

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Licensee: Rakyat Berjaya Sdn. Bhd. Contractor: Beta Bumi Sdn. Bhd.	<b>Reference #</b>	GFSSBH 003-028
<b>Contact Person</b>	Evelyn Nina Jock (RBJ) Ah Soon Ah Choi (Maxland Representative) Jovinia Johin (Maxland Representative)	<b>Date of Report</b> <b>Date of close out</b>	12 July 2019 -
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### Statements

Audit Statement	NA: Non Compliance - Criteria 3.1.2		
Issuance Date	NA	Expiration Date	NA

### Assessment Details

Assessment Dates	8 - 12 July 2019
Scope of Assessment	TLAS Principles 1 - 4; FMU 16 (SFMLA 09/97) Coupe Licenses: (SDK 06/13; SDK 02/14; SDK 04/14; SDK 01/14; SDK 06/14; SDK 05/15)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Eugenia spp.</i> (Obah), <i>Eusideroxylon zwageri</i> (Belian), and OT
Lead Assessor	Siti Radiah Mohamad
Assessor(s)	Mohd. Akram Mansur
FDS Staff	Magrine Madanan (FDS-HQ), Richard Madanan (ADFO Tongod), James Torrimo (FDS Tongod), Awang Omar (FDS Tongod), Kim Ann Kim Yong (FDS Tongod), Herry Juing (FDS Tongod), Juslee Sauyang (FDS Tongod), Ronald Stephen (FDS Tongod), Imanuel Tambakok (FDS Tongod).

### 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 01<sup>st</sup> January 2015 (**FDS-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:

- FMU16 is licensed to Yayasan Sabah under the Sustainable Forest Management License Agreement (SFMLA) 09/97.
- Rakyat Berjaya Sdn. Bhd. (Rakyat Berjaya), a wholly owned subsidiary of Yayasan Sabah (YSG) is assigned to manage and conduct all commercial forestry operations within the licensed area.
- About 20,151ha within FMU 16 is allocated for intensive forest rehabilitation, following the mosaic planting approach that integrates with natural forest management and forest plantation.
- Rakyat Berjaya submitted the Plantation Development Plan to the Forestry Department of Sabah (FDS) in reference to the project area. The plan outlines the development and implementation plan for the project area of 10 years (April 2013 – March 2023).
- Beta Bumi Sdn. Bhd. (Beta Bumi), subsidiary company of Maxland Sdn. Bhd. (Maxland) was appointed by Rakyat Berjaya as the contractor to undertake the task of developing the project area.
- Maxland is certified by SIRIM QAS for implementing a Quality Management System in their forest harvesting, grading and hauling operations.
- The previous assessment was conducted in July 2018 that resulted in 3 gap(s) and 1 observation(s) (Report #: G161-258).
- Land use classification:

Land classification	FMP Area (ha)
Intensive Tree Planting (Mosaic) Total Area	15,940
a) <i>Planted Area (50%)</i>	7,970
b) <i>Natural Stand (50%)</i>	7,970
Natural Forest Management (NFM)	4,211
<b>Total Area</b>	<b>20,151</b>

### Environmental Context:

- FMU 16 has been heavily logged several times over the past 30 years, during the 70's, 80's and 90's. Since Rakyat Berjaya received the forest license, the area has been proactively logged using conventional techniques, however there have been trials and researches in regards to Reduced Impact Logging. Training has also been undertaken on SFM and helicopter logging.
- Although severely degraded, the area has a high variety of animals such as wild boar, macaques, and samba deer of which are considered rare or threatened. Birdlife is also high as six out of the eight species of hornbill found in Sabah are found in FMU 16.
- The mosaic planting area shares a common boundary with Buffer Zone 1 of the Maliau Basin Conservation Area (MBCA) and also located in Buffer Zone 2 of MBCA.
- Existing EIA report
  - Rakyat Berjaya Sdn. Bhd. has two approved EIA which covered the project area (refer to 1.3.1)

**Social Context:**

- FDS-YSG FMP Team and Kiiheng Wood & Environmental Consultants Sdn. Bhd. carried out the Social Baseline Survey (SBS) and Social Impact Assessment (SIA) for FMU 15 & 16 between February and April 2010.
- There are 26 villages identified in the FMP and the SIA has identified 16 out of 27 villages at the fringes of FMU 15 and 16 and located approximately within 2 km from the FMU boundaries.
- The 26 villages identified are Kg. Masaum, Kg. Mangkuwagu, Kg. Alitang, Kg. Pinangah, Kg. Inusan, Kg. Malikop, Kg. Dewara, Kg. Soguon, Kg. Tampasak, Kg. Purutawoi, Kg. Talibu, Kg. Kuala Tongod, Kg. Kg. Imbak, Kg. Bangkulat, Kg. Kuala Karamuak, Kg. Karamuak Dalam, Kg. Tenaga Baru, Kg. Langga, Kg. Inarad 1, Kg. Inarad 2, Kg. Kg. Tudungin, Kg. Kawayoi and Kg. Tambunan 2.
- Most of the ethnic are from the Kadazandusun group. Almost all villages have a necessary infrastructure and accessible by land and water. Electricity is supplied to the communities by generator sets, which have been distributed by the Government of Sabah.
- Rakyat Berjaya has started a village rehabilitation project, which consists of surveying with the intention to gazette existing villages into village reserves and to curb illegal activities such as encroachment, wildlife hunting and forest conversion exercises.

Scope of Assessment
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| <ul style="list-style-type: none"> <li>• The scope of the evaluation is to verify compliance of <b>Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn Bhd)</b> with the Sabah Forest Management License Agreement (SFMLA 09/97) for FMU 16.</li> <li>• The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01<sup>st</sup> January 2015 (<b>FDS-TLAS-002</b>).</li> <li>• Site evaluation to verify and report the level of compliance by <b>Rakyat Berjaya Sdn. Bhd.</b> and <b>Beta Bumi Sdn. Bhd.</b> to the standard in respect to each of the criteria within this report.</li> <li>• 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.</li> </ul> |
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**Itinerary & Mandays: FMU 16 / Rakyat Berjaya Sdn.Bhd. (Beta Bumi Sdn. Bhd.) / 8 - 12 July 2019 (Total Mandays = 12)**

Date	Activity	GFS Staff	Mandays
8 July 2019 Monday	Travelling to Telupid	Siti Radiah Mohamad, Mohd Akram Mansur	2
9 July 2019 Tuesday	Opening meeting at FDS Tongod District and field visit to Area A1/A2.	Siti Radiah Mohamad, Mohd Akram Mansur	2
10 July 2019 Wednesday	Field visit to Area C1/C2 and log sampling.	Siti Radiah Mohamad, Mohd Akram Mansur	2
11 July 2019 Thursday	Document review at FDS Tongod District	Siti Radiah Mohamad, /Mohd Akram Mansur	2
12 July 2019 Friday	Closing meeting at FDS Telupid District and travel to home base.	Siti Radiah Mohamad, /Mohd Akram Mansur	2
13 - 14 July 2019	Reporting GFSSBH 003-028	Dr. Kevin Grace, Siti Radiah Mohamad	2
<b>Total</b>			<b>12</b>

### Highlights of Assessment

**(Major Gaps = 1; Minor Gaps = 1; Observations = 0)**

Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.) has not complied with the Sabah Legality Standard (FDS-TLAS-002) as one non-compliance was identified during the assessment on 8 - 12 July 2019.

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

Principle 1.

Under the signed License Agreement SFMLA 09/1997, Rakyat Berjaya appointed Beta Bumi Sdn. Bhd. (Beta Bumi) (subsidiary company of Maxland Sdn. Bhd.) as their contractor to undertake the task of developing the project area. Beta Bumi holds an approved FMP, which defined the natural forest management and integrated mosaic planting from 2013 to 2023 approved by FDS dated on 7<sup>th</sup> March 2013. A AWP 2019 draft was developed but yet to be approved as FDS had temporary freeze the processing of all documents, which related to the licensed area until further notice (Ref.#: KPHTN/ KKH (S) 100-0/4/ Jilid. 4 (64) dated 7<sup>th</sup> September 2018).

**July 2018: Observation 001-2018 - Checklist 1.1.1.2**

The total area under coupe permit (15,462.11ha) is less than the 20,151ha listed in land use classification for Mosaic and NFM.

**July 2019: Observation 001-2018 (Addressed)**

20,151ha stated in the FMP land use classification is based on the gross survey data taken before the issuance of the project area. The actual operation area is based on the FDS surveyed area before the issuance of coupe permit. Approved coupe permit area was less than the total project area to exclude protected areas such as riparian reserve, steep area, ponds, etc.

Principle 2.

Currently, no operation (logging / planting) was conducted since July 2018 due to the cessation of all operations (logging and planting) that manage under Maxland Sdn. Bhd.

**July 2018: Gap 013/2017 (Minor) Outstanding - Checklist 2.1.3**

No action has been taken to collect the spillages at diesel depot and workshop and treat as a scheduled waste at C1 and no segregation of waste observed in the rubbish bin at C2.

**July 2019: Gap 013/2017 (Minor) - Closed**

All campsites are currently inactive and both main roads leading to the campsites are inaccessible due to broken bridges. Workers were terminated since all operations within the licensed area have stopped. FDS had temporary stopped processing documents (including COI and OPs), related to the licensed area until further notice (Ref.#: KPHTN/ KKH (S) 100-0/4/ Jilid. 4 (64) dated 7<sup>th</sup> September 2018).

**July 2018: GAP 014/2018 (Major) - Checklist 2.2.5**

No Quarterly Logging Progress Report was provided during the audit.

**July 2019: GAP 014/2018 (Major) - Closed**

Beta Bumi has developed the Quarterly Progress Report up to the 2<sup>nd</sup> Quarter of 2018. No operation (logging / planting) was conducted since July 2018 as all operations (logging and planting) have stopped.

**GAP 016/2019 (Minor) - Checklist 2.1.3**

Beta Bumi stopped the submission of ECR as operations have stopped in July 2018; however, the company did not submit an application to EPD for approval to stop environmental monitoring.

Principle 3.

No payment was processed as FDS had temporary stopped processing of all documents, related to the licensed area until further notice (Ref.#: KPHTN/ KKH (S) 100-0/4/ Jilid. 4 (64) dated 7<sup>th</sup> September 2018).

**July 2018: GAP 015/2018 (Major) – Checklist 3.1.2**

Beta Bumi has yet to provide a complete set of scaling records and royalty payments / receipts and other fees payable in respect to the estimated 20,479 logs and 66,095.69 m<sup>3</sup> from July 2017 – July 2018.

**July 2019: GAP 015/2018 (Major) - Outstanding**

### Highlights of Assessment

The summary production from July 2017 to July 2018 reported 20,479 logs (66,095.69m<sup>3</sup>) were extracted from the licensed area. Beta Bumi had provided a complete set of scaling records, TDPs, royalty payments/receipts for 11,298 logs (36,858.08m<sup>3</sup>) including 141 detention logs (689.86m<sup>3</sup>) which also were royalty paid. The remaining 616 detention logs (4,684.89m<sup>3</sup>) are in the process of royalty payment. Thus the remaining 8,565 logs (28,768.72m<sup>3</sup>) have yet to be identified and scaled.

Principle 4.

No communities were identified as associated to or dependent on the licensed area.

### Summary Results:

(Major gap = 1, Minor gap = 1, Observation = 0)

Gap raised against indicators & criteria during the **July 2019** assessment.

GAP	Type	Checklist	Status	Description
013/2017	Minor	2.1.3	Closed	<p><b>July 2018:</b> No action has been taken to collect the spillages at diesel depot and workshop and treat as a scheduled waste at C1 and no segregation of waste observed in the rubbish bin at C2.</p> <p><b>July 2019:</b> All campsites are currently inactive and both main roads leading to the campsites are inaccessible due to broken bridges. Workers were terminated as all operations within the licensed area have stopped. FDS had temporarily stopped processing of documents (including COI and OPs), which related to the licensed area until further notice (Ref.#: KPHTN/ KKH (S) 100-0/4/ Jilid. 4 (64) dated 7<sup>th</sup> September 2018).</p>
014/2018	Major	2.2.5	Closed	<p><b>July 2018:</b> No Quarterly Logging Progress Report was provided during the audit.</p> <p><b>July 2019:</b> Beta Bumi has developed the Quarterly Progress Report up to 2<sup>nd</sup> Quarter of 2018. No operation (logging / planting) was conducted since July 2018 as all operations (logging and planting) have stopped.</p>
015/2018	Major	3.1.2	Outstanding	<p><b>July 2018:</b> Beta Bumi has yet to provide a complete set of scaling records; royalty payments / receipts and other fees payable in respect to the estimated 20,479 logs and 66,095.69 m<sup>3</sup> from July 2017 – July 2018.</p> <p><b>July 2019:</b> The summary production from July 2017 to July 2018 reported 20,479logs (66,095.69m<sup>3</sup>) were extracted from the licensed area. Beta Bumi provided a complete set of scaling records, TDPs, royalty payments/receipts for 11,298 logs (36,858.08m<sup>3</sup>) including 141 detention logs (689.86m<sup>3</sup>) which also been royalty paid. Currently, the remaining 616 detention logs (4,684.89m<sup>3</sup>) are in process of royalty payment. Thus 8,565 logs (28,768.72m<sup>3</sup>) have yet to be</p>

GAP	Type	Checklist	Status	Description
				identified and scaled.
016/2019	Minor	2.1.3	New	Beta Bumi stopped the submission of ECR as operations have stopped in July 2018; however, the company did not submit an application to EPD for approval to stop environmental monitoring.

Observation raised against indicators & criteria during the **July 2019** assessment

Obs #	Checklist	Description
001-2018 Addressed	1.1.1.2	<p><b>July 2018:</b> The total area under coupe permit (15,462.11 ha) is less than the 20,151 ha listed in land use classification for Mosaic &amp; NFM.</p> <p><b>July 2019:</b> 20,151ha stated in the FMP land use classification is based on the gross survey data taken before the issuance of the project area. The actual operation area is based on the FDS surveyed area before the issuance of coupe permit. Approved coupe permit area was less than the total project area to exclude protected areas such as riparian reserve, steep area, ponds, etc.</p>

Highlights of Close Out Visit (if applicable)	Dates
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<b>GAP 015/2018 (Major)</b> needs to be addressed within 2 months by October 2019 / before resuming operations.	

Recommendations
<p><b>Rakyat Berjaya Sdn. Bhd. (Beta Bumi Sdn. Bhd.)</b> has NOT demonstrated compliance with the Sabah Legality Standard (<b>FDS-TLAS-002</b>) as non-compliance was identified in Checklist 3.1.2 thus is NOT eligible to receive a GFS Audit Statement and STCC from FDS.</p> <p>The Major Gap shall be addressed within two months by <b>October 2019</b>.  <b>GAP 015/2018 (Major) Outstanding – Checklist 3.1.2:</b> Beta Bumi has to provide adequate documents to justify the status of 8,565 logs (28,768.72m<sup>3</sup>) that have yet to be identified and scaled.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to address the gap(s)/observation(s) include:  <b>GAP 016/2019 (Minor) – Checklist 2.1.3:</b> Beta Bumi needs to apply for approval from EPD to postpone the submission of quarterly environmental monitoring reports.</p> <p>The next annual surveillance audit will be scheduled in May 2020.</p>

**End of Summary Report**