NFM areas and sustainable yield based on the PSP data.</p>
002/2022	minor	1.6.1	Outstanding	<p>September 2022: The CPP/CHPP does not adequately define areas to be planted in the Mosaic system.</p> <p>September 2023: No evidence that Beta Bumi has revised the CPP to define areas within compartments for Mosaic planting.</p>
003/2022	minor	1.8.1	Outstanding	<p>September 2022: No evidence of an inventory being conducted to define existing forest resources and quality strata in relation to the development of the revised FMP for FMU 16, due in September 2022.</p> <p>September 2023: No evidence of an inventory being conducted to</p>

GAP	Type	Checklist	Status	Description
				define existing forest resources and quality strata in relation to the development of the revised FMP for FMU 16, due in September 2022.
004/2022	minor	1.8.2	Outstanding	September 2022: Inadequate establishment of PSPs to monitor mosaic plantation and natural forest resources in relation to current operations. September 2023: Inadequate establishment and measurement of PSPs to monitor mosaic plantation and natural forest resources in relation to current operations.
006/2022	Raised to minor	2.3.7	Outstanding	September 2021: i) No evidence of fire training conducted in relation to the start of harvesting operations. ii) The draft of forest fire management plan has not been submitted for approval. September 2022: The company has yet to submit the draft Forest Fire Management Plan to SFD for approval. September 2023: No evidence that Beta Bumi submitted a Forest Fire Management Plan to the SFD.
001/2023	minor	1.2.3	New	September 2023: Inadequate mitigation measure against diesel spillage at the genset and diesel depot area.
002/2023	minor	1.3.1	New	September 2023: No evidence the Beta Bumi developed the 2 nd Forest Management Plan (2024 - 2033) for submission to SFD as required.
003/2023	Obs 005-2021	2.2.2 3.1.1	Raised to minor	September 2021: OP signboard has not been erected as Beta Bumi has submitted the application letter of Occupation Permit to SFD that is pending approval. September 2022: OP signboard for stumping area has yet to be erected. September 2023: No evidence that the Occupation Permit for stumping was renewed.

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

Obs #	Checklist	Description
-	-	-

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

Recommendations
<p>Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) 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.</p> <p>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:</p> <p>Gap 001/2022 (minor) Outstanding – Checklist 1.3.2.7 Beta Bumi shall develop the 2nd FMP to include</p>

the harvest schedule for NFM areas and sustainable yield based on the PSP data.

Gap 002/2022 (minor) Outstanding – Checklist 1.6.1: Beta Bumi shall revise the CPP to define the areas within compartments for Mosaic planting.

Gap 003/2022 (minor) Outstanding – Checklist 1.8.1: Beta Bumi shall collect new forest resource inventory data and include the definition of existing forest resources density and quality strata inside the 2nd FMP as required.

Gap 004/2022 (minor) Outstanding – Checklist 1.8.2: Beta Bumi shall continue the development of PSP plots for both natural forest areas and plantation areas and analyze the data correctly.

Gap 006/2022 (Raised to minor) Outstanding – Checklist 2.3.7: Beta Bumi shall submit a Forest Fire Management Plan to the SFD as required.

Gap 001/2023 (minor) – Checklist 1.2.3: Beta Bumi shall implement the mitigation measures against diesel spillage.

Gap 002/2023 (minor) - Checklist 1.3.1: Beta Bumi shall develop the 2nd FMP and submit to SFD as required.

Gap 003/2023 (Raised to minor) - Checklist 2.2.2, 3.1.1: Beta Bumi shall renew the Occupation Permit for stumping to SFD as required.

The next annual surveillance audit will be scheduled for September 2024.

End of Summary Report