

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Rakyat Berjaya Sdn. Bhd. 197001000639 (009867-W)	Reference #	GFSSBH 003-253
Contact Person	Richard Ondoh (Officer in-charge Rakyat Berjaya Tawau)	Date of Report	26/04/2024
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 203 LVS		
Issuance Date	29 April 2024	Expiration Date	28 April 2025

Assessment Details

Assessment Dates	22 – 26 April 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 09/97 - FMU 25 (partly)
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)	Tommy Olui
SFD Staff	Awangku Effendy Pg. Mahmud (DFO Serudong), Jory Julhani (ADFO Serudong), Wilfred Pius (KPPM Serudong), Boneventure Marimin (PPM Serudong), Zainal Bin Kula (PPM 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 SFMLA 09/97 was prepared for a project site of 30,000 ha located in Kalabakan Forest Reserve within FMU 25 (partly). The concession area is under the jurisdiction of the Serudong 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 Sdn. Bhd. (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 (RIL) within the 30,000ha concession area.
- On 13/02/2024, a Power of Attorney was signed between Aturmaju (Sabah) Holding Sdn. Bhd. [Aturmaju (Sabah) Holding] and Majujuta Mewah Sdn. Bhd. (Majujuta Mewah), appointing Majujuta Mewah as the sole RIL logging contractor, responsible for timber sales, and payment of statutory charges to the government within coupe TWU 03/2021. Majujuta Mewah is affiliated with Megawakid Sdn. Bhd. and Cargo Timber Sdn. Bhd., which provide support for the company's management.
- The management of Pelana Bumi Sdn. Bhd. (Pelana Bumi) is associated with Hasil Bumimakmur Sdn. Bhd. and Hasil Baik Sdn. Bhd. Subsequently, on 26/03/2021, the agreement for subcontracting log extraction within coupe TWU 01/2022 was signed between B3 Timber Sdn. Bhd. and Pelana Bumi.
- Currently, Prescott Hamilton Environmental Solutions Plt. does not appoint any other subcontractor to conduct RIL harvesting within the project area. Teknikal Ukur Borneo was appointed to prepare the CHP and registered with the SFD.
- The previous assessment was conducted in June 2023 that resulted in 7 gap(s) and 1 observation(s) (Report #: GFSSBH003-191a).

Current Operations:

- The current harvesting area under Majujuta Mewah is Compartment 34 and 35.
- The current harvesting area under Pelana Bumi is Compartment 01 and 09.
- Prescott Hamilton Environmental Solutions Plt. has yet to commence the RIL harvesting within the project area.
- SFD issued 4 coupe permits.

#	Block #	Coupe #	Activity	Area (ha)	Validity
1	YT 03/2020	TWU 03/2021	NFM (FULL RIL/CHP) & Silviculture tending	3,933.64	07/11/2026
2	YT 05/2020	TWU 01/2022	NFM (FULL RIL/CHP) & Silviculture tending	4,400.80	28/03/2027
3	YT 02/2020	TWU 01/2023	NFM (FULL RIL/CHP) & Silviculture tending	4,810.60	18/01/2028
4	YT 04/2020	TWU 02/2023	NFM (FULL RIL/CHP) & Silviculture tending	3,926.74	18/01/2028

- Land use classification: Kalabakan Forest Reserve (part of FMU 25)

Land classification	FMP gross area (ha)	Current Status March 2024 (ha)
Total Concession Area	30,000	30,000
Production Area Natural Forest Management	22,000	Total harvested area: 3,021.23
Conservation (Riparian reserve, buffer zones, Class I buffer zones, Steep slopes, Heath Forest)	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.
- The project site consists of 5 types of forests: the Lowland Kerangas Forest, Upland Kerangas Forest, Lower Montane Kerangas Forest, Lowland Mixed Dipterocarp, and Upland Mixed Dipterocarp.
- The forest areas along Sg. Tambulanan is a wildlife corridor for large mammals such as elephants, 'Banteng' and others 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.
- 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 th February 2021	Ekohandal Sdn. Bhd.

Social Context:

- There are no villages or human settlements located within or adjacent to the project site, or within 10 km radius of the project site boundary. The largest rural town, Kalabakan Township, is located 25 km to the east in horizontal distance.

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) within Kalabakan Forest Reserve FMU 25 (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.

Proposed Itinerary & Mandays: FMU 25 (partly) / Rakyat Berjaya Sdn. Bhd. / Serudong District 22 - 26 April 2024 (Total Mandays = 12)

Date	Activity	GFS Staff	Mandays
22 April 2024 Monday	Travel to Tawau and overnight.	Priera Bagang, Tommy Olui	2
23 April 2024 Tuesday	Opening meeting at Aturmaju office campsite & Field assessment to harvesting areas, campsite & Document review at Aturmaju camp office.	Priera Bagang, Tommy Olui	2
24 April 2024 Wednesday	Opening meeting at Pelana Bumi stumping office & field assessment to harvesting areas, campsite & Document review at Pelana Bumi stumping office.	Priera Bagang, Tommy Olui	2
25 April 2024 Thursday	Document review at Rakyat Berjaya Tawau office.	Priera Bagang, Tommy Olui	2
26 April 2024 Friday	Finalising report and closing meeting at Rakyat Berjaya Tawau office. Travel to homebase.	Priera Bagang, Tommy Olui	2
27 - 28 April 2024	Reporting GFSSBH 003-253	Dr Kevin Grace Priera Bagang	2
Total			12

Highlights of Assessment

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

Rakyat Berjaya Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 22 – 26 April 2024.

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) (Ref. #: JPHTN/SFM 900-1/1/42/62). 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 (Ref. # Amendment Slip No. 01/2022).

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 2024: Gap 001/2022 (minor) – Closed

Workshops in Majujuta Mewah and Pelana Bumi are equipped with sufficient and valid fire extinguishers, safety signs, stocked first aid kits, and measures to prevent oil spills.

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 2024: Gap 002/2022 (minor) – Outstanding

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

April 2024: Observation 001-2024 - Checklist 1.8.2

The PSP has yet to be established inside the NFM-RIL harvesting area to evaluate damage and monitor growth of the residual stand.

Principle 2.

Majujuta Mewah and Pelana Bumi demonstrated compliance with the RIL logging operations, log transportation, licensed area security, license boundary maintenance, and protecting riparian reserves and steep areas.

Highlights of Assessment

April 2023: Observation 001-2023 - Checklist 2.1.1

Inconsistent reporting of harvested area inside Compartment 03.

April 2024: Observation 001-2023 (Addressed)

Pelana Bumi provided the data on the current harvested area for 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.

April 2024: Gap 003/2022 (Major) - Closed

The subcontractors hold a valid JTK licenses, COI, work permits, and have contributed monthly SOCSO for workers.

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 2024: Gap 001/2023 (minor) – Closed

Rakyat Berjaya maintained data on harvested trees and log volumes by species.

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 2024: Gap 002/2023 (minor) – Closed

Rakyat Berjaya submitted quarterly reports to SFD based on monthly records of log production.

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

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

April 2024: Gap 003/2023 (minor) – Closed

Occupational Permits are renewed and valid.

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.

April 2024: Gap 004/2023 (minor) – Outstanding

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

Principle 3.

Majujuta Mewah and Pelana Bumi paid the licensing fees and other charges to SFD. Records of royalty payments are maintained.

April 2023: Gap 003/2023 (minor) - Checklist 3.1.1

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

April 2024: Gap 003/2023 (minor) - Closed

Occupational Permits are renewed and valid.

Principle 4.

Not applicable - No village or human settlement is located within and adjacent to the project site, or within 10 km radius of the project site boundary. The largest rural town is Kalabakan Township, located 25 km in horizontal distance to the east.

Summary Results:**(Major gap = 0, minor gap = 2, Observation = 1)**

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

GAP	Type	Checklist	Status	Description
001/2022	minor	1.2.3	Closed	<p>April 2022: Lack of mitigation control was observed concerning waste segregation and oil spillage. Lack of fire extinguishers in the facilities.</p> <p>April 2023: 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> <p>April 2024: Workshops in Majujuta Mewah and Pelana Bumi are equipped with sufficient and valid fire extinguishers, safety signs, stocked first aid kits, and measures to prevent oil spills.</p>
002/2022	minor	1.3.2.2 1.8.1	Outstanding	<p>April 2022: The forest quality stratum listed in the FMP differs from the SFD standard in the density of commercial trees over 60cm DBH.</p> <p>April 2023: Rakyat Berjaya did not take action to revise the forest quality listed in the FMP.</p> <p>April 2024: Rakyat Berjaya did not take action to revise the forest quality listed in the FMP.</p>
003/2022	Major	2.3.1 2.3.5	Closed	<p>April 2022: Lack of records for monthly SOCSO contribution, and work visas for sampled forest workers as required.</p> <p>June 2022: The subcontractors have yet to provide the SOCSO contribution, the COI and work permits for workers.</p> <p>April 2023: No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers as required.</p> <p>June 2023: No evidence of a JTK license, SOCSO registration and contribution, the COI and work permit for workers.</p> <p>April 2024: The subcontractors hold a valid JTK licenses, COI, work permits, and have contributed monthly SOCSO for workers.</p>
001/2023	minor	2.1.3	Closed	<p>April 2023: Rakyat Berjaya did not maintain data on trees harvested and log volumes by species with respect to CHP tree lists.</p> <p>April 2024: Rakyat Berjaya maintained data on harvested trees and log volumes by species.</p>
002/2023	minor	2.1.9 2.1.14	Closed	<p>April 2023: No evidence of the submission of quarterly reports to SFD based on monthly log production</p>

GAP	Type	Checklist	Status	Description
				records. April 2024: Rakyat Berjaya submitted quarterly reports to SFD based on monthly records of log production.
003/2023	minor	2.2.2 3.1.1	Closed	April 2023: Occupational Permits under Rakyat Berjaya [used by Aturmaju (Sabah) Holding] are expired. April 2024: Occupational Permits are renewed and valid.
004/2023	minor	2.3.7	Outstanding	April 2022: No evidence that a forest fire management plan was developed and approved. April 2023: Rakyat Berjaya has yet to develop the forest fire management plan. April 2024: Rakyat Berjaya has yet to develop the forest fire management plan.

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

Obs #	Checklist	Description
001-2023 Addressed	2.1.1	April 2023: Inconsistent reporting of harvested area inside Compartment 03. April 2024: Pelana Bumi provided the data on the current harvested area for Compartment 03.
001-2024	1.8.2	April 2024: The PSP yet to be established inside the NFM-RIL harvesting area to evaluate damage and monitor growth of the residual stand.

Highlights of Close Out Visit (if applicable)	Dates	-
Not Applicable		

Recommendations
<p>Rakyat Berjaya Sdn. Bhd. has demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) for its designated area and is 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>Gap 002/2022 (minor) Outstanding – Checklist 1.3.2.2 & 1.8.1: 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 DBH.</p> <p>Gap 004/2023 (minor) Outstanding – Checklist 2.3.7: Rakyat Berjaya shall develop the Forest Fire Management Plan and submit it to the SFD for approval.</p> <p>Observation 001-2024 - Checklist 1.8.2: Rakyat Berjaya shall establish PSPs to measure harvesting impacts and monitor residual stand growth.</p> <p>The next annual surveillance audit will be scheduled for April 2025.</p>

End of Summary Report