

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Licensee: Rakyat Berjaya Sdn. Bhd. 197001000639 (009867-W) Contractor: Indah Serimas Sdn. Bhd. 201001044023 (927951-A)	<b>Reference #</b>	GFSSBH 003-239a
<b>Contact Person</b>	Marcellinus Gidung (Forest Manager Rakyat Berjaya Keningau) Sainih Sakani (Forest Manager Indah Serimas)	<b>Date of Report</b> <b>Date of close out</b>	26/01/2024 28/03/2024
<b>Office Address</b>	<b>Rakyat Berjaya:</b> Pusat Kraftangan Sabah, KM5, Jalan Apin-Apin, Peti Surat 961, 89008 Keningau, Sabah, Malaysia. <b>Indah Serimas:</b> Lot 8-2, 2 <sup>nd</sup> Floor, Block E, Jalan Lintas Square, 88300 Kota Kinabalu, Sabah, Malaysia.	<b>Telephone</b>	+6087 333 054 +6088 204 307
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Audit Statement	GFS 094 LVS		
Issuance Date	01 April 2024	Expiration Date	29 January 2025

### Assessment Details

Assessment Dates	22 – 26 January 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/1997 (KGU. 26/12, KGU. 09/14, KGU. 10/15)
Species	Salvage logging: <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Melapi), <i>Albizia falcataria</i> (Batai), <i>Neolamarckia cadamba</i> (Laran), <i>Terminalia subspatulata</i> (Talisai), <i>Hopea sangal</i> (Gagil), <i>Octomeles sumatrana</i> (Binuang), <i>Shorea pauciflora</i> (Oba suluk), <i>Alstonia</i> spp. (Pulai), <i>Pentace</i> spp. (Takalis), <i>Myristicaceae</i> (Darah-darah), <i>Annonaceae</i> (Pisang-pisang), <i>Dyera</i> spp. (Jelutong), <i>Annonaceae</i> spp. (Karai), <i>Planchonia valida</i> (Putat), <i>Swietenia mahagoni</i> (Mahogany), Other Timber (OT)
Lead Assessor	Sandra George
Assessor(s)	Priera Bagang, Aleeza Ho
SFD Staff	Mazlan Azman (PPW Keningau), Magandi Junaid (PPW Keningau), Jaimi Anggilas (PPW Keningau), Victor Gadius (ADFO Sook), Esebius Aegidius (KPPM Labau), Ferderick Ferdinand (PPM Labau)

### 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) is the commercial investment arm of the Yayasan Sabah Group (YSG, also known as Sabah Foundation) which implements timber harvesting activities on behalf of the foundation.
- Rakyat Berjaya is a company registered in Malaysia. The tenure is based on the Sustainable Forest Management Licence Agreement (SFMLA 09/1997) that commenced on 10/09/1997 and expired on 10/09/2097 for all activities within the concession.
- The 100-year agreement covers all forest operations and related activities within the concession. FMU 16 comprises about 119,003 ha, containing largely logged-over natural forests of the Sg. Pinangah Forest Reserve.
- In 24/07/2012, Rakyat Berjaya and Indah Serimas Sdn. Bhd. (Indah Serimas) signed a 50-year Integrated Mosaic Planting agreement starting from 21/09/2011 in FMU 16, Block YK.01/12.
- On 16/06/2023, the State Government approved the development of a Clinker and Cement Plant by Borneo Cement (Sabah) Sdn. Bhd. inside FMU 16, with 200 acres (Ref.#: Sabah State Government Gazette Notice No. 2/2023).
- As of the assessment, Indah Serimas is not engaging any other subcontractor in logging or planting activities inside the project area.
- The previous assessment was conducted in February 2023 that resulted in 1 gap(s) and 2 observation(s) (Report #: GFSSBH003-181).

### Current Operations:

- Mosaic Area: Indah Serimas is currently conducting salvage logging in Compartments 735, 736 and 739 under block YK.01/12(1).
- As of the assessment, 3,421 logs and 6,062.93 m<sup>3</sup> have been harvested.
- Salvage logging scheduled in mosaic coupes areas based on the 2024 AWP:

Year	Compartment
2022	C455, C702-703, C705-706, C709-710, C717-721, C725-729, C735-736, C739-740, C743
2023	C694, C711-716, C730-733
2024	C419, C420a, C420b, C421, C423-432, C436
2025	C431, C433-434, C438-439, C443, C449, C451-453

- The current planting area is in Compartments 727, 728, 735, 736 and 739 under block YK.01/12(1). The planting target area for 2024 is 445.53 ha.
- As of the assessment, a cumulative total planted area of 2,719.79 ha was planted with 937,727 seedlings.
- Planting summary for 2023:

Compartment	Year planted	Planted area (ha)	Total seedlings
727	2023	54.70	18,215
728	2023	24.07	8,015
735	2023	67.14	22,358
739	2023	32.36	10,776

- Land use classification:

Land classification	2 <sup>nd</sup> FDP* Area (ha)	Current Status January 2024 (ha)
Total Concession Area	<b>14,960</b>	<b>14,960</b>
Mosaic Planting	<b>12,165</b>	Cumulative total planted area (Mosaic and R&D): 2,716.79 ha Total seedlings planted: 937,727 seedlings Oldest planting: 2012 Species: <i>Laran, Binuang, Talisai, Albizia, Mahogany, Gagil, Gaharu, Kapur, Kembang, Seraya, Selangan, Kawang</i>

Natural Forest Management	2,488	2,488
Research	307	307

**Note:** The discrepancy in the total allocated area for Mosaic against the approved Coupe permits for 11,900.80 ha by the SFD.

\*Forest Development Plan

### Environmental Context:

- FMU 16 has been logged several times for the past 30 years. Harvesting started in the early 70's and continued in the 80's and 90's with the issuance of eight Special Licenses. Since Rakyat Berjaya received the SFMLA, the area has been proactively logged using conventional techniques. These historically poor logging practices have resulted in a residual forest considered poor in commercial regeneration, with extensive pioneer tree cover and rapidly proliferating vine growth.
- Rakyat Berjaya carried out a combined forest inventory for FMU 15 and 16 for the 2011-2020 FMP in 2009. The inventory defined broad species groups such as Dipterocarps, commercial non-Dipterocarps, pioneers, and "other" non-commercial trees but did not identify individual species of commercial value. The inventory identified 9.08 % Stratum 1, 3.5% Stratum 2, 12.88% Stratum 3, 74.04% Stratum 4 and 0.36% Stratum 5 within the total 119,003 ha of FMU 16. Within the mosaic restoration project area, only 28% of inventory plots were stocked with PCTs; of those, almost 50% have diameters below 20 cm DBH. Eighteen percent of the plots were devoid of trees (Ref.#: 10-yr Forest Development Plan 2012-2022 for Natural Forest Management & Integrated Mosaic Planting in an area of 15,000 ha within FMU 16 Sg. Pinangah Forest Reserve).
- A small, isolated population of orangutans had been identified in FMU 16. In addition, Bornean gibbon, Pig-tailed macaque, Long-tailed macaque, Sambar deer, Bearded pig, Barking deer, Leopard cat, Common Palm civet and tree shrews were observed in FMU 15 and 16.
- Environmental resources include Sg. Inarad, Sg. Imbak and Sg. Sinua is in FMU 16, and 14 endangered or vulnerable tree species. Also, FMU 16 is known as a "seasonal refuge" for Bornean pygmy elephants and contains fragmented pockets of Class IV Virgin Jungle Reserve, where logging activities are not permitted.
- An EIA titled "Proposed Integrated Mosaic Planting in Sungai Pinangah Forest Reserve Under Yayasan Sabah Concession Area, Tongod, Sabah" was approved by EPD (Ref.#: JPAS/PP/24/600-1/01/3/46, dated 24/07/2012).

### Social Context:

- Rakyat Berjaya has a separate Social Impact Assessment (SIA) study conducted by SocioEco Research & Consultancy Sdn. Bhd. in the project area of Indah Serimas. The SIA, titled "Social Impact Assessment for the Natural Forest Management and Integrated Mosaic Planting Project within the FMU16, Sg. Pinangah Forest Reserve," was documented in February 2017.
- Based on the SIA, 4 villages were identified in close proximity to the project area, namely, Kg. Kawayoi, Kg. Tambunan Dua, Kg. Susui, and Kg. Tataliduson. The total human population was 288 mainly from the Murut ethnic group.
- The SIA stated the forest area continues to be the primary source of supply for non-timber forest products, and protein foods for the local communities.
- However, the 2<sup>nd</sup> Forest Development Plan identified 5 villages located 6 KM outside the project area, namely, Kg. Tambunan 2, Kg. Kawayoi, Kg. Susui, Kg. Tundungin, and Kg. Inarad 1. The total human population was estimated at 500 inhabitants (2<sup>nd</sup> FDP, Page 13).

### Scope of Assessment

- The scope of the evaluation is to verify compliance of Rakyat Berjaya Sdn. Bhd. with the Sustainable Forest Management License Agreement (SFMLA 09/1997) 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 Indah Serimas 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. (Indah Serimas Sdn. Bhd.) / Close-out: Form IIB Kejora Majuria Sdn. Bhd. (GP Jutamas Plantation Sdn. Bhd.) / Sook District / 22 – 26 January 2024 (Total Mandays = 19)**

Date	Activity	GFS Staff	Mandays
22 January 2024 Monday	Travel to Rakyat Berjaya office (Keningau) for opening meeting and document review.	Sandra George, Piera Bagang, Aleeza Ho	3
23 January 2024 Tuesday	Field assessment to licensed boundary, protected areas, and salvage logging areas (Compartment 735 & 736). Document review and compiling report.	Sandra George, Piera Bagang, Aleeza Ho	3
24 January 2024 Wednesday	Field assessment to campsite and logyard. Document review and compiling report.	Sandra George, Piera Bagang, Aleeza Ho	3
25 January 2024 Thursday	Document review and compiling report. Closing meeting at Rakyat Berjaya office (Keningau).	Sandra George, Piera Bagang, Aleeza Ho	3
26 January 2024 Friday	Finalizing report and travel to home based. Close-out Form IIB Kejora Majuria Sdn. Bhd. (GP Jutamas Plantation Sdn. Bhd.).	Sandra George, Piera Bagang, Aleeza Ho, Brandon James	4
27 – 28 January 2024	Reporting GFSSBH 003-239 Reporting GFSSBH 003-231a	Dr Kevin Grace Sandra George Brandon James	3
<b>Total</b>			<b>19</b>

### Highlights of Assessment

**(Major Gaps = 1; minor Gaps = 5; observations = 2)**

**March 2024: (Major Gaps = 0; minor Gaps = 5; observations = 2)**

**Rakyat Berjaya Sdn. Bhd. (Indah Serimas Sdn. Bhd.)** has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was addressed under Criterion 2.3 during the close-out assessment on 25-28 March 2024.

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

#### **Principle 1.**

Rakyat Berjaya has demonstrated compliance with the SFMLA requirement. The license agreement SFMLA 09/1997 was granted by the SFD and is valid for 100 years by 10/09/2097.

On 16/06/2023, the State Government approved the development of a Clinker and Cement Plant by Borneo Cement (Sabah) Sdn. Bhd. inside FMU 16, with a total of 200 acres (Ref.#: Sabah State Government Gazette Notice No. 2/2023). As of the assessment, the SFMLA 09/1997 amendment is not yet available.

Quarterly monitoring for the Environmental Compliance Report was conducted. As a result, there is no non-compliance identified by the EPD consultant.

Rakyat Berjaya has an approved 2<sup>nd</sup> Forest Development Plan from 01/05/2022 to 30/04/2032 (10 years) under the Sustainable Forest Management Licence Agreement 09/97 for Sg. Pinangah Forest Reserve FMU 16 (partly). The Chief Conservator of Forests approved the 2<sup>nd</sup> Forest Development Plan on 21/03/2022.

#### **January 2024: Gap 001/2024 (minor) - Checklist 1.3.1**

There is no evidence that the 10-year Forest Development Plan (2022-2032) was revised as required by the SFD.

#### **January 2022: Observation 001-2022 – Checklist 1.3.2.4**

Observed the total area allocated for Mosaic in Forest Development Plan is greater than the approved coupe area.

#### **February 2023: Observation 001-2022 (Outstanding)**

Rakyat Berjaya has yet to address the issue following to the letter submitted by Indah Serimas to Rakyat Berjaya office (Ref.#: ISSB-KK/RBJ-KK/2023(002), dated 03/02/2023).

### Highlights of Assessment

**January 2024: Gap 002/2024 (Raised to minor)**

The discrepancy between the mosaic area in the FDP and the approved coupe area has yet to be resolved.

**January 2022: Observation 002-2022 – Checklist 1.8.2**

Sample plot data has yet to be analyzed.

**February 2023: Observation 002-2022 (Outstanding)**

Incorrect analysis of PSP data based on the current data.

**January 2024: Gap 003/2024 (Raised to minor)**

No evidence that Indah Serimas has correctly analysed the PSP data.

**February 2023: Gap 001/2023 (minor) – Checklist 1.3.2.7**

Contradiction in diameter cutting limit between the 2<sup>nd</sup> FDP (page 36) and approved coupe permits.

**January 2024: Gap 001/2023 (minor) – Outstanding**

The contradiction between the diameter cutting limit in the FDP and the approved coupe permit has yet to be resolved.

**January 2024: Observation 001-2024 – Checklist 1.2.1**

No evidence of the EIA revision following the reduction of the project area.

**January 2024: Observation 002-2024 – Checklist 1.3.2.3**

The information on villages, potential impacts, and mitigation measures differed between the SIA study and the 2<sup>nd</sup> Forest Development Plan.

**Principle 2.**

Demarcation of areas prohibited from harvesting, such as steep slopes, riparian reserves and buffer zones, were identifiable on the ground. No evidence of a disturbance was observed during the field assessment.

On 21/09/2023, during a stakeholder meeting at the Hasil Bumi office, Indah Serimas verbally acquired the temporary stumping approval inside the excised land from the Chief Conservator of Forests.

SFD approved the 6-month extension for logging operation in FMU 15, 16, 20, and 24 during the Forest Development Plan (FDP) development, subject to the Coupe permits or CHP validity [Ref.#: JPHTN/FRM 700-2/1/09/81(a)/JILID.12/51 dated 13/10/2023].

Transport documents such as Removal Pass have yet to be issued as all logs have yet to be transported out to buyer. Rakyat Berjaya has an approved Forest Fire Management Plan by SFD dated 08/09/2015.

**February 2023: Gap 001/2023 (minor) – Checklist 2.1.15**

Contradiction in diameter cutting limit between the 2<sup>nd</sup> FDP (page 36) and approved coupe permits.

**January 2024: Gap 001/2023 (minor) – Outstanding**

The contradiction between diameter cutting limit in the FDP and approved coupe permit has yet to be resolved.

**January 2024: Gap 004/2024 (minor) – Checklist 2.2.2**

Indah Serimas has yet to locate the new permanent stumping area as required and Occupational Permits expired.

**January 2024: Gap 005/2024 (Major) – Checklist 2.3.1, 2.3.5**

There is no evidence of registration of workers under SOCSO and valid COI.

**March 2024: Gap 005/2024 (Major) – Closed**

All workers under Indah Serimas have been registered under SOCSO and have a valid COI.

**Principle 3.**

Indah Serimas has yet to pay for the Occupational Permits renewal. Records of royalty receipt were available for inspection.

**January 2024: Gap 004/2024 (minor) – Checklist 3.1.1**

Indah Serimas has yet to locate the new permanent stumping area as required and Occupational Permits

### Highlights of Assessment

expired.

#### Principle 4.

Rakyat Berjaya has a separate Social Impact Assessment (SIA) study conducted by SocioEco Research & Consultancy Sdn. Bhd. in the project area of Indah Serimas. The SIA, titled “Social Impact Assessment for the Natural Forest Management and Integrated Mosaic Planting Project within the FMU16, Sg. Pinangah Forest Reserve,” was documented in February 2017. The SIA stated the forest area continues to be the primary source of supply for non-timber forest products, and protein supply for the local communities.

However, based on the 2<sup>nd</sup> Forest Development Plan, there are 5 villages located 6 km outside the project area, Kg. Tambunan 2, Kg. Kawayoi, Kg. Susui, Kg. Tundungin, Kg. Inarad 1 (2<sup>nd</sup> FDP, Page 13).

#### January 2024: Observation 002-2024 – Checklist 4.1.1

The information on villages, potential impacts, and mitigation measures differed between the SIA study and the 2<sup>nd</sup> Forest Development Plan.

### Summary Results:

(Major gap = 1, minor gap = 5, Observation = 2)

March 2024: (Major gap = 0, minor gap = 5, Observation = 2)

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

GAP	Type	Checklist	Status	Description
001/2023	minor	1.3.2.7 2.1.15	Outstanding	<p><b>February 2023:</b> Contradiction in diameter cutting limit between the 2<sup>nd</sup> FDP (page 36) and approved coupe permits.</p> <p><b>January 2024:</b> The contradiction between the diameter cutting limit in the FDP and the approved coupe permit has yet to be resolved.</p>
001/2024	minor	1.3.1	New	<p><b>January 2024:</b> There is no evidence that the 10-year Forest Development Plan (2022-2032) was revised as required by the SFD.</p>
002/2024	Obs 001- 2022	1.3.2.4	Raised to minor	<p><b>January 2022:</b> Observed total area allocated for Mosaic in Forest Development Plan is greater than the approved coupe area.</p> <p><b>February 2023:</b> Rakyat Berjaya has yet to address the issue following to the letter submitted by Indah Serimas to Rakyat Berjaya office (Ref.#: ISSB-KK/RBJ-KK/2023(002), dated 03/02/2023).</p> <p><b>January 2024:</b> The discrepancy between the mosaic area in the FDP and the approved coupe area has yet to be resolved.</p>
003/2024	Obs 002- 2022	1.8.2	Raised to minor	<p><b>January 2022:</b> Sample plot data has yet to be analyzed.</p> <p><b>February 2023:</b> Incorrect analysis of PSP data based on the current data.</p> <p><b>January 2024:</b> No evidence that Indah Serimas has correctly analysed the PSP data.</p>
004/2024	minor	2.2.2 3.1.1	New	<p><b>January 2024:</b> Indah Serimas has yet to locate the new permanent</p>

GAP	Type	Checklist	Status	Description
				stumping area as required and Occupational Permits expired.
005/2024	Major	2.3.1 2.3.5	Closed	<b>January 2024:</b> There is no evidence of registration of workers under SOCSO and valid COI. <b>March 2024:</b> All workers under Indah Serimas have been registered under SOCSO and have a valid COI.

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

Obs #	Checklist	Description
001-2024	1.2.1	<b>January 2024:</b> No evidence of the EIA revision following the reduction of the project area.
002-2024	1.3.2.3 4.1.1	<b>January 2024:</b> The information on villages, potential impacts, and mitigation measures differed between the SIA study and the 2 <sup>nd</sup> Forest Development Plan.

Highlights of Close Out Visit (if applicable)	Dates	28 March 2024
Major Gap <b>005/2024</b> is now closed. All workers under Indah Serimas have been registered under SOCSO and have a valid COI.		

Recommendations
<p><b>Rakyat Berjaya Sdn. Bhd. (Indah Serimas Sdn. Bhd.)</b> has demonstrated compliance with the Sabah Legality Standard (<b>SFD-TLAS-002</b>) as non-compliance was addressed under Criterion 2.3 and is NOT 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><b>Gap 001/2023 (minor) Outstanding – Checklist 1.3.2.7, 2.1.15:</b> Indah Serimas shall revise the current 2<sup>nd</sup> Forest Development Plan to reflect the diameter cutting limit as per the approved coupe permit.</p> <p><b>Gap 001/2024 (minor) - Checklist 1.3.1:</b> Indah Serimas shall revise the current 10-year 2<sup>nd</sup> Forest Development Plan (2022-2032) as required.</p> <p><b>Gap 002/2024 (Raised to minor) – Checklist 1.3.2.4:</b> The total coupe area for mosaic shall be in accordance with the approved coupe permit.</p> <p><b>Gap 003/2024 (Raised to minor) - Checklist 1.8.2:</b> The measurement of the PSP shall represent the current tree density and change in tree diameters / volume over the measurement period.</p> <p><b>Gap 004/2024 (minor) – Checklist 2.2.2, 3.1.1:</b> Indah Serimas shall locate the permanent stumping area and renew expired Occupational Permits as required.</p> <p><b>Observation 001-2024 – Checklist 1.2.1:</b> Indah Serimas shall revise the EIA study following the reduction of the project area.</p> <p><b>Observation 002-2024 – Checklist 1.3.2.3, 4.1.1:</b> Indah Serimas shall revise the 2<sup>nd</sup> Forest Development Plan and incorporate the information of community study based on the SIA study in 2017.</p> <p>The next annual surveillance audit will be scheduled for January 2025.</p>

**End of Summary Report**