

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Rakyat Berjaya Sdn. Bhd. (009867-W)	Reference #	GFSSBH 003-194a
Contact Person	Abd Wahab Bin Abd Latip (FM Rakyat Berjaya Tawau) Richard Ondoh (Rakyat Berjaya Tawau)	Date of Report	20/04/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criterion 2.3 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	17 - 20 April 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 - (Part of FMU 24)
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), Lauraceae (Medang) and Other timber (OT)
Lead Assessor	Priera Bagang
Assessor(s)	Brandon James
SFD Staff	Magrine Madanan (SFD-HQ), Joe Benjamin (PPW Tawau), Nordin Musa (PPW Tawau), Awangku Ridzwan (ADFO Kalabakan), Peter Lumumbai (KPPM Kalabakan), Suhezron Salim (PPM Kalabakan), Yusri Yusof (KPPM Luasong), Yohanes (PPM Luasong), Abdul Hadi (PPM Luasong), Suherman (PPM Kalabakan)

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:

- Sabah Foundation or Yayasan Sabah (Yayasan Sabah) entered into an agreement (SFMLA: 09/97) with the State Government of Sabah on 10/09/1997 for 100 years to manage Commercial Class II Forest Reserves comprising 799,828 ha more or less.
- On 15/02/1999, a First Supplemental Agreement between the Chief Minister of the State of Sabah of the one part and Yayasan Sabah of the other part was made. In this First Supplemental Agreement, the licensed area was reduced by 200,000 ha from 799,828 to 599,828 ha.
- Between 2005 and 2018, four (4) Supplemental Agreements were made between the Chief Minister's Office and Yayasan Sabah to excise several Class II licensed areas into Class I Protection Forest Reserves. Consequently, Yayasan Sabah's Class II licensed area was reduced from 599,828 ha to approximately 209,980 ha.
- An agreement was signed between Rakyat Berjaya and the appointed contractors Askera Sdn. Bhd. (Askera) and Mega Wakid Sdn. Bhd. (Mega Wakid) in 2021 to conduct harvesting within the FMU 24 (partly).
- Coupe permits were issued separately for Askera and Mega Wakid, allowing the contractor to conduct salvage logging and RIL harvesting method, respectively.

Current Operations:

- The current harvesting operation under Askera is Coupe TWU 04/2021, status of the harvesting operation as of December 2022: 1,981.00 ha and 29,015.73 m³ of timber volume.
- The current harvesting operation under Mega Wakid is Compartment 377, status of the harvesting operation as of December 2022: **11.49 ha and 1179 m³** of timber volume.
- Two coupe permits had been issued by SFD.

#	Block #	Coupe #	Activity	Area (ha)
1	YT 4/08	TWU 17/11	NFM (FULL RIL/CHP)	2,487.30
2	YT 1/04(1)	TWU 04/2021	ITP (Salvage logging)	2,642.10

- Land use classification:

Land classification	EIA Areas (ha)	Current Status as of December 2022 (ha)
Total Concession Area [YT 4/08 & YT1/04(1)]	5,129.4	Total logged area: 1,992.49ha Total production: 30,194.73m ³

Environmental Context:

- FMU 24 comprises of Gunung Rara Forest Reserve and Kalabakan Forest Reserve (Class II Commercial Forest Reserves), Virgin Jungle Reserves Batu Timbang, Virgin Jungle Reserves Ulu Sg. Napagon and Virgin Jungle Reserves Nurod Urod (Class VI Virgin Jungle Reserves).
- Gunung Rara Forest Reserve is identified as a natural wildlife corridor and also known as an important habitat for a few protected fauna species (e.g., Banteng, Orang Utan and Bornean Elephant). Sighted wildlife in the area includes the Rhinoceros, Orang Utan, Clouded Leopard, Proboscis Monkey, Wild Buffalo (Tembadau) and Asian Elephant.
- Maliau Basin Conservation Area (55,840 ha) is part of FMU 24, which has a separate management plan. Imbak Canyon Conservation Area (16,750 ha) is adjacent to the northern part of FMU24.
- The areas in between Maliau Basin Conservation Area and FMU 24 production area are designated as a buffer zone; Maliau Buffer Zone Area 1 and Maliau Buffer Zone 2. Maliau Buffer Zone Area 1 is only allowed to be harvested once, whereas Maliau Buffer Zone 2 is allowed to be harvested as long as RIL technique is applied.

- The buffer zone areas are also dominated with Mixed Dipterocarp Forest, which has not been logged before; thus, the area contains high value of merchantable timber resources. The principal commercial tree families are Dipterocarpaceae, Fagaceae, Apocynaceae, Europhorbiaceae and Lauraceae.
- Rakyat Berjaya coupes within Maliau Buffer Zone Area 2 are part of YL1/03, part of YL2/03, YT1/09, part of YT1/03, part of YT2/08, YT3/05(1), YT3/05(2), YT3/04 and YT4/08.
- Two places in FMU 24 are identified as Project Area under Conservation Environment Management Division (CEMD) - RIL 2 Project Area and SUAS Project Area and 4 areas as a conservation area; Batu Timbang Virgin Jungle Reserves, Ulu Sg. Napagon Virgin Jungle Reserves, Nurod Urod Virgin Jungle Reserves, water catchment areas (2.160 ha) and 2 areas identified for tourism - Tourism Area under CEMD (250 ha) and Wellness/Eco - Tourism Project Area (1,200 ha).
- Two EIA reports were approved by the EPD;

#	Title	EPD Approval Letter #
1	Proposed Industrial Tree Plantation in Block YT1/04(1) of Approximately 2,642.10ha at Kalabakan Forest Reserve, Kalabakan, Sabah.	JPAS/PP/TWU/600-1/01/3/69(28) dated 01/10/2021
2	Proposed Re-Logging of Approximately 2,487.3ha within Yayasan Sabah Concession Area (Coupe YT4/08) at Gunung Rara Forest Reserve, District of Tongod, Sabah.	JPAS/PP/TGD/600-1/01/1/258 Klt. 3(32) dated 28/04/2021

Social Context:

- No communities living inside or adjacent to FMU 24. The nearest village to FMU 24 is Kg. Kemandut, which is located at FMU 26 (Luasong).

Scope of Assessment	
<ul style="list-style-type: none"> • The scope of the evaluation is to verify compliance of Rakyat Berjaya Sdn. Bhd. with the Sustainable Forest Management License Agreement (SFMLA 09/97) for FMU 24 (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 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 24 (partly) / Rakyat Berjaya Sdn. Bhd. / Kalabakan District / 17 - 20 April 2023 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
17 April 2023 Monday	Travel to Tawau and overnight in Tawau.	Priera Bagang, Brandon James	2
18 April 2023 Tuesday	Opening meeting at Rakyat Berjaya office, Luasong. Field assessment to Block YT 1/04(1). Document review at Rakyat Berjaya office, Luasong.	Priera Bagang, Brandon James	2
19 April 2023 Wednesday	Opening meeting at Mega Wakid campsite office. Field assessment to Block YT4/08. Document review at Mega Wakid campsite.	Priera Bagang, Brandon James	2
20 April 2023 Thursday	Document review and closing meeting at Rakyat Berjaya office, Tawau.	Priera Bagang, Brandon James	2
21 April 2023 Friday	Public Holiday – Additional holiday in conjunction with Hari Raya Aidilfitri. Travel back to home base.	Priera Bagang, Brandon James	2
22-23 April 2023	Reporting GFSSBH 003-194	Dr Kevin Grace, Priera Bagang	2
Total			12

Highlights of Assessment

(Major Gaps = 2; Minor Gaps =7; Observations = 0)

June 2023: (Major Gaps = 1; Minor Gaps =9; Observations = 1)

Rakyat Berjaya Sdn. Bhd. has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criterion 2.3 during the assessment on 17 - 20 April 2023.

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

Principle 1.

Two coupe permits had been issued by SFD.

#	Block #	Coupe #	Activity	Area (ha)	Validity
1	YT 4/08	TWU 17/11	NFM (FULL RIL/CHP)	2,487.30	29/09/2023
2	YT 1/04(1)	TWU 04/2021	ITP (Salvage logging)	2,642.10	07/11/2024

Two EIA studies were established for the couped areas and approved by the EPD.

#	Title	EPD Approval Letter #	EIA Consultant
1	Proposed Industrial Tree Plantation in Block YT1/04(1) of Approximately 2,642.10ha at Kalabakan Forest Reserve, Kalabakan, Sabah.	JPAS/PP/TWU/600-1/01/3/69(28) dated 01/10/2021	Ekohandal Sdn. Bhd.
2	Proposed Re-Logging of Approximately 2,487.3ha within Yayasan Sabah Concession Area (Coupe YT4/08) at Gunung Rara Forest Reserve, District of Tongod, Sabah.	JPAS/PP/TGD/600-1/01/1/258 Klt. 3(32) dated 28/04/2021	Lakimson Sdn. Bhd.

Based on the SFD letter, Rakyat Berjaya is allowed to conduct harvesting operations inside FMU 24 without FMP & AWP and required Rakyat Berjaya to submit the FMP draft in December 2022 (Ref.#: JPHTN/SFM 800-1/1/7(JILID.8)(33) dated 18/10/2022).

April 2023: Gap 001/2023 (minor) - Checklist 1.2.3, 2.1.11

Lack of adequate mitigation measures for facilities and no evidence of ECR submission for operations under Askera.

April 2023: Gap 002/2023 (Major) - Checklist 1.3.1, 1.3.2

No evidence that Rakyat Berjaya developed and submitted an FMP for FMU 24 in December 2022 that includes the information required by SFD for approval.

June 2023: Rakyat Berjaya divided the 10-year management plans for FMU 24 into two categories. The first category is the "Forest Management Plan for Logging in 15,555 Hectares Agroforestry Development Area within FMU 24 & 26 Gunung Rara and Kalabakan Forest Reserve (01/05/2022 - 30/04/2032)." The second category is the "Forest Management Plan for Natural Forest Management for 10,610 Hectares within FMU 24 Gunung Rara Forest Reserve (01/05/2022 - 30/04/2032)." Askera's couped areas are in the Agroforestry area (FMU 24 & 26), while Mega Wakid's couped areas are in the NFM area (FMU 24). The draft FMP has been submitted to SFD for approval (Ref.#: FD/KK/5.09/16/31).

June 2023: Gap 002/2023 (Major) – Closed

Rakyat Berjaya submitted the FMP draft for FMU 24 & 26, including Agroforestry Development and Natural Forest Management to SFD.

On 12/04/2023, the SFD requested Rakyat Berjaya to improve the first draft of the FMPs and granted a 6-month extension to submit the second draft of the FMPs. All forestry operations within FMU 24 & 26 are allowed, contingent upon the validity of Coupe Permits and CHPs (Ref.#: JPHTN/FRM 700-2/1/09/1/JILID.8/45).

June 2023: Gap 010/2023 (minor) – Checklist 1.3.1

The management plans for Agroforestry Development and Natural Forest Management submitted in 2023 for FMU 24 & 26 have yet to be approved.

June 2023: Gap 011/2023 (minor) – Checklist 1.3.2.2

Highlights of Assessment

Forest quality strata II & III area of 681 ha within Agroforestry zoned areas would not be in accordance with SFMLA conditions for plantation establishment.

April 2023: Gap 003/2023 (minor) - Checklist 1.4.1

No evidence of an AWP submitted for planned activities in 2023 to SFD for approval.

April 2023: Gap 004/2023 (minor) - Checklist 1.6.1

Rakyat Berjaya has not developed a PDP for the establishment of ITP plantations within the FMP in line with SFMLA requirements.

April 2023: Gap 005/2023 (minor) - Checklist 1.8.1

No evidence of inventory being conducted to define existing forest resources and quality in relation to the conversion of natural forest areas to ITP and sustainable yield in NFM areas.

April 2023: Gap 006/2023 (minor) - Checklist 1.8.2

The PSP has yet to be established inside the NFM-RIL harvesting area.

Principle 2.

Askera and Mega Wakid demonstrated compliance with log transportation, licensed area security, maintenance of license boundary and protection of the riparian reserve and steep area.

April 2023: Gap 007/2023 (minor) - Checklist 2.2.2, 3.1.1

No evidence of OP payment inside Askera's licensed area and heavy machinery has expired.

April 2023: Gap 008/2023 (Major) - Checklist 2.3.1, 2.3.5

No evidence of SOCSO registration and contribution, JTK license, the COI renewal and work permits for workers under Askera.

June 2023: Gap 008/2023 (Major) – Outstanding

No evidence that Askera has taken action to address issues of SOCSO contribution, JTK license, renewal of COI and work permits.

April 2023: Gap 009/2023 (minor) - Checklist 2.3.7

No evidence of the FFMP developed during the assessment.

Principle 3.

Askera and Mega Wakid paid applicable fees to SFD. Records of royalty payment are maintained.

Principle 4.

Not applicable - No village settlement is located within and adjacent to the project site or within 10 km of the project site boundary.

Summary Results:

(Major gap = 2, Minor gap = 7, Observation = 0)

June 2023: (Major Gaps = 1; Minor Gaps =9; Observations = 1)

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

GAP	Type	Checklist	Status	Description
001/2023	minor	1.2.3 2.1.11	New	April 2023: Lack of adequate mitigation measures for facilities and no evidence of ECR submission for operations under Askera.
002/2023	Major	1.3.1 1.3.2	Closed	April 2023: No evidence that Rakyat Berjaya developed and submitted an FMP for FMU 24 in December 2022 that includes the information required by SFD for

GAP	Type	Checklist	Status	Description
				approval. June 2023: Rakyat Berjaya submitted the FMP draft for FMU 24 & 26, including Agroforestry Development and Natural Forest Management to SFD.
003/2023	minor	1.4.1	New	April 2023: No evidence of an AWP submitted for planned activities in 2023 to SFD for approval.
004/2023	minor	1.6.1	New	April 2023: Rakyat Berjaya has not developed a PDP for the establishment of ITP plantations within the FMP in line with SFMLA requirements.
005/2023	minor	1.8.1	New	April 2023: No evidence of inventory being conducted to define existing forest resources and quality in relation to the conversion of natural forest areas to ITP and sustainable yield in NFM areas.
006/2023	minor	1.8.2	New	April 2023: The PSP has yet to be established inside the NFM-RIL harvesting area.
007/2023	minor	2.2.2 3.1.1	New	April 2023: No evidence of payment for OP within Askera's licensed area and heavy machinery has expired.
008/2023	Major	2.3.1 2.3.5	Outstanding	April 2023: No evidence of SOCSO registration and contribution, JTK license, the COI renewal and work permits for workers under Askera. June 2023: No evidence that Askera has taken action to address issues of SOCSO contribution, JTK license, renewal of COI and work permits.
009/2023	minor	2.3.7	New	April 2023: No evidence of FFMP developed during the assessment.
010/2023	minor	1.3.1	New	June 2023: The management plans for Agroforestry Development and Natural Forest Management submitted in 2023 for FMU 24 & 26 have yet to be approved.
011/2023	minor	1.3.2.2	New	June 2023: Forest quality strata II & III area of 681 ha within Agroforestry zoned areas would not be in accordance with SFMLA conditions for plantation establishment.

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

Obs #	Checklist	Description
001-2023	1.3.2.7	June 2023: The approved cutting limits for NFM differs from the cutting limits defined in the RIL Guidelines.

Highlights of Close Out Visit (if applicable)	Dates	16 June 2023
Gap 002/2023 (Major) is now closed since Rakyat Berjaya submitted the FMP draft for FMU 24 & 26. Gap 008/2023 (Major) remains outstanding since there is no evidence that Askera obtains a JTK license, registers & contributes workers under SOCSO & COI and work permits.		

Recommendations

Rakyat Berjaya Sdn. Bhd. has not demonstrated compliance with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criterion 2.3 and is NOT recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.

The Major Gap shall be addressed within two months by **June 2023**.

Gap 008/2023 (Major) Outstanding – Checklist 2.3.1, 2.3.5: Rakyat Berjaya shall ensure all contractors comply with SOCSO, SFD and Immigration requirements for workers.

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:

Gap 001/2023 (minor) - Checklist 1.2.3, 2.1.11: Rakyat Berjaya shall ensure the ECR is submitted quarterly for their contractors.

Gap 003/2023 (minor) – Checklist 1.4.1: Rakyat Berjaya shall develop and submit an AWP for planned activities in 2023 to SFD for approval.

Gap 004/2023 (minor) - Checklist 1.6.1: Rakyat Berjaya shall develop and submit planning for ITP inside the Plantation Development Plan.

Gap 005/2023 (minor) - Checklist 1.8.1: Rakyat Berjaya shall provide inventory data to define existing forest resource and quality strata inside the Forest Management Plan.

Gap 006/2023 (minor) - Checklist 1.8.2: Rakyat Berjaya shall establish the PSP to measure harvesting impacts and monitor stand growth.

Gap 007/2023 (minor) - Checklist 2.2.2, 3.1.1: Rakyat Berjaya shall ensure all OP is paid and renew heavy machinery with SFD.

Gap 009/2023 (minor) - Checklist 2.3.7: Rakyat Berjaya shall establish the Forest Fire Management Plan as required.

Gap 010/2023 (minor) – Checklist 1.3.1: Rakyat Berjaya shall revise and submit the 2nd FMP within 6-month extension period for approval by SFD.

Gap 011/2023 (minor) – Checklist 1.3.2: Plantation establishment in Agroforestry zoned areas need to comply with SFMLA requirements.

Observation 001-2023 – Checklist 1.3.2.7: The approved cutting limits for NFM should follow current RIL Guidelines to support sustainable management of forest resources.

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

End of Summary Report