

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Gerak Saga Sdn. Bhd. (1098208-V)	Reference #	GFSSBH 003-158
Contact Person	Thondik Venantius (Projects Director)	Date of Report	21/10/2022
Office Address	<u>Headquarters:</u> B2-10-01, Level 10, Riverson Suite, Off Jalan Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia. <u>Field Office:</u> F-55-2A, 1 Avenue Commercial Centre, Jalan WK, 89108 Kota Marudu, Sabah, Malaysia.	Date of close out	-
		Telephone	+6088 486 240 +6088 663 494
Email	t.venantius@forestsolutions.asia	Fax	+6088 486 241 +6088 662 494
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 134 LVS		
Issuance Date	25 October 2022	Expiration Date	24 October 2023

Assessment Details

Assessment Dates	17 – 21 October 2022
Scope of Assessment	TLAS Principle 1-4: SFMLA 01/2015
Species	Salvage logging: <i>Acacia spp.</i> Plantation species: <i>Eucalyptus pelita</i> , <i>Eucalyptus deglupta</i> , <i>Acacia crasscarpa</i> , Eucalyptus Hybrid
Lead Assessor	Priera Bagang, Sandra George (Acting)
Assessor(s)	Ivy Justin
SFD Staff	Fadzil D. Moxsin (ADFO Pitas), Kinidih Ludin (ADFO Pitas), Rizman Tammat (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 (**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:

- The Sabah State Government has awarded both the Bengkoka Forest Reserve and Tambalugu Forest Reserve (FMU 2), with a combined hectarage of 6,467 ha to Gerak Saga Sdn. Bhd. (Gerak Saga) for industrial tree plantation development. Both forest reserves are managed as a single entity supplemented by 4 Coupes.
- The licensed area is being planted with *Eucalyptus pelita*, Eucalyptus hybrid and *Acacia crassicaarpa* based on a harvest cycle of 10 years. Based on the FMP, the net plantable area is approximately 5,625 ha.
- A Sustainable Forest License Agreement (SFMLA), SFMLA 01/2015, was signed on 26th October 2016 for 100 years which expires on 31st December 2115.
- As prescribed in the SFMLA 01/2015, Gerak Saga has an approved 1st 10-year FMP from 1st January 2017 – 31st December 2026 for Bengkoka Forest Reserve & Tambalugu Forest Reserve - FMU 2.
- Gerak Saga currently appoints Gadaya Enterprise, a registered [KON(PTS)004/2021(KM)] harvesting contractor with Sabah Forestry Department (SFD) to carry out harvesting, spreading and site preparation for planting within the licensed area.
- For planting work, Gerak Saga hires Farmglow Sdn. Bhd. also, a registered [KON(PTS)008/2018(KM)] harvesting contractor with the SFD and hires the local communities employed by Forest Solutions Services Sdn. Bhd., a subsidiary company of Gerak Saga.
- Gerak Saga appointed Jabir Enterprise as a subcontractor to conduct planting maintenance (i.e. slashing, spraying, pruning).
- The previous assessment was conducted in October 2021 that resulted in 0 gap(s) and 2 observation(s) (Report #: GFSSBH003-094).
- Land use classification:

Land Use	FMP Area (ha)	Current Status, as of September 2022 (ha)	
Plantation Forest (ITP)	5,625	4,530.0	
		Planted	3626.4
		ITP development area	903.6
Conservation Reserves	369.9	1,407.5	
		Conservation	200.1
		Mangrove forest	27.5
		Natural Forest	52.3
		River buffer	676.7
		Water catchment	329.9
		Water reservoir	121.0
Riparian Buffers	296.0		
Mangrove Forest	12.1		
Infrastructure, Roads, Buildings, etc.	25.0	154.4	
Roadways	76		
Temporary unplanted area		322.5	
Research & Development		64.2	
Water Reservoirs	72.0		
Encroachment (crop planting & burial site)		(20)	
Total	6,476	6,478.6	

Environmental Context:

- Forest Type and History of Management
 - The licensed area consists of the Bengkoka & Tambalugu Class II (Commercial) Forest Reserves with an approximate hectarage of 6,270 ha and 197 ha respectively and lies within Pitas District in Sabah.
 - The licensed area was originally covered in tropical rainforest constituting mainly of the Dipterocarpaceae family. Past management of slash and burn agriculture, coupled with the establishment of tree plantations, has resulted in a patchwork or mosaic of vegetation cover where remnants of the original forest can only be seen on the coastal areas fringed with mangrove forests.
 - The FMU is predominantly covered by *Acacia mangium* forests of mixed ages and densities. Many wildfires also affect the licensed area, leaving areas barren of trees and covered in Lalang and Brackens. There are also small patches of natural forest found in the riverine areas.
- Principal Commercial Species
 - *Acacia mangium*, considered to be invasive and has dominated the licensed area landscape. As of late, *A mangium* is susceptible to fungal (*Ceratocystis*) attacks and also fire outbreaks during pronounced drought.
 - In line with the requirements of the SFMLA, Gerak Saga will convert the project site to productive stands of *Eucalyptus* spp. and *Acacia crassicaarpa* while maintaining, riparian reserves and conservation areas through enrichment planting with native tree species.
- Specific Biological Values (e.g. rare or endangered species)
 - Although the forests are described as degraded, the riparian reserve areas are habitats to an endemic flora species *Shorea kudatensis* (Yellow seraya), classified as critically endangered by IUCN. Other faunal species identified in the licensed area high on the endangered species list and protected wildlife species under the Sabah Wildlife Enactment 1997 are the Pangolin, Sun bear and the flightless bird Tabon scrub fowl. Other wildlife also presents include the 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 conservation areas approved by the EIA are as follows:

Conservation Area	Total Area (ha)	Location
Riparian Reserves	30 m (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 14/12/2017).

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 peripheral of the licensed area are 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

- Native Customary Rights
 - No areas subject to native customary rights were identified within the licensed area.
 - However, the company has identified approximately 0.1ha of burial site inside Coupe 4 claimed by Kg. Suang Duyung. The location was mapped and excluded from operation.
 - 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.
- Identified communities associated to the FMU
 - In the FMP, Gerak Saga has identified 13 formal settlements nearby the project area, namely Kg. Bawing, Kg. Kapok, Kg. Kodong, Kg. Kandang, Kg. Jambu, Kg. Gumpa, Kg. Radap, Kg. Kipahung, Kg. Bongkol, Kg. Suang Duyung, Kg. Serupil, Kg. Ungkup and Kg. Kakarangan. Through a detailed socio-economic study, Gerak Saga has accommodated the local communities that can benefit from this project and has taken the initiative of establishing a Community Development Master Plan to address the social development and to improve the quality of the local communities.
- Community Forestry Projects
 - Implementation of the Community Development Master Plan has become an avenue for employment and a platform to settle grievances and conflict resolution (land claims) among the local communities.
 - There was no NCR claim in the licensed area, however, there were several land disputes identified. The villagers have planted several areas with crops (palm oil, fruits trees and rubber trees). Based on the Coupe Development Plan, approximately 20ha of the disputed area was identified and is now temporarily excluded from forest operations (refer to the Coupe Development Plan).
- Gerak Saga is continuously giving assistance and resolving issues that affects the communities through engagements and consultations.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Gerak Saga Sdn. Bhd.** with the Sustainable 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 (**SFD-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: Asian Forestry Company (Sabah) Sdn. Bhd. (Form 1) & Gerak Saga (FMU 2) / Kota Marudu & Pitas 17 – 21 October 2022 (Total Mandays = 20)

Date	Activity	GFS Staff	Mandays
17 October 2022 Monday	Travel to Forest Solution Malaysia office and opening meetings for Asian Forestry Company (Sabah) and Gerak Saga. Document review.	Priera Bagang, Ivy Justin, Sandra George,	3
18 October 2022 Tuesday	Field visit to Asian Forestry Company (Sabah) licensed area; Licensed boundary, planting area, protection areas, campsite, nursery. Interview with community at Forest Solution Malaysia office. Document review.	Priera Bagang, Ivy Justin, Sandra George	3
19 October 2022 Wednesday	Interview with community (Kg. Radap, Kg. Gumpa, Kg. Jambu). Field visit to Gerak Saga licensed area; Licensed boundary, planting area, protection areas, campsite, nursery.	Priera Bagang, Ivy Justin, Sandra George	3
20 October 2022 Thursday	Document review at Forest Solution Malaysia office for Asian Forestry Company (Sabah) and Gerak Saga.	Priera Bagang, Ivy Justin, Sandra George	3
21 October 2022 Friday	Closing meeting at Forest Solution Malaysia office for Asian Forestry Company (Sabah) and Gerak Saga. Close-out: K.M. Hybrid Plantation.	Priera Bagang, Ivy Justin, Sandra George	3
22-23 October 2022	Reporting GFSSBH 003-157 Reporting GFSSBH 003-158 Reporting GFSSBH 003-146a	Dr. Kevin Grace, Priera Bagang	5
Total			20

Highlights of Assessment

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

Gerak Saga Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 17 – 21 October 2022.

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

Principle 1.

Gerak Saga demonstrated compliance with the license requirements, management planning, and submission of documents/reports to the relevant authorities.

Gerak Saga is committed to implement mitigation measures to protect the environment. Environmental Monitoring Report (EMR) for 2021/2022 is prepared quarterly by an appointed EIA consultant to ensure the compliance with the environmental matters. Demarcation of areas prohibited from harvesting such as steep slopes, riparian reserve and buffer zones were identifiable on the ground.

October 2021: Observation 001-2021 – Checklist 1.2.3

Evidence of littering around the new Farmglow contractor campsite.

October 2022: Observation 001-2021 (Addressed)

The contractor campsite was observed in a neat and clean environment.

Principle 2.

Gerak Saga demonstrated compliance with the forest operation requirements. Logging contractors were registered with SFD with valid registrations. All property hammer marks are valid.

All plantation logs were transported to the Bambang Logpond for weighing and royalty payment. Transportation of logs to Bambang Logpond were covered by valid Transit Pass.

Gerak Saga has an agreement with landowner to rent the Bambang log pond from 01/11/2017 to 31/10/2038.

Highlights of Assessment

Gerak Saga exported the chip logs and pulp logs mainly to Sarawak. Each export was accompanied by Custom Declaration, EIS, Export license approval license and removal pass. Logs export royalty was paid before exporting.

October 2021: Observation 002-2021 – Checklist 2.3.7

The GFS team observed that a first aid kit was not available during field operations.

October 2022: Observation 002-2021 (Addressed)

The contractor's vehicle was equipped with first aid kit during the assessment.

Principle 3.

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

Records of royalty payment were available and maintained.

Gerak Saga has an approved export permit and timber supplier registration from the SFD.

Company Name	Gerak Saga Sdn. Bhd.
Export Registration #	FDS(PS)(E)051/2019 (24/01/2023)
Product	A2 (Logs (plantation logs)/Acacia Mangium logs
Receipt	AM224832 (13/12/2021)
Timber Supplier Registration #	FDS(PS)(S)019/2022 (01/08/2023)
Product	A2 (Logs (plantation logs)/ Acacia Mangium logs
Receipt	AM140220 (26/07/2022)

Principle 4.

Gerak Saga had identified several villagers surrounding the licensed areas. All grievances and land dispute were recorded, identified, and mapped in the Coupe Development Plan. There is no evidence that the company operated in the affected area without the consent of the community or before resolving the issues.

The company had a formal Standard Operating Procedure to address disputes and grievances from the community. The SOP was reviewed and approved by the Director of Gerak Saga Sdn. Bhd.

List of SOPs	Company file reference
Management and Administration System Policy	PP/003 dated 06/02/2020
Rights of Indigenous Community Policy	PP/008 dated 23/03/2020
Demarcation of HCV & Environmental Areas	OP/010 dated 01/03/2021
Resolution of Grievances and Use Rights Disputes	OP/011 dated 20/04/2022

Summary Results:

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

Gap raised against indicators & criteria during the October, 2022 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October, 2022 assessment.

Obs #	Checklist	Description
001-2021 Addressed	1.2.3	October 2021: Evidence of littering around the new Farmglow contractor campsite. October 2022: The contractor campsite was observed in a neat and clean environment.
002-2021 Addressed	2.3.7	October 2021: The GFS team observed that a first aid kit was not available during field operations. October 2022: The contractor's vehicle was equipped with first aid kit during the assessment.

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

Recommendations

Gerak Saga Sdn. Bhd. 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.

The next surveillance audit will be scheduled for October 2023.

End of Summary Report