

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Gerak Saga Sdn. Bhd. (1098208-V)	Reference #	GFSSBH 003-020
Contact Person	Thondik Venantius (Project Director)	Date of Report	19/05/2019
Office Address	Headquarters: L-70-7, KK Times Square, Off Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia.	Date of close out	-
	Office: F-55-2A, 1 Avenue Commercial Centre Jalan WK, 89108 Kota Marudu, Sabah, Malaysia.	Telephone	+6088 486 240 (Headquarters) +6088 663 494 (Office)
Email	t.venantius@forestsolutions.asia w.william@forestsolutions.com.my	Fax	+6088 486 241 (Headquarters) +6088 662 494 (Office)
		Approved By	Dr. Kevin T. Grace

Statements

Audit Statement	NA: Non Compliance - Checklist 3.1.4		
Issuance Date	NA	Expiration Date	NA

Assessment Details

Assessment Dates	13 th – 17 th May 2019
Scope of Assessment	SFMLA 01/2015 – FMU 2
Species	<i>Acacia spp.</i>
Lead Assessor	Franklin Emang
Assessor(s)	Priera Bagang, Cynthia D. John
FDS Staff	Edmund William (DFO Pitas), Unus Ampang (ADFO Pitas), PH Roslan Osman (PPD Pitas), PH Peter Sumpit (PPD Pitas), PH Kinidih Ludin (PPD Pitas)

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 01st 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:

- The Sabah State Government has allocated both the Bengkoka Forest Reserve and Tambalugu Forest Reserve, a combined of 6,467 ha to Gerak Saga Sdn. Bhd. (Gerak Saga) for the purpose of industrial tree plantation development. Both forest reserves will be managed as a single FMU and divided into 4 Coupes. The licensed area will be planted mainly with *Eucalyptus* species following by *Acacia spp.* with a rotation period of 10 years. The net plantable area is approximately 5,625 ha.
- SFMLA 01/2015 was signed on 26th October 2016 for 100 years and expires on 31st December 2115.
- Gerak Saga has an approved 10-year FMP from 1st January 2017 – 31st December 2026 of SFMLA 01/2015 – FMU 2 Bengkoka Forest Reserve & Tambalugu Forest Reserve.
- Gerak Saga appointed Farmglow Sdn. Bhd., Kinshope Trading Sdn. Bhd. and JW Merit Sdn. Bhd. as their logging contractors.
- Gerak Saga has submitted an application to register one additional logging contractor, Jun Kian Enterprise with FDS (Ref. #: GS/KM19/05/066 dated 7th May 2019).
- The previous assessment was conducted in May 2018 that resulted in 1 gap(s) and 2 observation(s) (report #: G161-237).
- Land use classification:

Land Use	FMP Area (ha)	Coupe Development Plan area (ha)	
Natural Forest Management (NFM)	0	65.0	
Plantation Forest (ITP)	5,625	5,424.9	
		<i>Planted</i>	270.3
		<i>Infrastructure</i>	9.9
		<i>Land</i>	5,124.3
		<i>Land dispute (Temporarily excluded from forest operation)</i>	20.4
Conservation Reserves	369.9	948.0	
		<i>Conservation</i>	1.5
		<i>Mangrove forest</i>	26.9
		<i>Rehabilitation</i>	3.7
		<i>River buffer</i>	468.2
		<i>Water catchment</i>	327.5
		<i>Water reservoir</i>	120.2
Riparian Buffers	296.0		
Mangrove Forest	12.1		
Infrastructure, Roads, Buildings, etc.	25.0		
Roadways	76	43.8	
Water Reservoirs	72.0		
Total	6,467	6,481.7	

Note: Several changes have been made to the zoning area. It was observed that there is discrepancy of 14.7 ha between the land use areas in FMP against the Coupe Development Plan. According to the company, this is due to the delayed of submission of the original land and survey map from FDS (after the approval of FMP). The land use table in the approved FMP will be updated during the 1st FMP revision that is scheduled in 2020.

No areas subject to native customary rights were identified within the licensed area. However, there is a dispute of 20.4 ha located in an ITP compartments area. Since there was no final decision from FDS, the company has temporarily excluded this area from the forest operations.

Environmental Context:

- Forest type and history of management
 - The Bengkoka Forest Reserve and Tambalugu Forest Reserve are Class II Forest Reserves covering an area of approximately 6,270 ha and 197 ha respectively, within Pitas District in Sabah.
 - The Bengkoka Peninsula was originally covered in tropical rainforest, however forest clearing for agricultural crops cultivation started over 80 years ago. Approximately 30 years ago, clearing commenced for the purpose of plantation establishment. Only scattered remnants can be seen of the original forest although the coastal area remains fringed with mangrove forest.
 - The FMU is predominantly covered by *Acacia mangium* forests of a mixed ages and densities. There have also been many wild fires leaving areas barren of trees, vegetated only with grasses and ferns. Finally, there are also small patches of natural indigenous forest most found in the riverine areas.
- Principal commercial species
 - The natural vegetation has given way to invasive *Acacia mangium* and other *Acacia* spp., which is dominating the large area. In some areas, the *Acacia* has been attacked by a fungus (*Ceratocystis* spp.) and also subjected to several fires. The area is therefore at risk from the invasion of *Imperata* grass.
 - In line with the requirements of the SFMLA, Gerak Saga will convert the majority of the project site to productive stands as *Eucalyptus* spp., while simultaneously re-establishing riparian reserves and conservation areas.
- Specific biological values (e.g. rare or endangered species)
 - Although the forests described as degraded, flora studies were carried out in the area, which concluded the riparian reserve area that has an endemic species of *Shorea kudatensis* (Yellow seraya) and identified as critically endangered. Some endangered faunal and protected species also identified such as pangolin, Sun-bear, Pig-tailed macaque, Red giant-flying squirrel, Malay Civet, White-chested babbler, Long-tailed macaque, small-toothed palm civet, Grey capped Emerald Dove, Monitor Lizard, and Rajah Brooke's Birdwing.
- Environmental services (e.g. critical watersheds, wildlife corridor, etc.) provided by the forest
 - Areas containing High Conservation Values (HCV) were identified during the preliminary assessments. The approved EIA describes conservation areas are as follows:

Conservation Area	Total Area (ha)	Location
Riparian Reserves	30m (285 ha)	Bengkoka and Tambalugu Forest Reserves
Water Catchment	371 ha	Bengkoka Forest Reserve
Mangrove Forest	12 ha	Tambalugu Forest Reserve
Water Reservoir	72 ha	Bengkoka Forest Reserve

- Existing EIA report
 - Gerak Saga holds an approved EIA report for its project area (Ref. #: JPAS/PP/15/600-1/01/3/60(46) dated 14th December 2017).

Social Context:

- Social assessment summary
 - Based on the FMP and EIA report, there are no settlements within the project area in both Bengkoka Forest Reserve and Tambalugu Forest Reserve (EIA, page C3-48 to page C3-49).
 - Villages identified in the vicinity of the licensed area are as stated in the EIA report.

Division / Area	Location/ Village	Distance from Project Area Boundary (m)	Direction from Project Site Boundary
Bengkoka Forest Reserve	Kg. Seropil	200	West/House
	Kg. Kakarangan	200	East
	Kg. Kapok	300	West
	Kg. Gumpa	400	South
	Kg. Radap	400	South

	Kg.Kandang	500	North
	Kg. Kipahung	600	North
	Kg. Kodong	650	North
	Kg.Bongkol	700	South
	Kg. Jambu	700	South
	Kg. Unkup	1,100	South
Tambalugu Forest Reserve	Kg. Suang Duyung	500	North/North-west
		2,000	East
	Kg. Maringgalan	1,600	North-west

- Identified communities that are dependent on the FMU
 - In the FMP, Gerak Saga identified 7 villages nearby the project area namely Kg. Kapok, Kg. Kodong, Kg. Kandang, Kg. Jambu, Kg. Gumpa, Kg. Radap and Kg. Kakarangan. All villages are located within the boundary of the Acacia Forest Industries Sdn. Bhd. estate. In collaboration with the managers of neighbouring plantation estates, a detailed socio-economic survey on these villagers had been carried out to determine the needs of the local communities. Gerak Saga recognises that these communities could benefit from the project; thus, the company had taken initiative to establish a Community Development Master Plan (CDMP) that outline the strategy, operational guidelines and framework of the Community Development Program for addressing the social and development issues as well as to improve the quality of rural communities living in the vicinity of the project area. However, the CDMP has yet to be completed.
- Native Customary Rights
 - No areas subject to native customary rights were identified within the licensed area.
 - Gerak Saga recognizes the concerns and rights of the communities living adjacent to the Project Area and is dedicated to minimizing and offsetting any social and environmental impacts of the project on their livelihoods.
- Community Forestry Projects
 - As of the current audit, a CDMP is being developed to outline the strategy, operational guidelines and framework of a Community Development Program to address social and development issues affecting the communities nearby the licensed area.
 - There was no NCR claim in the licensed area. However, there were land disputes identified in the licensed area. The villagers have been planted the area with crops (palm oil tree, fruits tree, and rubber tree). Based on the Coupe Development Plan, an approximate total area that affected are 20.4 ha. Currently, the land is temporarily excluded from the forest operation (Refer to the new zoning area).
 - Gerak Saga has continuously giving assistance and resolving issues that affected the communities through meetings and consultation. The company maintained the records of minute of meeting in 2018 till April 2019.

Scope of Assessment

- The scope of the evaluation is to verify compliance of Gerak Saga Sdn. Bhd. with the Sabah Forest Management License Agreement (SFMLA 01/2015) for FMU 2.
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated 01st January 2015 (FDS-TLAS-002).
- Site evaluation to verify and report the level of compliance by Gerak Saga 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 2 / Gerak Saga Sdn. Bhd. / Pitas 13th – 17th May 2019 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
13 May 2019 Monday	Travelling to Pitas. Opening meeting at PPD Pitas.	Franklin Emang, Piera Bagang, Cynthia D. John	3
14 May 2019 Tuesday	Field visit to licensed area / coupe / block boundaries, harvesting block (Coupe 1; Block 53), Riparian reserve (Sg. Liu), Seraya Basecamp, Fertiliser store, chemical storage, genset house, lubricant store, diesel depot (recently completed and no diesel content yet), nursery Block B, dumping pit, Coupe 3 (Block 36); Planting, Block 34 & Block 45 (maintenance), Contractor's campsite (Jun Kian Enterprise), Gate 6 (Gate between Gerak Saga/AFI), Bambang Log Pond, etc.	Franklin Emang, Piera Bagang, Cynthia D. John	3
15 May 2019 Wednesday	Community visit to Kg. Bawing, Pitas. Document review at Gerak Saga Sdn. Bhd.'s Office (Kota Marudu).	Franklin Emang, Piera Bagang, Cynthia D. John	3
16 May 2019 Thursday	Document review at Gerak Saga Sdn. Bhd.'s Office (Kota Marudu).	Franklin Emang, Piera Bagang, Cynthia D. John	3
17 May 2019 Friday	Closing meeting at PPD Pitas. Travel to Kota Kinabalu.	Franklin Emang, Piera Bagang, Cynthia D. John	3
18-19 May 2019	Reporting GFSSBH 003-020	Dr. Kevin T. Grace, Franklin Emang	2
Total			17

Highlights of Assessment

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

Gerak Saga Sdn. Bhd. has not complied with the Sabah Legality Standard (**FDS-TLAS-002**) as non-compliance was identified for criterion 3.1 during the assessment on 13th – 17th May 2019.

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

Principle 1.

Gerak Saga demonstrated compliance with the license requirements, management planning, and submission of required documents or reports to the relevant authorities. Gerak Saga has an approved Forest Management Plan (FMP), which is also defined as the Plantation Development Plan (PDP). The company has an approved Annual Work Plan 2019 from FDS to operate in the FMU.

Principle 2.

Gerak Saga demonstrated compliance with the license requirements, which includes demarcation of licensed boundary and stream / riparian reserve, registration of logging contractor and harvesting machinery, payment for occupation permits and Property Hammer Mark.

Notification letter to Wildlife Department was submitted prior to the commencement of harvesting operations.

Planted trees in ITP compartments are yet to reach their harvesting rotation. Currently, the logging is carried out to extract wild *Acacia mangium* for saw logs and chip logs before the ITP development.

Gerak Saga has yet to harvest the planted trees from their ITP compartments. Therefore, no planted trees are available for felling and extraction. The oldest planted trees were in compartments 2 and 4 of Coupe 1. Trees species of *Eucalyptus pelita* in compartment 2 while *Eucalyptus pelita* and *Acacia crassicaarpa* in compartment 4 were planted in October 2018.

Highlights of Assessment

May 2018: Observation 001-2018 – Checklist 2.1.11b

The patrolling was not documented and maintained.

May 2019: Observation 001-2018 – Addressed

Gerak Saga has carried out the field patrolling in their licensed area in 2018 and 2019. The field patrolling records were documented and maintained.

May 2018: Gap 001/2018 (Minor) – Checklist 2.6.2, 2.6.7

The operation started in December 2017 but the company had not conducted any safety & health training for the workers.

May 2019: Gap 001/2018 (Minor) - Closed

Gerak Saga conducted the safety and health training in 2018 and 2019 to their workers and contractors. Records are kept and maintained.

Principle 3.

Gerak Saga has paid the licensing fees and other charges to Pitas District Forestry Office and the records were available and maintained.

May 2019: Gap 002/2019 (Major) – Checklist 3.1.4

Inconsistency of marking of FDS Royalty Hammer Mark on logs was observed at Bambang Logpond. (Refer SFMLA 01/2015, Part 3: Royalty Matters, Penalties and Other Contractual Provisions, Clause 104 (i) on page 47).

May 2018: Observation 002-2018 – Checklist 3.1.5

It is observed that Gerak Saga did not maintain a complete record on Removal Pass issued for log transportations in 2017. Only partial Removal Passes were retrieved during the document review.

May 2019: Observation 002-2018 - Addressed

Gerak Saga maintains record of the Removal Passes issued for each transportation and sales of logs.

Principle 4.

There are no villages or human settlements within or claiming areas within the project area. Gerak Saga maintains all documents of meetings and discussion with the villages.

During the recent assessment, the assessing team has visited Kg. Bawing, Pitas (GPS Coordinate: RX 822915; BOR 769008).

Summary Results:

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

Gap raised against indicators & criteria during the May, 2019 assessment.

GAP	Type	Checklist	Status	Description
001/2018	Minor	2.6.2 2.6.7	Closed	<p>May 2018: The company started the operation in December 2017 but had not conducted any safety & health training for the workers.</p> <p>May 2019: Gerak Saga conducted the safety and health training in 2018 and 2019 to their workers and contractors. Records are kept and maintained.</p>
002/2019	Major	3.1.4	New	<p>May 2019: Inconsistency of marking of FDS Royalty Hammer Mark on logs was observed at Bambang Logpond. (Refer SFMLA 01/2015, Part 3: Royalty Matters, Penalties and Other Contractual Provisions, Clause 104 (i) on page 47).</p>

Observation raised against indicators & criteria during the May, 2019 assessment

Obs #	Checklist	Description
001-2018 Addressed	2.1.11b	<p>May 2018: The patrolling was not documented and maintained.</p> <p>May 2019: Gerak Saga has carried out the field patrolling in their licensed area in 2018 and 2019. The field patrolling records were documented and maintained.</p>
002-2018 Addressed	3.1.5	<p>May 2018: It is observed that Gerak Saga did not maintain a complete record on Removal Pass issued for log transportations in 2017. Only partial Removal Passes were retrieved during the document review.</p> <p>May 2019: Gerak Saga maintains record of the Removal Passes issued for each transportation and sales of logs.</p>

Highlights of Close Out Visit (if applicable)	Dates
Gap 002/2019 (Major) needs to be addressed within 2 months by July 2019.	-

Recommendations
<p>Gerak Saga Sdn. Bhd. has NOT demonstrated compliance with the Sabah Legality Standard (FDS-TLAS-002) as non-compliance was identified in checklist 3.1.4 and 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 July 2019.</p> <p>Gap 002/2019 (Major) – Checklist 3.1.4: To ensure logs that have been royalty paid shall carry FDS Royalty Hammer Mark.</p> <p>The next surveillance audit will be scheduled in March 2020.</p>

End of Summary Report