

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Rakyat Berjaya Sdn. Bhd. 197001000693 (009867-W)	<b>Reference #</b>	GFSSBH 003-301
<b>Contact Person</b>	Richard Ondoh (Rakyat Berjaya Tawau)	<b>Date of Report</b> <b>Date of close out</b>	10/05/2024
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	NC: Non-Compliance - Criteria 1.3 & 2.1		
Issuance Date	Not applicable	Expiration Date	Not applicable

### Assessment Details

Assessment Dates	06 - 10 May 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 (Part of FMU 24)
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), Lauraceae (Medang) and Other timber (OT)
Lead Assessor	Priera Bagang, Vanessa Abin (Acting Lead)
Assessor(s)	Brandon James
SFD Staff	David Shagun (PPD 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 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:

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, Hormat Jadi Sdn. Bhd. (Hormat Jadi) and Mega Wakid Sdn. Bhd. (Mega Wakid); however, Rakyat Berjaya has not signed agreement with Asiatic Heli-logging Sdn. Bhd. (Asiatic Heli-logging) to conduct harvesting within FMU 24 (partly).

Hormat Jadi registered as a CHP contractor to SFD (Ref. #: FD/CON/CHP(66)2022, valid until 15/11/2024) to prepare the CHP document within Coupe TWU05/2023, TWU07/2023 and TWU08/2023 and appointed Enn Fatt Sdn. Bhd. as a subcontractor to conduct the RIL harvesting operation.

Whereas, Mega Wakid has appointed Tunas Rimba Sdn. Bhd. as their CHP contractor which is registered under the SFD (Ref. #: FD/CON/CHP(57)2022, valid until 15/03/2023). All CHP were prepared in 2022. Thus, the CHP contractor certificate was valid during the CHP preparation.

Land use classification (FMU 24 - part):

Land classification	FMP Draft Area (ha)	Current Status (ha) Apr 2024
Total Concession Area	10,610.50	10,610.50
Production Area	10,281.58	Production area for Compartment S348 (Hormat Jadi): 509.10 ha Total log production = 829 pcs Total volume production = 2,524.94 m <sup>3</sup>  Mega Wakid's harvesting operation in Compartment 377 Coupe TWU17/11 was completed in September 2023.
Conservation areas	Riparian reserves: Not stated  Steep slopes > 25°: 328.92	Compartment S348 (Hormat Jadi): Steep area = 117.09 ha Riparian reserves: Not stated  Compartment 377 (Mega Wakid): Steep area = 0 ha Riparian reserves = Not stated

### Current Operations:

The current harvesting operation is within Coupe TWU05/2023 under NFM (Full RIL/CHP & Silviculture Tending).

Harvesting operation under Hormat Jadi (Compartment S348) began in October 2023, while the operation under Mega Wakid concluded in September 2023 for Compartment 377.

The approved cutting DBH limit for Hormat Jadi is between 50 cm and 150 cm, utilizing the log fisher logging technique. The cumulative log production as of May 2024 is 15,912.97 m<sup>3</sup> (4,568 pcs).

SFD had issued 4 coupe permits.

Coupe #	NFM / ITP	Compt #	Coupe Area (ha)	Geo-location data
TWU05/2023	NFM	S348	509.10	Not stated
TWU17/11	NFM	369, 370, 371, 372, 373, 375, 376, 377, 383, 384, 385, 387, 388, 389	2,487.30	Not stated
TWU07/2023	NFM	S347	438.00	Not stated
TWU08/2023	NFM	S351	448.10	Not stated

\*Sabah TLAS status is only applicable after the issuance of the TLAS certificate from the SFD.

### 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*, *Euphorbiaceae* 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).

### Social Context:

Based on the FMP draft, there is no local communities identified within or associated with the licensed area. The nearest settlement is 40KM away from the licensed area, namely, Kg. Kuamut, Kinabatangan.

### 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 24 (partly).
- 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: 06-10 May 2024 / FMU 24 (partly): Rakyat Berjaya Sdn. Bhd. / Kalabakan District**

Date	Activity	GFS Staff	Mandays
06 May 2024 Monday	Travel to Tibow and overnight.	Priera Bagang Brandon James Vanessa Abin	3
07 May 2024 Tuesday	Opening meeting at Horat Jadi campsite. Field assessment to operation area, protected area, campsite and stumping. Document review at Horat Jadi campsite. Travel to Tawau and overnight.	Priera Bagang Brandon James Vanessa Abin	3
08 May 2024 Wednesday	Travel to Mega Wakid and site visit to former logfisher trail and feeder roads.	Priera Bagang Brandon James Vanessa Abin	3
09 May 2024 Thursday	Document review at Rakyat Berjaya Office, Tawau for Horat Jadi & Mega Wakid.	Priera Bagang Brandon James Vanessa Abin	3
10 May 2024 Friday	Closing meeting at Rakyat Berjaya Office, Tawau. Travel back to home base.	Priera Bagang Brandon James Vanessa Abin	3
11-12 May 2024	Reporting/Administration: GFSSBH003-301	Dr. Kevin Grace Priera Bagang	2
<b>Total</b>			<b>17</b>

**Highlights of Assessment**

**(Major Gaps = 2; minor Gaps = 5; Observations = 3)**

Rakyat Berjaya Sdn. Bhd. has not complied with the Sabah TLAS requirements (FDS TLAS-006), as non-compliance were identified under Criteria, 1.3 & 2.1 during the assessment on 06-10 May 2024.

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

**Principle 1. Right to Harvest**

**The entire area is zoned under Natural Forest Management (NFM)**

Four coupe permits had been issued by SFD.

Coupe Permit #	Area (ha)	Expiry date	NFM / ITP	Compartments
TWU05/2023	509.10	30/07/2026	NFM	S348
TWU17/11	2,487.30	29/09/2024	NFM	369, 370, 371, 372, 373, 375, 376, 377, 383, 384, 385, 387, 388, 389
TWU07/2023	438.00	19/09/2026	NFM	S347
TWU08/2023	448.10	19/11/2026	NFM	S351

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

#	Title	EPD Approval letter #	EIA Consultant
1	The Proposed Sino-Malaysian JV Forest Plantation at Kalabakan and Gunung Rara Forest Reserves, Tawau District, Sabah - Reassessment Report on Timber Extraction for Steep Areas (High) Risk Areas by Applying Logfisher Technology and System"	JPAS/PP/TWU/600-1/01/1/34 Klt.7(20)	Kiwiheng Environmental Consultants Sdn. Bhd.
2	Proposed Re-logging of Approximately 2,487.30ha 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)	Lakimson Sdn. Bhd.

**May 2024: Gap 001/2024 (minor) - Checklist 1.2.5**

No evidence of ECR monitoring report conducted within Horat Jadi project area in regard to logging operations in October 2023.

### Highlights of Assessment

**May 2024: Gap 002/2024 (Major) - Checklist 1.3.1, 1.3.3**

The FMP is still in a draft form and has not been approved by SFD.

**May 2024: Gap 003/2024 (minor) - Checklist 1.3.2.13**

Rakyat Berjaya has not developed the Forest Fire Management Plan.

**May 2024: Observation 001-2024 – Checklist 1.6.2**

Lack identification of stream buffer zones area in the CHP and high rate of log extraction (m<sup>3</sup>/ha) that is not sustainable against the RIL standard practice.

**Principle 2. Forest Operations**

Hormat Jadi and Mega Wakid demonstrated compliance with the log transportation, licensed area security, licensed boundary maintenance and protection of the riparian reserves and steep areas. However, the harvesting operation inside the licensed area was not in line with the RIL guidelines.

**May 2024: Gap 004/2024 (Major) – Checklist 2.1.1**

The current harvesting operation is not in accordance with the RIL guidelines observed at Hormat Jadi, Compartment S348.

**May 2024: Gap 005/2024 (minor) – Checklist 2.1.2**

The subcontractor under Hormat Jadi, Enn Fatt is not registered as logging contractor with SFD.

**May 2024: Observation 002-2024 – Checklist 2.1.3**

Incorrect identification of species following harvesting resulted in discrepancies between harvest records & CHP tree harvest list.

**May 2024: Gap 006/2024 (minor) – Checklist 2.1.15, 2.3.2**

Rakyat Berjaya did not submit the Form SPKP 03 to SFD with respect to CHP and RIL guidelines.

**May 2024: Gap 007/2024 (minor) – Checklist 2.3.3**

The PSP has yet to be established to measure sustainable timber resources and plans for monitoring the growth/impact of residual stand.

**May 2024: Gap 003/2024 (minor) - Checklist 2.3.5**

Rakyat Berjaya has not developed the Forest Fire Management Plan.

**Principle 3. Statutory Charges**

Hormat Jadi and Mega Wakid have paid the applicable licensing fees and other charges to SFD. Record of royalty payments are maintained.

**May 2024: Observation 003-2024 – Checklist 3.1.1**

Based on the CHP approval Hormat Jadi, Log Fishers are supposed to be used for RIL harvesting. However, there is no Log Fisher registered under Hormat Jadi.

**Principle 4. Other User Rights**

**Not applicable** - There is no local communities identified within the licensed area. The nearest settlement is 40 km away from the licensed area, namely, Kg. Kuamut, Kinabatangan.

**Summary Results:**

(Major gap = 2, Minor gap = 5, Observation = 3)

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

GAP	Type	Checklist	Status	Description
001/2024	minor	1.2.5	New	<b>May 2024:</b> No evidence of ECR monitoring report conducted within Hormat Jadi project area in regard to logging operations in October 2023.
002/2024	<b>Major</b>	1.3.1 1.3.3	New	<b>May 2024:</b> The FMP is still in a draft form and has not been approved by SFD.
003/2024	minor	1.3.2.13 2.3.5	New	<b>May 2024:</b> Rakyat Berjaya has not developed the Forest Fire Management Plan.
004/2024	<b>Major</b>	2.1.1	New	<b>May 2024:</b> The current harvesting operation is not in accordance with the RIL guidelines observed at Hormat Jadi, Compartment S348.
005/2024	minor	2.1.2	New	<b>May 2024:</b> The subcontractor under Hormat Jadi, Enn Fatt is not registered as logging contractor with SFD.
006/2024	minor	2.1.15 2.3.2	New	<b>May 2024:</b> Rakyat Berjaya did not submit the Form SPKP 03 to SFD with respect to CHP and RIL guidelines.
007/2024	minor	2.3.3	New	<b>May 2024:</b> The PSP has yet to be established to measure sustainable timber resources and plans for monitoring the growth/impact of residual stand.

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

Obs #	Checklist	Description
001-2024	1.6.2	<b>May 2024:</b> Lack identification of stream buffer zones area in the CHP and high rate of log extraction (m <sup>3</sup> /ha) that is not sustainable against the RIL standard practice.
002-2024	2.1.3	<b>May 2024:</b> Incorrect identification of species following harvesting resulted in discrepancies between harvest records & CHP tree harvest list.
003-2024	3.1.1	Based on the CHP approval, Hormat Jadi, Log Fishers are supposed to be used for RIL harvesting. However, there is no Log Fisher registered under Hormat Jadi.

Highlights of Close Out Visit (if applicable)	Dates
The Major Gaps 002/2024 & 004/2024 shall be addressed in two months by July 2024.	-

Recommendations
<p><b>Rakyat Berjaya Sdn. Bhd.</b> has not demonstrated compliance with the Sabah TLAS requirements (FDS TLAS-006) as non-compliance were identified under Criteria 1.3 &amp; 2.1 and it is NOT eligible to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC).</p> <p>The Major Gap shall be addressed within two months by <b>July 2024</b>.</p> <p><b>Gap 002/2024 (Major) - Checklist 1.3.1, 1.3.3:</b> Rakyat Berjaya shall complete and submit the FMP to SFD as required.</p> <p><b>Gap 004/2024 (Major) - Checklist 2.1.1:</b> Rakyat Berjaya shall ensure that the harvesting operation within the compartment S348 is conducted in accordance with the RIL guidelines and approved by SFD.</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:

**Gap 001/2024 (minor) - Checklist 1.2.5:** Rakyat Berjaya shall appoint the EPD consultant and conduct the ECR monitoring quarterly as required by EPD.

**Gap 003/2024 (minor) - Checklist 1.3.2.13, 2.3.5:** Rakyat Berjaya shall develop the Forest Fire Management Plan and submit it to the SFD for approval.

**Gap 005/2024 (minor) - Checklist 2.1.2:** Rakyat Berjaya shall ensure subcontractor for harvesting operation have valid logging contractor certificate and register with SFD.

**Gap 006/2024 (minor) - Checklist 2.1.15 & 2.3.2:** Rakyat Berjaya shall submit the Form SPKP 03 to SFD with respect to CHP and RIL guidelines.

**Gap 007/2024 (minor) - Checklist 2.3.3:** Rakyat Berjaya shall define the sustainable timber impact resources through forest inventory data and establish the PSP inside the NFM areas to determine the and growth of the residual stand.

**Observation 001-2024 - Checklist 1.6.2:** Rakyat Berjaya shall update the CHP to follow the RIL guidelines including the protected areas, such as stream buffer zones and planned harvesting rate to be sustainable within a 40-year cutting cycle.

**Observation 002-2024 Checklist 2.1.3:** Pesona Majukaya shall correctly identify species following harvesting to avoid discrepancy between harvest records & CHP tree harvest list.

**Observation 003-2024 – Checklist 3.1.1:** Hormat Jadi, Log Fishers shall incorporate Log Fishers for RIL harvesting as per the CHP approval.

The next annual surveillance audit will be scheduled for May 2025.

**End of Summary Report**