

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Gerak Saga Sdn. Bhd. (1098208-V)	Reference #	GFSSBH 003-094
Contact Person	Thondik Venantius (Projects Director)	Date of Report	25/10/2021
Office Address	<u>Headquarters:</u> L-70-7, KK Times Square, Off Coastal Highway, 88100 Kota Kinabalu, Sabah, Malaysia. <u>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	01 November 2021	Expiration Date	31 October 2022

Assessment Details	
Assessment Dates	25 – 29 October 2021
Scope of Assessment	TLAS Principle 1-4: SFMLA 01/2015
Species	Salvage logging; <i>Acacia spp.</i>
Lead Assessor	Priera Bagang
Assessor(s)	Peter Lagan
SFD Staff	Kinidih Ludin (ADFO Pitas), Peter Sumpit (KPPM Tangkarason)

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 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 Solution Services Sdn. Bhd., a subsidiary company of Gerak Saga.
- The previous assessment was conducted in December 2020 that resulted in 0 gap(s) and 1 observation(s) (Report #: GFSSBH003-067).
- Land use classification:

Land Use	FMP Area (ha)	Coupe Development Plan area (ha) (September 2021)	
Plantation Forest (ITP)	5,625	4,994.3	
		Planted	2043.4
		ITP development area	2950.9
Conservation Reserves	369.9	1,216.8	
		Conservation	94.2
		Mangrove forest	27.9
		Natural Forest	52.0
		River buffer	590.9
		Water catchment	330.8
		Water reservoir	121.0
Riparian Buffers	296.0		
Mangrove Forest	12.1		
Infrastructure, Roads, Buildings, etc.	25.0	116.5	
Roadways	76	104.4	
Temporary unplanted area (Encroachment / land dispute & Others)			
Research & Development		61.7	
Water Reservoirs	72.0		
Total	6,467		

Note: Several changes have been made to the zoning area. The team observed a discrepancy of 26.7 ha between the land use areas in the FMP against the Coupe Development Plan that is due to the original land and survey map by the SFD (after the approval of the FMP) and calculations based on GIS mapping system. The land use table in the approved FMP has been updated and incorporated in the draft of the 1st FMP revision (mid-term review).

No areas subject to native customary rights were identified within the licensed area. However, there is a dispute over 104.4ha of land scattered over the licensed area. Since there was no final decision by the SFD, the company has temporarily excluded this area from operations.

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, the Mangiums are 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. while simultaneously maintaining and enhancing 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	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 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
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.
 - 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 7 villages nearby the project area namely Kg. Kapok, Kg. Kodong, Kg. Kandang, Kg. Jambu, Kg. Gumpa, Kg. Radap 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 (CDMP) to address the social development and to improve the quality of the local communities.
- Community Forestry Projects
 - Implementation of the CDMP 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 18.47 ha 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 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 25 – 29 October 2021 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
25 October 2021 Monday	Field visit and closing meeting for Gerak Saga at Seraya campsite.	Priera Bagang, Peter Lagan	2
26 October 2021 Tuesday	Opening meetings for JD Salarong at PPD Keningau and Field visit to JD Salarong licensed area.	Priera Bagang, Peter Lagan	2
27 October 2021 Wednesday	Field visit to JD Salarong licensed area and document review.	Priera Bagang, Peter Lagan	2
28 October 2021 Thursday	Document review at PPD Nabawan.	Priera Bagang, Peter Lagan	2
29 October 2021 Friday	Closing meeting at PPD Keningau.	Priera Bagang, Peter Lagan	2
30 October-01 November 2021	Reporting GFSSBH 003-094 Reporting GFSSBH 003-095	Dr. Kevin Grace, Priera Bagang	4
Total			14

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 0; Observations = 2)

Gerak Saga Sdn. Bhd. has complied with the Sabah Legality Standard (SFD-TLAS-002) as no non-compliance was identified during the assessment on 25 – 29 October 2021.

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 2020/2021 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.

Principle 2.

Gerak Saga demonstrated compliance with the forest operation requirements. Transportation of logs were covered by a valid Transit Pass and Removal Pass. Forest workers were adequately trained for handling emergency cases which also covered by valid insurance.

December 2020: Observation 001-2020 (previous checklist 2.3.7)

Several Removal Pass and TDP has been marked with “FDS TLAS CC” after the expiry date of Sabah TLAS Compliance Certificate (April 2020).

October 2021: Observation 001-2020 (Addressed) – Checklist 2.2.7

All removal passes were stamped with FDS TLAS CC (Ref.#: FDS(SLS)004/2020).

October 2021: Observation 002-2021 – Checklist 2.3.7

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

Principle 3.

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

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

Highlights of Assessment

the company operated in the affected area without the consent of the community or before resolving the issues.

Summary Results:

(Major gap = 0, Minor gap = 0, Observation = 2)

Gap raised against indicators & criteria during the October 2021 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October 2021 assessment.

Obs #	Checklist	Description
001-2020 Addressed	2.2.7 (previous checklist 2.3.7)	December 2020: Several Removal Pass and TDP has been marked with "FDS TLAS CC" after the expiry date of Sabah TLAS Compliance Certificate (April 2020). October 2021: All removal passes were stamped with FDS TLAS CC (Ref.#: FDS(SLS)004/2020).
001-2021	1.2.3	October 2021: Evidence of littering around the new Farmglow contractor campsite.
002-2021	2.3.7	October 2021: The GFS team observed that a first aid kit was not available during field operations.

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.

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:

Observation 001-2021 – Checklist 1.2.3: Ensure all campsites are equipped with trash bins & properly dispose of camp waste.

Observation 002-2021 – Checklist 2.3.7: Ensure a first aid kit is available to treat accidents in the field.

The next surveillance audit will be scheduled for October 2022.

End of Summary Report