

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Gerak Saga Sdn. Bhd. (1098208-V)	Reference #	GFSSBH 003-222
Contact Person	Thondik Venantius (Projects Director)	Date of Report	06/10/2023
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 DFO Pitas: Norahmad.Jumain@sabah.gov.my	Fax	+6088 486 241 +6088 662 494
		Approved By	Dr. Kevin Grace

Statements

Audit Statement	GFS 134 LVS		
Issuance Date	09 October 2023	Expiration Date	08 October 2024

Assessment Details

Assessment Dates	02-06 October 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 01/2015 (FMU 2)
Species	Salvage logging: <i>Acacia spp. Mangium & crasicarpa</i> Planted species: <i>Eucalyptus pelita</i> , <i>Eucalyptus deglupta</i> , <i>Acacia crassicarpa</i> , Eucalyptus Hybrid
Lead Assessor	Glory Linggou, Brandon James
Assessor(s)	Vanessa Abin, Anne Gimbir
SFD Staff	Jaludin Urubit (ADFO Pitas), Peter Sumpit (KPPM Tangkarason/Rosob)

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 has an FSC license #: FSC-C167381, with code #: CU-FM/COC-873356, valid until 30/05/2026. The company also has a PEFC license #: CU MTCS/FMC 873356, valid until 31/05/2024.
- Gerak Saga has 8 contractors, of which 4 contractors were registered as harvesting contractors with SFD to carry out harvesting, spreading, and site preparation for planting within the licensed area.

No	Contractor	Remarks
1	*Gadaya Company – KON(PTS)004/2021(KM)	Logging contractor
2	*Farmglow Sdn. Bhd. – KON(PTS)008/2018(KM)	Logging & planting
3	*Nyap Trading Enterprise	Logging
4	*JW Merit Sdn. Bhd. – KON(PTS)017/2018(M)	Logging & logistics
5	Jabir Enterprise	Silviculture
6	Forest Solutions Services Sdn. Bhd.	Silviculture
7	Liu Bersatu Enterprise	Planting
8	Marhen Enterprise	Planting

- The previous assessment was conducted in October 2022 that resulted in 0 gap(s) and 0 observation(s) (Report #: GFSSBH003-158).

Current Operations:

- Gerak Saga is currently conducting salvage logging to establish Industrial Tree Plantations.
- As of October 2023, the planted area recorded is 3,049.34 ha with a total planted trees of 5,007,748 for Coupe 1,2,3 and 4.
- As of October 2023, the salvaged logged area recorded is 3545.40 ha with a total production of 324,379.71 m³.
- The current operations are according to FMP/PDP/AWP schedules.
- Land use classification:

Land Use	FMP Area (ha)	Current Status (ha)	
Plantation Forest (ITP)	5,625	4,930.24	
		Planted	3,049.34
		ITP development area	1,880.90
Conservation Reserves	369.90	961.98	
		Conservation	20.76
		Enrichment planting	12.60
		Mangrove forest	27.55

		Natural Forest	53.63
		River buffer	407.01
		Water catchment	319.45
	72	Water reservoir	120.98
Riparian Buffers	296.00		
Mangrove Forest	12.10		
Infrastructure, Roads, Buildings, etc.	25.00		188.10
Roadways	76		
Temporary unplanted area			334.37
Research & Development			65.06
Total	6,476		6,479.75

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 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 concession area is in a degraded state, with little floral diversity, there are still several wildlife species found in the area, which include the Malayan sun bear, sambar deer, pig-tailed macaque, bearded pigs, Tabon scrub fowl and a few birds, amphibian, and reptile species. The Malayan sun bear is Totally Protected under Schedule 1 of the Sabah Wildlife Enactment (WCE) 1997; meanwhile, the pig-tailed macaque, bearded pig and sambar deer are protected under Schedule 2 of the enactment, Environmental Services (e.g., critical watersheds, wildlife corridor, etc.) provided by the forest.
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 - 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, 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).
 - 12 Villages identified in the peripheral of the licensed area as stated in the FMP midterm review and 13 villages* are stated in the EIA report.

#	Name of vilage	Forest Reserve	Number of house	Population	Ethnicity	Direction from Project site boundary
1	Kg. Kakarangan	Bengkoka	35	240	Rungus	East
2	Kg. Bongkol	Bengkoka	500	1,517	Rungus & Sungai	South
3	Kg. Ungkup	Bengkoka	34	189	Rungus	South
4	Kg. Radap	Bengkoka	18	35	Rungus	South
5	Kg. Gumpa	Bengkoka	36	167	Rungus	South
6	Kg. Jambu	Bengkoka	12	43	Rungus	South
7	Kg. Kodong	Bengkoka	33	169	Rungus	North
8	Kg. Kandang	Bengkoka	41	312	Rungus	North
9	Kg. Kapok	Bengkoka	25	180	Rungus	West
10	Kg. Kipahung	Bengkoka	58	326	Rungus	North
11	Kg. Serupil	Bengkoka	21	175	Dusun & Rungus	West/House
12	Kg. Suang Duyung	Tambalugu	38	230	Rungus	North/North-west
13*	Kg. Maringgalan	Tambalugu	63	420	Rungus	North-West

- Native Customary Rights
 - No areas subject to native customary rights were identified within the licensed area.
 - However, the company has identified approximately 0.1 ha of burial site inside Coupe 4 claimed by Kg. Suang Duyung. The location was mapped and excluded it from the 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
 - Based on the current FMP (page. 26), no local community settlements are situated within the licensed area. There are twelve formal settlements, namely 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, found adjacent to the license area. 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 20 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
<ul style="list-style-type: none"> • 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) (FMU 2) / Gerak Saga (FMU 2) / Kota Marudu & Pitas District / 02-06 October 2023 (Total Mandays = 24)

Date	Activity	GFS Staff	Mandays
02 October 2023 Monday	Travel to Kota Marudu. Opening meeting, document review & compiling report.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
03 October 2023 Tuesday	<u>Gerak Saga (FMU 2)</u> : Field visit to licensed boundary, planting area, protected areas, campsite, nursery. Community visit to Kg. Kapok. Document review & compiling report. Overnight at campsite.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
04 October 2023 Wednesday	<u>Asian Forestry Company (Sabah) (FMU 2) in Paitan</u> : Field visit to licensed boundary, planting area, protected areas, campsite, nursery. Community visit to Kg. Tawanan. Document review & compiling report. Travel to Kota Marudu.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
05 October 2023 Thursday	Document review at Forest Solution Malaysia office. Interview with Kg. Suang Duyung & Kg. Alungai via What’s App call. compiling reports.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
06 October 2023 Friday	Closing meeting at PPD Kota Marudu. Travel back to home base.	Brandon James, Glory Linggou, Vanessa Abin, Anne Gimbir	4
07-08 October 2023	Reporting GFSSBH 003-222 Reporting GFSSBH 003-223	Dr. Kevin Grace, Glory Linggou Brandon James	4
Total			24

Highlights of Assessment

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

Gerak Saga Sdn. Bhd. has complied with the Sabah Legality Standard (**SFD-TLAS-002**) as no non-compliance was identified during the assessment on 02-06 October 2023.

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

Principle 1.

Gerak Saga demonstrated compliance with the license requirements, management planning, and submission of documents and ECR reports to the relevant authorities. A Sustainable Forest License Agreement (SFMLA), SFMLA 01/2015, was signed on 26th October 2016 for 100 years which expires on 31st December 2115.

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.

Gerak Saga has an agreement with the landowner to rent the Bambang log pond from 01/11/2017 to 31/10/2038. Three Occupational Permits were cancelled since December 2022 and followed up on 11/07/2023. However, the SFD has yet to provide feedback.

October 2023: Observation 001-2023 – Checklist 2.2.2

Lack of processing cancellation of Occupation Permits by SFD.

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.

October 2023: Observation 001-2023 – Checklist 3.1.1

Lack of processing from the SFD for the OP cancellation.

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 27/01/2023
Resolution of Grievances and Use Rights Disputes	OP/011 dated 27/01/2023
Monitoring HCV & Environmental Protection	OP/015 dated 27/01/2023

Summary Results:

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

Gap raised against indicators & criteria during the October 2023 assessment.

GAP	Type	Checklist	Status	Description
-	-	-	-	-

Observation raised against indicators & criteria during the October 2023 assessment.

Obs #	Checklist	Description
001-2023	2.2.2 3.1.1	October 2023: Lack of processing for cancellation of Occupation Permits by SFD.

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 001-2023 – Checklist 2.2.2, 3.1.1: SFD shall expedite the OP cancellation.

The next surveillance audit will be scheduled for October 2024.

End of Summary Report