

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Licensee: Rakyat Berjaya Sdn. Bhd. (009867-W) Contractor: Kinsasynergy Sdn. Bhd. (1230673-U)	Reference #	GFSSBH 003-192
Contact Person	Marcellinus Gidung (FM Rakyat Berjaya Keningau) Mait Gutuk (Management Representative - Kinsasynergy)	Date of Report	14/04/2023
Office Address	<u>Rakyat Berjaya Sdn. Bhd. (Keningau Division)</u> Pusat Kraftangan Sabah, KM5, Jalan Apin-Apin, Peti Surat 961, 89008 Keningau, Sabah, Malaysia.	Date of close out	-
	<u>Kinsasynergy Sdn. Bhd.</u> TB219, Lorong Haji Salleh, Jalan Masjid, 91000 Tawau, Sabah, Malaysia.	Telephone	+6087 333 054 +6089 750 829
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 177 LVS		
Issuance Date	17 April 2023	Expiration Date	16 April 2024

Assessment Details

Assessment Dates	10 – 14 April 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 (FMU 15)
Species	Mixed Species: <i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Eugenia</i> spp. (Obah), Myristicaceae (Darah-darah), <i>Pentace</i> spp. (Takalis), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Dialium indum</i> (KerANJI)
Lead Assessor	Varenus Untomon
Assessor(s)	Glory Linggou, Asraf Mahmud
SFD Staff	Nesiesius Nasir (DFO Sook), Sunanto Saibu (ADFO Sook), Richard Goumin (PPD Sook), Esebius (PPD Sook), Cornelius Pius (PPD Sook),

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:

- Rakyat Berjaya Sdn. Bhd. (Rakyat Berjaya) as a subsidiary of Innoprise Corporation Sdn. Bhd., a wholly-owned subsidiary of Yayasan Sabah (Yayasan Sabah) and one of the Yayasan Sabah Group of Companies, was incorporated in 1970. Rakyat Berjaya has been set up to undertake and manage the Yayasan Sabah concession area under a Sustainable Forest Management License Agreement (SFMLA).
- The SFMLA 09/97 was signed on 10th September 1997 between the Government of the State of Sabah and Yayasan Sabah. This SFMLA superseded the original Principle License Agreement for Timber #: COLK 1/70, issued in 1970. The new SFMLA has provided provision for planting forest or timber trees in the licensed area.
- Pusat Kraftangan Sabah* (PKS) is one of the agencies under Yayasan Sabah' Cultural Preservation Division. PKS is closely affiliated with Yayasan Sabah and collaborates with the foundation to achieve its shared goals of cultural preservation and economic development. *Bamboo* and *Rattan* have been used for generations to create traditional handicrafts. It is vital to cultivate a sustainable supply of these raw materials to ensure the continued promotion and preservation of Sabah handicrafts. Currently, the raw materials of *Bamboo* and *Rattan* (treated) are solely purchased from West Malaysia. Thus, establishing a *Bamboo* and *Rattan* plantation in Sabah is a crucial initiative that will support the long-term sustainability of these vital resources and reduce the reliance on suppliers from West Malaysia.
- Therefore, Coupe permit, KGU 09/2022 (Ref.#: JPHTN/FRM/700-2/1/09/116/1/13, dated 17/08/2022), has been issued to *Pusat Kraftangan Sabah* (PKS) as *Community Forestry Compartment* (CFC) to manage 79.80 ha of the area within the Yayasan Sabah Concession (YK1/2021) to plant *Bamboo* and *Rattan*. This project is called Program Penanaman Bahan Mentah (PPBM) and was funded by *Program Khas Anak Negeri* (PKAN) *Rancangan Malaysia ke-12* (RMK-12: 2021 – 2025) to ensure the sustainability of raw material for handicraft products in the long run.
- Rakyat Berjaya has appointed Kinsasynergy Sdn. Bhd. (Kinsasynergy) as a logging contractor to prepare the area for *Bamboo* and *Rattan* plantation [KON(SLK)012/2022(KM), validity from 27/02/2023 - 26/02/202].
- The previous assessment was conducted in April 2022 that resulted in 1 gap(s) and 3 observation(s) (Report #: GFSSBH003-126).

Current Operations:

- Rakyat Berjaya is developing a new 10-year Forest Management Plan (FMP) (2021 – 2030).
- As of assessment, Rakyat Berjaya is conducting silviculture treatment at Compartment 116 and Compartment 117.
- As of the 1st quarter of 2023, 30 ha of the area has been logged and has extracted 204 logs (337.24 m³).
- Land use classification:

Land classification	1 st FMP Area (FMU 15 & 16) (ha)		FMU 15 (ha)
	FMU 15	FMU 16	
Total Concession Area	176,993.0		57,990
Production Area	FMU 15	FMU 16	57,990
	57,990	119,003	
- Natural Forest Management (Tractor/Logfisher)	32,562.5	93,703.2	As of December 2022 Silviculture: 11,385.95 ha
- Natural Forest Management (Heli logging)	4,544.7	3,535.7	Enrichment planting: 2,022.75 ha
			As of 1 st Quarter, 2023: *Community Forestry Compartment (CFC) = 79.80 ha Site preparation = 30 ha

			Logs = 204 logs Volume (m ³) = 337.24 m ³
Conservation	20,882.8	21,774.1	20,882.8

Note: *Coupe permit, KGU 09/2022 (Ref.#: JPHTN/FRM/700-2/1/09/116/1/13, dated 17/08/2022), has been issued to Pusat Kraftangan Sabah (PKS) as Community Forestry Compartment (CFC) to manage 79.80 ha of area within the Yayasan Sabah Concession to plant Bamboo and Rattan. This program was funded by Program Khas Anak Negeri (PKAN) Rancangan Malaysia ke-12 (RMK-12) to ensure the sustainability of raw material for the handicraft products in the long run.

Environmental Context:

- EIA developed for logging coupe areas issued by the SFD inside FMU 15 is no longer valid. A new EIA must be developed covering the FMU 15 concession area that is approved by EPD that is based on SFMLA conditions and sustainable forest management objectives.
- The FMUs area comprises two major habitats of lowland and upland dipterocarp forest:
 - i. terrestrial habitat of mixed highland dipterocarp forest (logged area) and undergrowth vegetation.
 - ii. aquatic habitat of Palawon, Melikop, Pinangah, Inarad, Sinarupa, Imbak, Million and Sinoa rivers. The hilly area is dominated by primary and secondary forests. The flat area is mainly occupied by riparian vegetations, shrubs and grasses.
- Among mammals, primate diversity is relatively high in the FMUs area. Orang Utan (*Pongo pygmaeus*) is known to occur throughout the area, gibbons (*Hylobates mueller*) are also heard calling frequently and long-tailed and pig-tailed macaques are often seen. Tembadau (*Bos javanicus*) is known to occur in flat areas where the grass is more prolific, together with the two most common wild species of sambar deer (*Cervus unicolor*) and bearded pig (*Sus barbatus*). In addition, small carnivores, including the leopard cat, marbled cat, Malay badger, yellow-throated marten, banded linsang, several species of civet, small-clawed and smooth otters are also known within the area.
- EIA report has yet to be developed as of the assessment.
- As of the assessment, salvage logging was conducted at Compartment 209 (partly) with an area of 79.80 ha for the preparation of bamboo and rattan plantation. PMM report development is not required for an area that not exceeds 100 ha or more but less than 500 ha. Therefore, a PMM report is not required for the 79.80 ha area.

Social Context:

- There are no settlements within the boundaries of FMU 15. The settlements are mostly located on the southern fringes along the Pinangah River and the eastern fringes along the Millian River in the state land area. The new EIA should define and mitigate the potential impacts of communities associated with FMU 15.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Rakyat Berjaya Sdn. Bhd.** with the Sabah Forest Management License Agreement (SFMLA 09/97) for FMU 15.
- 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 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 15 / Rakyat Berjaya Sdn. Bhd. / Sook District / 10 – 14 April 2023
(Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
10 April 2023 Monday	Travel to Keningau. Opening meeting at RBJ Keningau Office (Pusat Kraftangan Keningau). Drafting RBJ FMU 15 report.	Varenus Untomon Glory Linggou Asraf Mahmud	3
11 April 2023 Tuesday	Site visit (Mile 63): Licensed Boundaries, Temporary campsite, Silviculture treatment, temporary nursery.	Varenus Untomon Glory Linggou Asraf Mahmud	3
12 April 2023 Wednesday	Site visit (Mile 38): Bamboo and Rattan plantation, Protected Area, Temporary campsite.	Varenus Untomon Glory Linggou Asraf Mahmud	3
13 April 2023 Thursday	Document review for RBJ – FMU15.	Varenus Untomon Glory Linggou Asraf Mahmud	3
14 April 2023 Friday	Finalizing RBJ – FMU15 report. Closing meeting at RBJ Keningau Office (Pusat Kraftangan Keningau). Travel to Kota Kinabalu.	Varenus Untomon Glory Linggou Asraf Mahmud	3
15-16 April 2023	Reporting GFSSBH 003-192	Dr. Kevin Grace Varenus Untomon	2
Total			17

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 4; Observations = 0)

Rakyat Berjaya Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 10-14 April 2023.

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

Principle 1.

Rakyat Berjaya demonstrated compliance with the SFMLA 09/97 requirement. The principal agreement will be expired in 2097. From 2000 to 2016 (1st FMP), coupe permits were issued by SFD for logging operations using RIL harvesting techniques inside the FMU 15. All coupe permits for NFM compartments were terminated and are no longer applicable.

As of the assessment, Coupe permit, KGU 09/2022 (*Ref.#: JPHTN/FRM/700-2/1/09/116/1/13, dated 17/08/2022*) has been issued to *Pusat Kraftangan Sabah (PKS) as Community Forestry Compartment (CFC) to manage 79.80 ha of area within the Yayasan Sabah Concession to plant Bamboo and Rattan. This program was funded by Program Khas Anak Negeri (PKAN) Rancangan Malaysia ke-12 (RMK-12) to ensure the sustainability of raw material for the handicraft products in the long run.*

Coupe #	YS Block	Total area, ha	Land use	Expiry date	Remark
KGU 09/2022	YK1/2021	79.80	Community Forestry Compartment (CFC)	16/08/2037	<i>Projek Penanaman Bahan Mentah (Buluh dan Rotan) di bawah program Khas Anak Negeri (PKAN) Sabah RMK-12</i>

April 2022: Observation 001-2022 - Checklist 1.2.1

The EIA must be developed and approved by EPD for FMU 15 with respect to future planned forest management and logging under NFM and RIL systems.

April 2023: Gap 001/2023 (Raised to Minor) – Checklist 1.2.1

Rakyat Berjaya has yet to develop an EIA report with respect to planned forest harvesting under NFM and RIL systems within FMU 15.

April 2022: Observation 002-2022 - Checklist 1.3.1

The FMP is no longer valid; thus, a new FMP must be developed and approved by SFD with respect to Sustainable Forest Management License Agreement and conditions to mitigate environmental impacts as defined by an approved EIA.

April 2023: Gap 002/2023 (Raised to Minor) – Checklist 1.3.1 & 1.3.3

Rakyat Berjaya has yet to develop and submit a 10-year Forest Management Plan for approval by SFD as required.

Highlights of Assessment

April 2022: Observation 003-2022 - Checklist 1.3.2

The new FMP for FMU 15 shall clearly define the management policy in regard to Sustainable Forest Management based on current forest resource conditions, long-term objectives to mitigate environmental and social impacts and sustained yield of timber within areas defined for production.

April 2023: Gap 003/2023 (Raised to Minor) – Checklist 1.3.2

Rakyat Berjaya has yet to define the management policy and system in regard to Sustainable Forest Management based on current forest resource conditions, long-term objectives to mitigate environmental and social impacts and sustained yield of timber within areas defined for production.

April 2022: Gap 001/2022 (Minor) - Checklist 1.8.1

Lack of a forest inventory of current forest conditions in relation to developing the new FMP and sustainable forest management objectives.

April 2023: Gap 001/2022 (Minor) – Outstanding

Rakyat Berjaya has yet to conduct a forest inventory of current forest conditions in relation to developing the new FMP and sustainable forest management objectives.

Principle 2.

Licensed boundaries and protection boundaries were identified and marked on the ground.

Principle 3.

The licensee had paid the applicable licensing fees and other charges to the SFD.

As of the assessment, no log royalty payment and no removal pass has been issued yet.

Principle 4.

There are no settlements within the boundaries of FMU 15. The settlements are mostly located on the southern fringes along the Pinangah River and the eastern fringes along the Millian River on the state land area. The new EIA should update the potential impact of communities associated with FMU 15.

Summary Results:

(Major gap = 0, Minor gap = 4, Observation = 0)

Gap raised against indicators & criteria during the April, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Minor	1.8.1	Outstanding	<p>April 2022: Lack of a forest inventory of current forest conditions in relation to developing the new FMP and sustainable forest management objectives.</p> <p>April 2023: Rakyat Berjaya has yet to conduct forest inventory of current forest conditions in relation to developing the new FMP and sustainable forest management objectives.</p>
001/2023	Obs 001-2022	1.2.1	Raised to Minor	<p>April 2022: The EIA must be developed and approved by EPD for FMU 15 with respect to future planned forest management and logging under NFM and RIL systems.</p> <p>April 2023: Rakyat Berjaya has yet to develop an EIA report with respect to planned forest harvesting under NFM and RIL systems within FMU 15.</p>
002/2023	Obs 002-2022	1.3.1 1.3.3	Raised to Minor	<p>April 2022: The FMP is no longer valid; thus, a new FMP must be developed and approved by SFD with respect to Sustainable Forest Management</p>

GAP	Type	Checklist	Status	Description
				License Agreement and conditions to mitigate environmental impacts as defined by an approved EIA. April 2023: Rakyat Berjaya has yet to develop and submit a 10-year Forest Management Plan for approval by SFD as required.
003/2023	Obs 003-2022	1.3.2	Raised to Minor	April 2022: The new FMP for FMU 15 shall clearly define the management policy in regard to Sustainable Forest Management based on current forest resource conditions, long-term objectives to mitigate environmental and social impacts and sustained yield of timber within areas defined for production. April 2023: Rakyat Berjaya has yet to define the management policy and system in regard to Sustainable Forest Management based on current forest resource conditions, long-term objectives to mitigate environmental and social impacts and sustained yield of timber within areas defined for production.

Observation raised against indicators & criteria during the April, 2023 assessment.

Obs #	Checklist	Description
-	-	-

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

Recommendations
<p>Rakyat Berjaya 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 1.8.1: Rakyat Berjaya shall conduct a forest inventory to determine current forest conditions in relation to developing a new FMP and sustainable forest management objectives.</p> <p>Gap 001/2023 (Raised to Minor) – Checklist 1.2.1: Rakyat Berjaya shall develop an EIA for approval by EPD for FMU 15 with respect to future planned forest management and logging under NFM and RIL systems.</p> <p>Gap 002/2023 (Raised to Minor) – Checklist 1.3.1, 1.3.3: Rakyat Berjaya shall develop a new FMP with respect to Sustainable Forest Management License Agreement and conditions to mitigate environmental impacts as defined by an approved EIA.</p> <p>Gap 003/2023 (Raised to Minor) – Checklist 1.3.2: Rakyat Berjaya shall ensure the new FMP clearly defines the management policy regarding Sustainable Forest Management based on current forest resource conditions, long-term objectives to mitigate environmental and social impacts, and sustained timber yield within areas defined for production.</p> <p>The next annual surveillance audit will be scheduled for April 2024.</p>

End of Summary Report