

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Rakyat Berjaya Sdn. Bhd. 197001000639 (009867-W)	Reference #	GFSSBH 003-300
Contact Person	Marcellinus Gidung (Forest Manager – Rakyat Berjaya Keningau Division)	Date of Report	03/05/2024
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance	NC: Non-Compliance – Criteria 1.3, 1.4		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	29 April – 03 May 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 (FMU 15)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (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 spp.</i> (Obah), Other timber (OT)
Lead Assessor	Brandon James
Assessor(s)	Priera Bagang, Tommy Olui
SFD Staff	Mazlan Azman (PPW Keningau), Esebius Aegidius (PPD Sook), Bede @ Linus Gambut (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 with 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 six (6) contractors namely Hasrat Gagah Sdn. Bhd., Focus Lumber Berhad, Kinsasynergy Sdn. Bhd., Tetap Jadi Sdn. Bhd., Primarth Sdn. Bhd. and Luasong Plantation Sdn. Bhd. inside the licensed area of FMU 15.

Land use classification:

Land classification	1 st FMP Area (ha)*	Current Status (ha)
Total Concession area	176,993.00	Not available
Natural Forest Management	134,336.10	Proposed coupe permit: 8,284.74
Mosaic / Intensive Restoration	0	0
Industrial Timber Plantation	0	Proposed coupe permit: 8,156.66
Conservation / Protection	42,656.90	Not available
Community Forestry Compartment	0	79.80

*1st FMP area included FMU 15 & 16.

Current Operations:

No logging and ITP planting operation as of the assessment. However, Rakyat Berjaya has submitted the coupe permit application to the SFD for four (4) NFM and five (5) ITP in 2023 and 2024.

Rakyat Berjaya is currently focusing on silviculture and enrichment planting. The current establishment of Bamboo and Rattan Plantation inside Coupe KGU 09/2022 are currently conducted by Pusat Kraftangan Sabah (PKS).

Rakyat Berjaya is in the process of developing the FMP, FFMP and PDP within FMU 15.

Coupe #	Land Use	Status	Area (ha)	Geo-location data
KGU 09/2022	Community Forestry	Approved	79.80	Not stated

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.

Based on the first FMP, the FMU's 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.
- iii. The flat area is mainly occupied by riparian vegetations, shrubs and grasses.

Among mammals, primate diversity is relatively high in the FMU's area. Orang Utan (*Pongo pygmeaus*) 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.

Social Context:

The Social Baseline Survey (SBS) and Social Impact Assessment (SIA) for FMU 15 & 16 titled "Social Baseline Survey for FMU 15 & 16, Yayasan Sabah Tongod" was documented in 2011.

Based on the study, 26 settlements located within 2 kilometers of the licensed area still have access to forest resources within FMU 15 & 16. The potential impacts include land scarcity for farming and the risk of forest fires within the FMUs. Mitigation measures outlined includes Yayasan Sabah to support land title applications outside the forest reserve, allowing nearby villagers to continue accessing non-timber forest products, and holding quarterly dialogues with local communities.

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 with the terms of the agreement for the "Sabah Legality Standard Principles 1 – 4 dated 1 January 2024 (SFD-TLAS-006).
- 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 comply adequately with a criterion.

Itinerary & Mandays: 29 April – 03 May 2024 / FMU 15: Rakyat Berjaya Sdn. Bhd. / Sook District

Date	Activity	GFS Staff	Mandays
29 April 2024 Monday	Travel to Keningau. Opening meeting and document review at Rakyat Berjaya Keningau Office (Pusat Kraftangan Sabah, Keningau).	Brandon James Piera Bagang Tommy Olui	3
30 April 2024 Tuesday	Site visit to FMU 15: Licensed boundaries, protected area, operation area, campsite, and nursery.	Brandon James Piera Bagang Tommy Olui	3
01 May 2024 Wednesday	Public Holiday – Labour Day	Brandon James Piera Bagang Tommy Olui	3
02 May 2024 Thursday	Document review at Rakyat Berjaya Keningau Office (Pusat Kraftangan Sabah, Keningau).	Brandon James Piera Bagang Tommy Olui	3
03 May 2024	Closing meeting at Pusat Kraftangan Sabah,	Brandon James	3

Friday	Keningau Office. Travel back to home base.	Priera Bagang Tommy Olui	
04 – 05 May 2024	Reporting/Administration: GFSSBH003-300	Dr. Kevin Grace Brandon James	2
Total			17

Highlights of Assessment

(Major Gaps = 2; minor Gaps = 1; Observations = 0)

Rakyat Berjaya Sdn. Bhd. has not complied with the Sabah TLAS requirements (FDS TLAS-006), as non-compliance was identified under Criteria 1.3 & 1.4 during the assessment on 29 April – 03 May 2024.

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

Principle 1. Right to Harvest

The SFMLA 09/97 was awarded by the State Government to Sabah Foundation (Yayasan Sabah) on 10/09/1997 to manage the forest area for 100 years until 09/09/2097.

There is no logging inside FMU 15. The last RIL logging was in 2018. There is no valid EIA covering the whole FMU 15 area. All EIA's have been voided and are no longer valid. Rakyat Berjaya has forwarded the report of project abandonment to EPD respectively.

May 2024: Gap 001/2024 (minor) – Checklist 1.2.2

Rakyat Berjaya has yet to develop an EIA report with respect to planned NFM and ITP land use within FMU 15.

Previously, SFD has approved the FMP within FMU 15 & 16 covering a total area of 176,993.00 ha. However, the FMP is no longer valid. Thus, a new FMP for FMU 15 defining NFM, ITP operations and Conservation areas must be developed and approved by SFD

May 2024: Gap 002/2024 (Major) – Checklist 1.3.1, 1.3.2

No evidence of a new FMP for FMU 15 that includes resource inventory, land use planning for NFM, ITP, conservation areas, sustainability, management prescriptions and FFMP was not submitted and approved by SFD as required in the SFMLA.

Rakyat Berjaya is planning to develop over 8,000 ha into ITP plantations that needs to comply with the Sustainable Forest Management License Agreement. RBJ will need to develop e Plantation Development Program (PDP) to define areas for plantation development, species to be planted, maintenance, monitoring activities, etc.

May 2024: Gap 003/2024 (Major) – Checklist 1.4

There is no evidence of PDP for FMU 15 submitted and approved by SFD with respect to the planned coupe permits for ITP development.

Principle 2. Forest Operations

Currently there are no harvesting operations as the EIA, FMP & PDP have not been developed and approved. Rakyat Berjaya demonstrated compliance with licensed area security, maintenance of licensed boundary and protection of the riparian reserve.

Principle 3. Statutory Charges

Rakyat Berjaya has paid the applicable licensing fees and other charges to the SFD.

As of the assessment, no transit and removal pass were issued as the last log production is in March 2023.

Principle 4. Other User Rights

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 = 2, minor gap = 1, Observation = 0)

Gap raised against indicators & criteria during the May 2024 assessment.

GAP	Type	Checklist	Status	Description
001/2024	minor	1.2.2	New	May 2024: Rakyat Berjaya has yet to develop an EIA report with respect to planned NFM and ITP land use within FMU 15.
002/2024	Major	1.3.1 1.3.2	New	May 2024: No evidence of a new FMP for FMU 15 that includes resource inventory, land use planning for NFM, ITP, conservation areas, sustainability, management prescriptions and FFMP was not submitted and approved by SFD as required in the SFMLA.
003/2024	Major	1.4	New	May 2024: There is no evidence of PDP for FMU 15 submitted and approved by SFD with respect to the planned coupe permits for ITP development.

Observation raised against indicators & criteria during the May 2024 assessment.

Obs #	Checklist	Description
-	-	-

Highlights of Close Out Visit (if applicable)	Dates
Major Gap 002/2024 & 003/2024 shall be addressed within 2 months by July 2024.	-

Recommendations
<p>Rakyat Berjaya Sdn. Bhd. has not demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) as non-compliance was identified under Criteria 1.3 & 1.4 and it is NOT eligible to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gap shall be addressed within two months by July 2024.</p> <p>Gap 002/2024 (Major) – Checklist 1.3.1: Rakyat Berjaya shall expedite the FMP and the FFMP development for FMU 15 and submit it to SFD for approval.</p> <p>Gap 003/2024 (Major) – Checklist 1.4.1: Rakyat Berjaya shall develop a PDP for establishment of planned ITP areas.</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 001/2024 (minor) – Checklist 1.2.2: Rakyat Berjaya shall develop an EIA for FMU 15 with respect to future planned NFM and ITP land use.</p> <p>The next annual surveillance audit will be scheduled for May 2025.</p>

End of Summary Report