

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Rakyat Berjaya Sdn. Bhd. (009867-W)	<b>Reference #</b>	GFSSBH 003-191a
<b>Contact Person</b>	Richard Ondoh (Rakyat Berjaya Tawau)	<b>Date of Report</b>	06/04/2023
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		<b>Approved By</b>	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	03 – 07 April 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 - Part of FMU 25
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
Assessor(s)	Sandra George, Glory Linggou, Asraf Mahmud
SFD Staff	Nordin Musa (PPW Tawau), Magrine Madanan (FRM HQ), Jory (ADFO Serudong), Wilfred Pius (PPD Serudong), Boneventure Marimin (PPD Serudong), Zainal B. K. (PPD Serudong), Joe Benjamin Leong (PPW Tawau).

### 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 was made between the Chief Minister of the State of Sabah of the one part and Yayasan Sabah of the other part. 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, another 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.
- In April 2019, another Supplemental Agreement to the Principal Agreement of YS SFMLA 09/97 was prepared for a project site of 30,000 ha located in Kalabakan Forest Reserve within FMU 25. The concession area is under the jurisdiction of the Kalabakan District Forestry Office, with access via the Sapulut-Kalabakan Road.
- As of 2020, the total area under Yayasan Sabah management is approximately 239,980 ha, whereby commercial natural forest areas are managed under the subsidiary of Rakyat Berjaya.
- An agreement was signed between Rakyat Berjaya and the appointed contractors [Aturmaju (Sabah) Holding Sdn. Bhd., Pelana Bumi Sdn. Bhd. and Prescott Hamilton Environmental Solutions Plt.] on 24/09/2020 to conduct Reduced Impact Logging within the 30,000ha concession area.
- Teknikal Ukur Borneo was appointed to prepare the CHP and registered with the SFD.
- The previous assessment was conducted in June 2022 that resulted in 3 gap(s) and 2 observation(s) (Report #: GFSSBH003-127a).

### Current Operations:

- The current harvesting area under Aturmaju (Sabah) Holding is Compartment 33 and 36.
- The current harvesting area under Pelana Bumi is Compartment 03, 04 and 06.
- No coupe permit is issued under Prescott Hamilton Environmental Solutions Plt. yet.
- SFD had issued two coupe permits.

#	Block #	Coupe #	Activity	Area (ha)	Validity
1	YT 03/2020	TWU 03/2021	NFM (FULL RIL/CHP)	3,933.64	07/11/2025
2	YT 05/2020	TWU 01/2022	NFM (FULL RIL/CHP)	4,400.80	28/03/2027

- The current operations are according to FMP and AWP schedules.
- Land use classification:

Land classification	FMP Area(ha)	Current Status as of December 2022 (ha)
Total Concession Area	30,000	30,000
Production Area		Total Logs: 10,305 pcs
Natural Forest Management	22,000	Total Volume (m <sup>3</sup> ): 29,532 m <sup>3</sup>
Conservation	8,000	8,000

### Environmental Context:

- Yayasan Sabah has 30,000 ha of Commercial Class II natural forest within Kalabakan Forest Reserve (part of FMU 25) for Natural Forest Management and Conservation managed under Rakyat Berjaya.
- Mengilan Forest Reserve and Sg. Anjeranjermut Forest Reserves are Class I protected reserves that border the project site.

- An Environmental Impact Assessment was conducted and approved by Environmental Protection Department (EPD) for the concession area.

Title	EPD Approval Letter #	EIA Consultant
Proposed Forestry Operation of 30,000 Hectares Under Sustainable Forest Management License Agreement (SFMLA) No. 09/97, In Part of Kalabakan Class II Forest Reserve, Within Kalabakan District, Sabah.	JPAS/PP/TWU/600-1/01/3/68 (24); dated 16 <sup>th</sup> February 2021	Ekohandal Sdn. Bhd.

- The project site consists of 6 types of forests: the Lowland Kerangas Forest, Upland Kerangas Forest, Lower Montane Kerangas Forest, Lowland Mixed Dipterocarp and Kerangas Forest, Upland Mixed Dipterocarp and Kerangas Forest and Lowland Mixed Dipterocarp Forest.
- The forest areas along Sg. Tambulanan is a wildlife corridor for large mammals such as elephants, 'Banteng' and other animals to move between northern Kalimantan and southern Sabah. The Orang Utan survey recorded a range of 1 to 30 nests/ha in some areas of the project site.
- There are two major rivers within the project site: Sg. Tambulanan and Sg. Luis, along with a tributary of Sg. Samantulang at the southwest section. Both Sg. Tambulanan and Sg. Luis is connected to Sg. Serudong at the southeast section.

### Social Context:

- No village settlement is located within or adjacent to the project site. There are no identified land use claims, according to the EIA. The largest rural town of any significance is Kalabakan Township, located 25 km to the east.

### 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 09/97**) within **Kalabakan Forest Reserve part of FMU 25**.
- 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 25 / Rakyat Berjaya Sdn. Bhd. / Close-Out: Silam Forest Products Sdn. Bhd. (Arus Sawit Sdn. Bhd.) & Lingkabau Durian Eco Tourism Sdn. Bhd. (Syarikat Kontrektor Lee Yun Sdn. Bhd.) / Serudong District / 03 – 07 April 2023 (Total Mandays = 24)**

Date	Activity	GFS Staff	Mandays
03 April 2023 Monday	Travelling to Tawau.	Priera Bagang, Sandra George, Glory Linggou, Asraf Mahmud	4
04 April 2023 Tuesday	Opening meeting at Aturmaju (Sabah) Holding Office. Field visit to Aturmaju area: Harvesting area, stumping, contractor camp. Document review.	Priera Bagang, Sandra George, Glory Linggou, Asraf Mahmud	4
05 April 2023 Wednesday	Field visit to Pelana Bumi area: Harvesting area, stumping, contractor camp. Document review.	Priera Bagang, Sandra George, Glory Linggou, Asraf Mahmud	4
06 April 2023 Thursday	Closing meeting at PPD Tawau. Close-out Arus Sawit & Form IIB Lingkabau Durian Eco Tourism. Travel to home base.	Priera Bagang, Sandra George, Glory Linggou, Asraf Mahmud	4
07 April 2023 Friday	Good Friday – Public Holiday in Sabah	Priera Bagang, Sandra George, Glory Linggou,	4

		Asraf Mahmud	
08 - 09 April 2023	Reporting GFSSBH 003-191 Reporting GFSSBH 003-177a Reporting GFSSBH 003-179a	Dr. Kevin Grace Priera Bagang	4
<b>Total</b>			<b>24</b>

### Highlights of Assessment

**(Major Gaps = 1; Minor Gaps = 6; Observations = 1)**

**June 2023: (Major Gaps = 1; Minor Gaps = 6; 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 03 – 07 April 2023.

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

**Principle 1.**

The FMP was approved by the Chief Conservator of Forests on 05/04/2021, which is valid from 01/01/2020 to 31/12/2030 for an area of 30, 000 ha at FMU 25 (partly) & Kalabakan Forest Reserve (FMP approval, Ref.#: JPHTN/SFM 900-1/1/42/62, dated 05/04/2021). The amendment was made as required by the SFD to revise the implementation schedule for CHP preparation and RIL harvesting due to the changes in the previous planning defined in the said FMP (Amendment Slip No. 01/2022).

SFD had issued two coupe permits.

#	Block #	Coupe #	Activity	Area (ha)	Validity
1	YT 03/2020	TWU 03/2021	NFM (RIL/CHP)	3,933.64	07/11/2025
2	YT 05/2020	TWU 01/2022	NFM (RIL/CHP)	4,400.80	28/03/2027

**April 2022: Gap 001/2022 (minor) – Checklist 1.2.3:** Lack of mitigation control was observed concerning waste segregation and oil spillage. Lack of fire extinguishers in the facilities.

**April 2023: Gap 001/2022 (minor) – Outstanding**

Inadequate and expired fire extinguishers in the facilities. No safety signage, first aid kit and a lack of mitigation controls for oil spillage at the workshop area.

**April 2022: Gap 002/2022 (minor) – Checklist 1.3.2.2 & 1.8.1:** The forest quality stratum listed in the FMP differs from the SFD standards in the density of commercial trees over 60cm DBH.

**April 2023: Gap 002/2022 (minor) – Outstanding**

Rakyat Berjaya did not take action to revise the forest quality listed in the FMP.

**April 2022: Observation 001-2022 – Checklist 1.5.3:** The CHP for Compartment 34 was approved in January 2022 (Ref.#: JPHTN(SER)700 2/1/16/2/JILID.1/2 dated 19/01/2022) but the expiry date of the certificate for CHP contractor was listed as 2021.

**April 2023: Observation 001-2022 (Addressed)**

The CHP contractor certificate was valid during the preparation of the CHP.

**Principle 2.**

Aturmaju (Sabah) Holding and Pelana Bumi demonstrated compliance with log transportation, licensed area security, license boundary maintenance, and protecting riparian reserves and steep areas.

**April 2023: Observation 001-2023 - Checklist 2.1.1**

Inconsistent reporting of harvested area inside Compartment 03.

**April 2022: Gap 003/2022 (Major) – Checklist 2.3.1 & 2.3.5**

Lack of records for monthly SOCSO contribution, and work visas for sampled forest workers as required.

**June 2022: Gap 003/2022 (Major) – Outstanding**

The subcontractors have yet to provide the SOCSO contribution, the COI and work permits for workers.

**April 2023: Gap 003/2022 (Major) - Outstanding**

No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers.

**June 2023: Gap 003/2022 (Major) - Outstanding**

No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers.

### Highlights of Assessment

**April 2023: Gap 001/2023 (minor) – Checklist 2.1.3**

Rakyat Berjaya did not maintain data on trees harvested and log volumes by species with respect to CHP tree lists.

**April 2023: Gap 002/2023 (minor) – Checklist 2.1.9 & 2.1.14**

No evidence of the submission of quarterly reports to SFD based on monthly log production records.

**April 2023: Gap 003/2023 (minor) – Checklist 2.2.2 & 3.1.1**

Occupational Permits under Rakyat Berjaya [used by Aturmaju (Sabah) Holding] are expired.

**April 2022: Observation 002-2022 – Checklist 2.3.7**

No evidence that a forest fire management plan was developed and approved.

**April 2023: Gap 004/2023 (Raised to minor)**

Rakyat Berjaya has yet to develop the forest fire management plan.

**Principle 3.**

Aturmaju (Sabah) Holding and Pelana Bumi paid the licensing fees and other charges to SFD. Records of royalty payments 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. The largest rural town of any significance is Kalabakan Township, located 25 km to the east.

### Summary Results:

(Major gap = 1, Minor gap = 6, Observation = 1)

June 2023: (Major Gaps = 1; Minor Gaps = 6; Observations = 1)

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

GAP	Type	Checklist	Status	Description
001/2022	minor	1.2.3	Outstanding	<p><b>April 2022:</b> Lack of mitigation control was observed concerning waste segregation and oil spillage. Lack of fire extinguishers in the facilities.</p> <p><b>April 2023:</b> Inadequate mitigation and expired fire extinguishers in the facilities. No safety signage, first aid kit and a lack of mitigation controls for oil spillage at the workshop area.</p>
002/2022	minor	1.3.2.2 1.8.1	Outstanding	<p><b>April 2022:</b> The forest quality stratum listed in the FMP differs from the SFD standard in the density of commercial trees over 60cm DBH.</p> <p><b>April 2023:</b> Rakyat Berjaya did not take action to revise the forest quality listed in the FMP.</p>
003/2022	<b>Major</b>	2.3.1 2.3.5	Outstanding	<p><b>April 2022:</b> Lack of records for monthly SOCSO contribution, and work visas for sampled forest workers as required.</p> <p><b>June 2022:</b> The subcontractors have yet to provide the SOCSO contribution, the COI and work permits for workers.</p> <p><b>April 2023:</b> No evidence of a JTK license, SOCSO registration and contribution, the COI and work</p>

GAP	Type	Checklist	Status	Description
				permit for workers as required. <b>June 2023:</b> No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers.
001/2023	minor	2.1.3	New	<b>April 2023:</b> Rakyat Berjaya did not maintain data on trees harvested and log volumes by species with respect to CHP tree lists.
002/2023	minor	2.1.9 2.1.14	New	<b>April 2023:</b> No evidence of the submission of quarterly reports to SFD based on monthly log production records.
003/2023	minor	2.2.2 3.1.1	New	<b>April 2023:</b> Occupational Permits under Rakyat Berjaya [used by Aturmaju (Sabah) Holding] are expired.
004/2023	Obs 002-2022	2.3.7	Raised to minor	<b>April 2022:</b> No evidence that a forest fire management plan was developed and approved. <b>April 2023:</b> Rakyat Berjaya has yet to develop the forest fire management plan.

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

Obs #	Checklist	Description
001-2022 Addressed	1.5.3	<b>April 2022:</b> The CHP for Compartment 34 was approved in January 2022 (Ref#: JPHTN(SER)700 2/1/16/2/JILID.1/2 dated 19/01/2022) but the expiry date of the certificate for CHP contractor was listed as 2021. <b>April 2023:</b> The CHP contractor certificate was valid during the preparation of the CHP.
001-2023	2.1.1	<b>April 2023:</b> Inconsistent reporting of harvested area inside Compartment 03.

Highlights of Close Out Visit (if applicable)	Dates	08 June 2023
Major Gap 003/2022 shall be addressed within 2 months by June 2023. No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers as required. Thus, the Major gap remains outstanding.		

Recommendations
<p><b>Rakyat Berjaya Sdn. Bhd.</b> has not demonstrated compliance with the Sabah Legality Standard (<b>SFD-TLAS-002</b>) as non-compliance was identified in Criterion 2.3 and is NOT recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.</p> <p>The Major Gap shall be addressed within two months by <b>June 2023</b>. <b>Gap 003/2022 (Major) Outstanding – Checklist 2.3.1 &amp; 2.3.5:</b> Rakyat Berjaya shall ensure all contractors comply with SOCSO, SFD and immigration requirements for their forest workers.</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: <b>Gap 001/2022 (minor) Outstanding – Checklist 1.2.3:</b> Aturmaju (Sabah) Holding and Pelana Bumi shall implement mitigation measures recommended in the EIA, provide fire extinguishers where necessary, install safety signage and keep a first aid kit in the workshop area. <b>Gap 002/2022 (minor) Outstanding – Checklist 1.3.2 &amp; 1.8.1:</b> Rakyat Berjaya shall revise the Forest quality stratum listed in the FMP to meet the SFD standards in the density of commercial trees over 60cm</p>

DBH.

**Gap 001/2023 (minor) – Checklist 2.1.3:** Rakyat Berjaya shall maintain data on trees harvested and log volumes by species in respect to CHP tree lists.

**Gap 002/2023 (minor) – Checklist 2.1.9 & 2.1.14:** Rakyat Berjaya shall submit quarterly reports to SFD based on monthly log production records.

**Gap 003/2023 (minor) – Checklist 2.2.2 & 3.1.1:** Rakyat Berjaya shall ensure Occupational Permit (OP) is valid.

**Gap 004/2023 (Raised to minor) – Checklist 2.3.7:** Rakyat Berjaya shall develop the Forest Fire Management Plan and submit it to the SFD for approval.

**Observation 001-2023 - Checklist 2.1.1:** Rakyat Berjaya shall consistently report harvested areas inside the Compartments.

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

**End of Summary Report**