



**PUBLIC CERTIFICATION SUMMARY
FIRST SURVEILLANCE AUDIT ON
SEGALIUD-LOKAN FMU
FOR FOREST MANAGEMENT CERTIFICATION**

Certificate Number: FMC 001
Date of Certification: 3 December 2009
Date of Public Summary: 12 June 2014

Certification Body:

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1. INTRODUCTION

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This surveillance audit on the Segaliud-Lokan Forest Management Unit (hereafter referred as 'Segaliud-Lokan FMU') was conducted on 25-29 November 2013. This was the first surveillance audit being conducted following the recertification audit which was conducted on 31 July – 4 August 2012. The scope of this surveillance audit was limited to the forest management system and practices of the natural forest within the Segaliud-Lokan FMU.

This surveillance audit was conducted by a three-member team comprising Dr. Yap Son Kheong (Forester and as Audit Team Leader), Dr. Samsudin Musa (Forester) and Mr. Khairul Najwan Ahmad Jahari (Forester).

This surveillance audit was conducted to assess the continued compliance of the overall management system and practices of the Segaliud-Lokan FMU against the requirements of the new standard for forest management certification, the *Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest) [MC&I (Natural Forest)]* using the verifiers stipulated for Sabah. In addition, this surveillance audit was conducted to verify the corrective actions taken by KTS Plantations Sdn Bhd (KTS Plantations) in addressing the Non Conformity Reports (NCRs) and Opportunity for Improvements (OFIs) raised during the previous recertification audit.

Based on the findings of this surveillance audit, it was found that generally, the Segaliud-Lokan FMU had continued to comply with the requirements of the *MC&I (Natural Forest)*. This surveillance audit has resulted in the issuance of one (1) major and five (5) minor NCRs and eight (8) Opportunity for Improvements (OFIs).

This public certification summary contains general information on the Segaliud-Lokan Forest Management Unit (Segaliud-Lokan FMU), the audit process involved, the findings of the audit, non-conformity reports (NCRs) raised as well as the decision on the continued certification of the FMU under the Malaysian Timber Certification Scheme (MTCS) by the Certification Panel of SIRIM QAS International.

2. GENERAL SUMMARY

2.1 Name of FMU

Segaliud-Lokan FMU

2.2 Contact Person and Address

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2.3 General Background on the Segaliud-Lokan FMU

The Segaliud-Lokan FMU as part of the KTS Plantations is located in the Segaliud-Lokan Forest Reserve. This forest constitutes the Forest Management Unit (FMU) 19 (b) of the Sandakan Forest District, which was gazetted in 1984. It covers an area of 57,247 ha.

The FMU consists of lowland dipterocarp forest with original vegetation mainly of *Parashorea tomentelia* /*Eusideroxylon zwageri* Forest Type, dominated by *Parashorea* and associate species *Shorea platyclados*, *Dryobalanops lanceolata* and *Dipterocarpus caudiferus*. About 40 % of the large trees comprised of these species. With the completion of the second rotation harvesting, the forest strata and species composition had changed with a shift to more non-Dipterocarp species. A map of the FMU showing the significant features of the forest is attached in **Attachment 1**.

2.4 Date First Certified

3 December 2009

2.5 Location of the Certified FMU (Latitude and Longitude)

The FMU is located between longitudes 117^o 23'E to 117^o 39'E and between latitudes 5^o 20' to 5^o 38'N.

2.6 Forest and Management System

The FMU had followed the principles of sustainable forest management (SFM) and the requirements of the Licence Agreement with the Sabah State government. A *Forest Management Plan (FMP) 2009-2018* had been completed and presented during this surveillance. Although originally 37,420 ha had been planned for Industrial Tree Plantation and 7,540 ha under natural forest, the revised FMP had maintained the whole area under natural forest except for the 2,163 ha already planted with Rubber trees including an experimental planting of 115 ha of *Acacia mangium* (improved varieties) and 27 ha with trial species.

The main goal of the FMP is to ensure that the production of timber would be maintained on a sustainable yield basis, with a commitment to protecting the natural resources and biological diversity of the natural forest through the implementation of best practices of forest management attainable. All subsequent harvesting had to be approved by the State Forestry Department with the submission of the Comprehensive Harvesting Plan (CHP) for each harvesting block. The forest types and their sizes within the FMU are as shown in the table below.

Forest Type and Area

Forest Type	Area (ha)
Lowland Dipterocarp forest	57,247 ha
Forest Management Unit 19b	
Natural Forest Management	7,540 ha
Industrial Tree Plantation Area	37,420ha (only 2,163 ha planted with Rubber and 115 ha with Acacia)
Research forest	1,941 ha
Protection forest	10,346 ha

2.7 Annual Allowable Cut/ Annual Harvest Under the Forest Management Plan

Targeted for pre-harvesting operation in 2013 Annual Work Plan was a total area of about 2,016 hectares.

2.8 Environmental and Socioeconomic Context

An EIA report entitled '*KTS Plantation Logging Activities at Segaliud Lokan Forest Reserve, Sabah*' was first produced in August 2001. The potential impacts and measures to mitigate these impacts as identified in this EIA report had been incorporated in the revised *FMP 2009-2018*.

A revised EIA for the FMU entitled *Environmental Impact Assessment (EIA) Report for the Proposed Logging Activities at FMU 19(B) (28,787ha) in Segaliud Lokan Forest Reserve September 2012* was prepared and submitted for approval in 2012. This document had included the neighbouring land use including oil palm estates, forest reserves and wildlife sanctuary. The potential impacts of these activities on the FMU ecosystem were raised in the same report. The establishment of wildlife corridors with neighbouring forest reserves was suggested. This EIA report was approved on 1 March 2013 and the contract to monitor the area with the Environment Protection Department was also signed on the same date.

A section on Environmental Management System had been included in the revised FMP relating to evaluation of impacts, controlling procedures and implementation, monitoring, auditing and management review. A study on the potential impacts of harvesting activities on endangered, rare and threatened species of flora and fauna had been monitored within the FMU as specified in the Indicator. There were 4 totally protected animals which had been identified within the FMU with the cooperation with the Sabah Wildlife Department.

A Memorandum of Understanding between the management of the FMU and the Borneo Conservation Trust had been signed to further investigate on the presence of protected species within the FMU. The FMU had identified and protected salt licks. Protection measures through the enforcement of no hunting policy, security gates and the monthly patrol of the boundary had been implemented by the FMU management. In addition, aerial monitoring had been conducted once annually in 2011, 2012 and 2013. The photographic record of the aerial survey was presented to the audit team.

Selective logging had been implemented and only marked trees above 60 cm dbh were harvested in accordance to the approved Comprehensive Harvesting Plan. The residual stand still had many remaining trees that were good as biological corridors. About 11.3% of the FMU covering an area of 6,447 ha had been zoned as protection areas where no logging was allowed. In addition, riparian zones and steep areas above 25° within the production areas had also been protected.

The revised FMP had also incorporated mitigation measures for the protection of endangered, rare and threatened (ERT) species and occupational safety. Some mitigation measures for environmental impacts had also been identified and incorporated into the Comprehensive Harvesting Plan for each compartment as an Appendix: *Technical Specification for Reduced Impact Logging*.

Specifications for roads and skid trails as well as the establishment of riparian reserves had also been included in the revised FMP. All logging operations were done in accordance with the above guidelines and being monitored closely by the Sabah Forestry Department. Based on consultations held with the officers of the Sabah Forestry Department (including the Assistant District Forest Officers) had revealed that regular inspections had been conducted to ensure the FMU remained in compliance with all regulations and guidelines on pre-harvest, harvesting and post harvesting operations.

The FMP (2009-2018) had shown that there was no settlement or native customary rights lands found within the Segaliud-Lokan FMU. There was also no claim made by the local communities on such lands. The FMU's management had listed the nearest local/indigenous community of Kampung Balat, a settlement located about 4-5 km at its nearest distance outside the FMU's boundary, as one of its stakeholders. Hence, there were no legal/customary tenure or use rights claims on the land by the indigenous community within the FMU.

3. THE CERTIFICATION AUDIT PROCESS

3.1 **Audit Dates** : 25 – 29 Nov 2013 (15 man-days)

3.2 **Audit Team**

Dr. S.K. Yap (Audit Team Leader)
Dr. Samsudin Musa (Auditor)
Khairul Najwan Ahmad Jahari (Auditor)

3.3 **Standard Used**

Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest) [*MC&I* (Natural Forest)] using the verifiers stipulated for Sabah.

3.4 **Stakeholder Consultations**

A one-month stakeholder consultation was conducted beginning on 01 September 2013 to solicit feedback from stakeholders on the compliance of the Segaliud-Lokan FMU to the requirements of the *MC&I* (Natural Forest). The comments by the stakeholders and responses from the audit team are shown in **Attachment 2**.

3.5 **Audit Process**

The audit was conducted primarily to evaluate the level of continued compliance of the FMU current documentation and field practices in forest management with the *MC&I* (*Natural Forest*), using the verifiers stipulated for Sabah.

For each Indicator, the auditors had conducted either a documentation review, consultation with the relevant personnel of the FMU or stakeholders or field audit or a combination of these methods. Depending on the compliance with the verifiers for a particular indicator, the auditors then decided on the degree of the overall compliance in the indicator and decided whether or not to issue a major or minor NCR or an OFI.

Consultations were held with the contractors and workers operating within the FMU. Meeting was also conducted with the Assistant District Forestry Officer of the Sabah Forestry Department in Sandakan and the forest rangers based at the FMU.

4. SUMMARY OF SURVEILLANCE AUDIT FINDINGS

4.1 The general findings of audit on the compliance of the FMU against the principles of the *MC&I* (Natural Forest) are as follows:

PRINCIPLE	STRENGTHS	WEAKNESSES
Principle 1	The FMU had maintained records of all relevant national and local laws and regulations and policies related to forest management. Copies of all relevant laws, policies and regulations stipulated in the <i>MC&I</i> (<i>Natural Forest</i>) fundamental for the FMU management were available in the office of the Lokan Base Camp. An officer had been identified to be in charge of updating and maintaining all these relevant documents.	The environmental compliance reports presented by a consultant indicated 6 non-compliances with the 37 environmental conditions specified in the approval by the Sabah Environment Protection Department. A Major NCR SL 1/2013 was raised. Following the surveillance, the management of the Segaliud-Lokan FMU had presented an <i>Environmental Compliance Report Y3/2013 October 2013-January 2014</i> to the Sabah Environment Protection Department. In this report the FMU

		had complied with all the environmental conditions as specified in the approval by the Sabah Environment Protection Department. This Major NCR was therefore closed out.
Principle 2	<p>Through a Licence Agreement JP (SLK) 125/93 (CO) dated 1 May 1993, KTS Plantation had been given the approval to manage the Segaliud-Lokan Forest Reserve for 96 years until the year 2089.</p> <p>The FMP (2009-2018) had shown that there was no settlement or native customary lands within the Segaliud-Lokan FMU. There was also no claim being made by the local communities on land use in the FMU.</p>	-
Principle 3	The FMP (2009-2018) had documented the indigenous people's rights and customary use rights, including a native dispute settlement flowchart. There was no indigenous people living within the FMU. Hence, there were no legal/customary tenure or use rights claims by the indigenous community on the FMU.	-
Principle 4	Wherever possible, qualified local people were given preference for employment and business opportunities in the FMU.	The PPE provided to nursery workers were old and the potential impacts of the FMU's operation on the villagers living outside the FMU had not been assessed in the EIA report. This was raised as an OFI.
Principle 5	<p>The harvesting processes were done in accordance to the Reduced Impact Logging (RIL) guidelines and the comprehensive harvesting plans, and post-harvesting compliance assessment.</p> <p>The construction of new roads had been minimized by using the existing old roads and skid trails.</p> <p>The main access roads to compartments were found to have been well constructed with a significant portion being graveled and well compacted. Riparian buffer belts had been demarcated and marked out on the field. These buffer belts had been established within the FMU in accordance with</p>	<p>The analysis of the growth rates based on the PSPs was not adequate. This was raised as minor NCR SL2/2013</p> <p>Sites with unique ecological habitats had been protected from harvesting but there were no management procedures to continuously identify such sites and marked them on maps. This was raised as minor NCR SL 3/2013</p> <p>Harvesting as shown by of the stumps left could be improved in accordance to RIL specifications. This was raised as an OFI.</p>

	<p>the RIL Guidelines.</p> <p>There were 92 permanent sample plots (PSPs) covering an area of 19 ha and two physical tree counts of 30% were conducted in two compartments located in the northern part of the FMU and the calculated MAI was based on these two plots. Additional PSPs had been established in the southern compartments of 49, 54 and 65 of the FMU.</p>	
<p>Principle 6</p>	<p>An EIA report was first produced in August 2001 and was revised in 2012. The potential impacts and strategies to mitigate these impacts which had been included in the revised EIA had then been incorporated into the revised FMP 2009-2018.</p> <p>A study on the potential impacts of harvesting activities on ERT species of flora and fauna had been monitored. A Memorandum of Understanding between the Borneo Conservation Trust and the management of the FMU was signed to further investigate on the presence of protected species. The FMU had also identified and protected salt licks. Protection measures through the enforcement of no hunting policy, security gates and the monthly patrol of the boundary had been implemented by the FMU management. Aerial monitoring had also been conducted once annually in 2011, 2012 and 2013.</p> <p>6 staff members had been trained as Honorary Wildlife Wardens.</p> <p>10,346 ha have been zoned as protection areas where no logging would be allowed. In addition, riparian zones and steep areas above 25° within the production areas had also been protected.</p> <p>RIL harvesting procedures were implemented according to the approved Comprehensive Harvesting Plan (CHP). All roads to be constructed had been marked out and rivers identified in the CHP. Only small quantities of chemicals</p>	<p>The implementation of harvesting procedures to protect the soil from compaction by harvesting machinery and erosion during harvesting operations had not fully adhered to the requirements of RIL Guidelines. A minor NCR SL4/2013 was raised.</p> <p>Fuel containers had not been disposed of in an environmentally appropriate manner. A minor NCR SL5/2013 was therefore raised.</p> <p>The locations of the post-felling inventory plots could be improved. The analysis of the data presented also indicated some inconsistencies in the calculation of volumes of each diameter class. This was raised as an OFI.</p>

	<p>had been used in the preparation of seedlings in the nursery of the FMU. These chemicals had been properly stored in a contained store room and appropriately labeled. These chemicals were not of the WHO Type 1 category.</p> <p>The storage facilities for fuel were all with concrete containment in accordance to the specified requirements of the regulatory authorities. All containers for chemical wastes had been properly labeled in accordance to the Scheduled Waste requirement of Department of Environment.</p> <p>The use of approved chemicals by forest workers had continuously been controlled and their usage had followed the accepted procedures. There were proper records on their issuances and uses.</p> <p>Repairs and servicing of heavy vehicles were conducted in a well-organized workshop.</p> <p><i>The Second Forest Management Plan Segaliud Lokan Forest Reserve FMU 19(b) Year 2009-2018</i> had committed to implement sustainable forest management even in the Industrial Tree Plantation zone of the FMU. The approach would be to implement enrichment planting to improve forest resources on degraded sites with poor tree cover by planting mixed tree including indigenous species</p>	
Principle 7	<p>The revised <i>FMP Segaliud-Lokan Forest Reserve FMU 19(b) Year 2009 to 2018</i> had been completed and approved in 2009. The FMP had continued to commit the company towards sustainable forest management with maintenance of ecological integrity through the prescription of RIL.</p> <p>Staffs and contractors of KTS Plantations had been trained in various aspects of the FMP such as RIL, handling of chemicals, forest conservation, safety and environmental protection.</p>	<p>The description of the forest resources and rationale for the rate of annual harvest including forest growth dynamics based on the analysis of permanent sample plots shall be further strengthened to justify the annual allowable cut and the cutting cycle adopted by the FMU. An NCR SL6/2013 was therefore raised.</p>

	<p>A public summary on the FMP was made available.</p>	
Principle 8	<p>Annual Compliance and Closing Reports following the completion of harvesting operations had been prepared as required by the Sabah State Forestry Department. Environmental Monitoring Program 1-9 and the Environmental Monitoring Form (SF4) had been used for monitoring habitat disturbance/damage to vegetation, soil compaction, water impairment, disposal of poly and fertilizers bags, forest health in the form of pests and diseases and safety. EIA Compliance Reports had been produced on quarterly interval.</p> <p>The study on Orang Utan monitoring programme using nest decay rate had continued. Survey was conducted in 13 transects in 9 Compartments.</p> <p>A standard operating procedure had been written on the COC process for the FMU. All relevant documents were made available at the log pond.</p> <p>A public summary had been prepared and made available in the web page www.segaliudlokan.com</p>	<p>The locations of the PSPs would have to be established in a more unbiased manner. Measurements should have been taken on all living trees including those pioneer and being damaged. An OFI was therefore raised.</p>
Principle 9	<p>An evaluation of HCVF attributes for the area had been completed with a report <i>Evaluation of High Conservation Value Forest (HCVF) in Segaliud-Lokan Forest Reserve</i> in August 2009. It was noted that KTS Plantations had considered the whole FMU as an HCVF area.</p> <p>Preliminary analysis of nest decay over the period of observation had been conducted and annual monitoring data was made available. The specific method and analysis on the nest decay was explained in the report. The procedure of analysis on the available data and presentation of the results based on nest decay was defined and improved in the monitoring report. Two new executives had also attended training on 9-20 December 2013</p>	<p>Not all the relevant stakeholders especially Wildlife Department were consulted in the evaluation of the HCVF attributes. An OFI was raised.</p> <p>The Environmental Compliance Report submitted to the Sabah Environment Protection Department should have included measures to maintain and enhance HCVF attributes.</p> <p>A mid-term review scheduled for this year would need to include the results of findings of the HCVF monitoring activities. An OFI was raised.</p>

	conducted by the Borneo Conservation Trust.	
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Based on the findings of this surveillance audit, it was found that KTS Plantations had continued to manage the Segaliud-Lokan FMU in compliance with most of the requirements of the *MC&I* (Natural Forest). This surveillance audit had resulted in the issuance of one (1) major, five (5) minor NCRs and eight (8) OFIs. The details on the NCRs and OFIs raised are shown in **Attachment 3**.

The audit team had also verified the corrective actions taken by KTS Plantation to address the 3 minor NCRs and 11 OFIs which were raised during the previous recertification surveillance and closed them out. The details on the verification on the corrective actions taken and the status of the NCRs raised during the previous recertification audit are shown in **Attachment 4**.

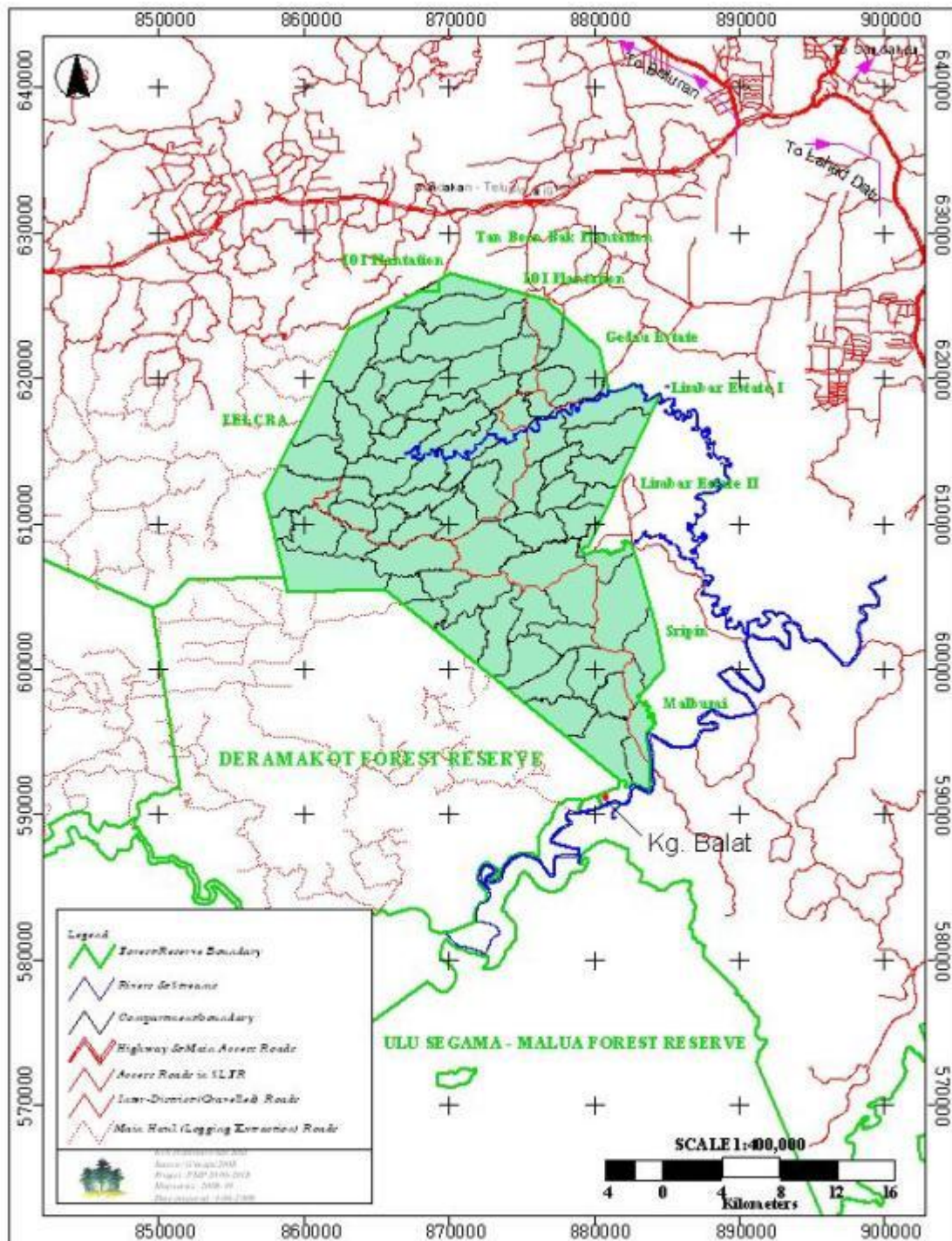
On indigenous peoples' right, the management of KTS Plantation had continued to be a member of the neighbouring Deramakot FMU's Social Forestry Committee which was established to resolve conflicts and grievances of the indigenous peoples. There was no settlement or native customary rights lands found within the Segaliud-Lokan FMU. Hence, there were no legal/customary tenure or use rights claims on the land by the indigenous community within the FMU.

With regard to Criterion 6.10, there were 2,138 ha of plantation already established in the FMU. Although 22,238 ha had been approved for industrial tree plantation which would include enrichment planting in degraded sites and areas with very poor forest cover, the FMU had provide the assurance that the planting programme would not exceed that being allowed under this Criterion.

KTS Plantations had taken appropriate corrective actions to address the major NCRs raised which had been reviewed and accepted by the audit team. Therefore, this major NCR had been closed out. KTS Plantations had also submitted its proposed corrective actions to address the minor NCRs and OFIs. The proposed corrective action plan had been reviewed and accepted by the audit team. However, these corrective actions shall be verified by the audit team during the next surveillance audit.

As the major NCR raised had been closed out, the audit team had therefore recommended that the Certificate for Forest Management awarded to the Segaliud-Lokan FMU be maintained.

Map of Segaliud Lokan FMU



Comments by Stakeholders and Responses by Audit Team

No	Stakeholder	Detail of Issue Raised	Comments by Audit Team Leader
1.	Stakeholder 1	<p><u>Environmental Protection</u> Ril implementation in the operatin area needs improvements such as protecting buffer zones, minimizing soil compaction and erosion, directional felling, diameter limits and maintaining steep slopes and protection.</p> <p><u>Boidiversity Consevation</u> KTS should maintain mother trees in the operation areas, protecting fruit trees as well as other important species i. e. Belian trees. Wildlife protection can be conducted through surveys.</p> <p><u>Opportunities for Employment</u> We have no doubt that KTS had provided jobs for local people to work in the FMU. But for higher level posts, they are quite selective and require good education qualification background which is lacking among the local people living adjacent to the FMU. Mostly labour jobs are more attractive to the immigrant workers with valid documents.</p> <p><u>Community Relations and Worker Rights</u> For community relations, we have no issue dur to the fact that no villages are situated next or within the FMU. For worker's rights, KTS has established a committee on worker's rights.</p> <p><u>Relationship With FMU</u> KTS Plantations is our partner in developing the SFM Forest Reserve. And we have no issue on this.</p> <p><u>Suggestions for Improvement</u> We may look for further into how the best and fastest to improve techniques for NFM areas. Besides that, RIL practices such as directional felling, water bumps and net allowable areas to be harvested need reifinements.</p>	<p>?</p> <p>?</p> <p>?</p> <p>No issue.</p> <p>No issue.</p> <p>?</p>

2.	Stakeholder 2	<p>1.1 Protection of Segaliud-Lokan Forest Research Station</p> <p>Segaliud-Lokan Forest Research Station was established in 1986 with an overall objective to carry out research on potential tree species for promoting industrial forest plantation in Sabah. With an area of 250 ha, about 25 species have been planted over 60 ha since 1988. The research plots have been instrumental for many research and development on timber plantation that have been presented and published in local and international research conferences and journals respectively. As this research station is sharing a common boeder and connected with Forest Management Unit 19B, which is under the concession of KTS Plantations Sdn Bhd, some issues can be jointly monitor to maintain the integrity of the forest ecosystems in both areas.</p> <p>1.2 Threats</p> <p>1.2.1 Forest Fire</p> <p>In Sabah, long drought events are associated with the atmospheric and oceanic anomaly known as the El Nino-Southern Oscillation (ENSO) phenomenon. Frequent occurrences of these severe deought events have increased the susceptibility of vegetation to wildfire. Since the FMU are surrounded with alienated land of various agriculture land-use and settlements, there is a risk that fire could spread into the reserve.</p> <p>1.2.2 Illegal Harvesting and Wildlife Poaching</p> <p>Illegal harvesting of natural resources for timber and wildlife can be pervasive threats to the forest ecosystem in both areas. Illegal felling could potentially remove important mother trees that would supply seed source for the survival of the species into a local area through means of natural regeneration. Moreover, wildlife poaching may pose reduction of animal population in the wild.</p> <p>1.3 Recommendations</p>	<p>?</p> <p>?</p> <p>?</p>
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		<p>Regular surveillance and monitoring activities should be planned and carried out in order to protect this forest ecosystem. Furthermore, the importance of maintaining the integrity of the forest ecosystem and biological diversity from the above threats should be made aware to all stakeholders especially palm oil industries and communities residing adjacent to the reserve FMU 19B).</p> <p>2. Invasion of non-native tree species in natural forest within FMU 19B and the Surrounding Forest Area</p> <p>2.1 A great number of potential timber plantation species are not native to Sabah. KTS Plantations Sdn Bhd has planted few non-native species and to name a few, <i>Acacia</i> spp. and rubber. Thus far, no studies have been made to determine whether these species are categorized as invasive species, however, precautionary approach should be taken into the management to avoid these introduced species from becoming threats to the well-being of the surrounding natural forest.</p> <p>2.2 Threats In the past, exotic species have been extensively used for industrial plantation and restoration projects, but after a few decades, some of the introduced species become widespread, often invading opened areas. In some areas, these species tend to reproduce prolifically, eventually out-competing native tree species, inhibiting natural regeneration or re-growth of the forest (simplification of community assemblages and structure) Other consequences of forest simplification besides loss of native species biodiversity are the susceptible to forest fire, especially area dominated by <i>Acacia</i> trees.</p>	<p>?</p> <p>?</p> <p>?</p> <p>?</p>
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		<p>2.3 Recommendation Total removal of non-native tree species outside the ITP zone is necessary in order to reduce competition with the native trees and the risk of forest fire in the FMU area as a precautionary approach. This exercise should be carried out continuously and the management of personnel must remain vigilant especially in areas that are susceptible to forest fire.</p>	?
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**NCRs and OFIs Raised During This Surveillance Audit
And Corrective Actions Taken**

Indicator	Specification Major/Minor/OFI	Detail Non-Conformances	Corrective Action Taken	Verification by Assessor
Indicator 1.1.3	Major NCR #: SL 1/2013	<p>Records presented in the Environmental Compliance Reports Y 1/2013 and Y2/2013 had indicated non compliances with the total thirty-seven Environmental Conditions prescribed by the Sabah Environment Protection Department.</p> <p>The Environmental Compliance Reports Y1/2012 and Y2/2013 presented by the consultant had reported 6 non compliances with the 37 environmental conditions specified in the approval by Sabah Environment Protection Department. These non-compliances shall be rectified immediately.</p>	<p>Following this surveillance audit, KTS Plantations had presented a document entitled <i>Environmental Compliance Report Y3/2013 October 2013-January 2014</i> to the Environment Protection Department. In this report, the FMU had now complied with all the environmental conditions as specified by the Sabah Environment Protection Department.</p>	<p>A copy of the Environmental Compliance Report was examined by the audit team. In Chapter 3 Level of Environmental Conditions Compliance and Remarks the consultant had verified and stated that all the specified conditions had been complied with. This Major NCR was therefore closed out.</p>
Indicator 5.6.1	Minor NCR #: SL 2/2013	<p>The analysis of the growth rates based on Permanent Sample Plots was not adequate.</p> <p>Although PSPs had been established in the FMU, owing to the differences in the condition of the forest in various parts of the FMU in terms of structure and stocking, these plots would have to be analysed separately based on proper stratification. This was raised as an OFI in the previous recertification audit in 2012. The analysis has yet to be conducted. Such analysis was crucial in providing reliable estimates of the growth rates.</p>	<p>The FMU had presented an action plan on corrective action. Stratum map for the FMU was available for stratification of the PSPs. Measurement of the trees in the sample plots was ongoing and once completed professional advice on analysis shall be conducted.</p>	<p>This shall be reviewed during the annual surveillance due in 2014.</p>
Indicator 6.2.2	Minor NCR #: SL 3/2013	<p>Sites with unique ecological habitats had been protected from harvesting but there were no management procedures to continuously identify such sites and marked them on maps.</p>	<p>The action plan presented stated that the process to demarcate and map the sites with <i>Nepenthes ampularia</i> (Compartment 49)</p>	<p>The action to be conducted shall be assessed during the 2014 annual surveillance. Inspection shall</p>

		<p>A site in Compartment 49 with an abundance of Nepenthes was demarcated for protection. This site was not marked out on maps and management guidelines for its establishment and protection had not been prepared. Another site in Compartment 58 with a high density of large Dipterocarp trees had been protected from harvesting. Similar management practices shall be written for its establishment and demarcated on maps.</p>	<p>and high density of Dipterocarp tree (Compartment 59) shall be carried out. The two sites will be classified under HCVF with guideline established and annual monitoring to be conducted.</p>	<p>be conducted on the two sites.</p>
Indicator 6.5.1	<p>Minor NCR #: SL 4/2013</p>	<p>The implementation of harvesting procedures to protect the soil from compaction by harvesting machinery and erosion during harvesting operations did not fully adhere to the requirements of RIL Guidelines.</p> <p>It was found that one of the skid trails in Compartment 62 was subjected to heavy blading resulting in creation of sidewall in excess of 2.0 m. Such heavy blading and earthworks should be minimized to prevent soil erosion.</p>	<p>The action plan presented stated that warning letter shall be issued to the contractor and RIL refreshment training course shall be conducted for the contractor and FMU's RIL supervisors.</p>	<p>The proposed actions shall be verified during the annual surveillance. New harvesting sites would be inspected to determine whether the corrective action taken is effective.</p>
Indicator 6.7.1	<p>Minor NCR #: SL 5/2013</p>	<p>During the previous recertification audit, it was observed that fuel containers were not being disposed off in an environmentally appropriate manner.</p> <p>During this surveillance, it was observed that there were still fuel containers used by the field contractors that were left directly on the forest floor at the harvesting compartments of 68 and 58.</p>	<p>The corrective actions taken had not been sufficiently effective to prevent re-occurrence of this problem. Therefore, this minor NCR had remained outstanding.</p>	<p>?</p>
Indicator 7.1.1	<p>Minor NCR #: SL 6/2013</p>	<p>The description of the forest resources, rationale for the rate of annual harvest and forest growth dynamics within the FMP was not</p>	<p>The FMU responded that the rationale for the rate of annual harvest and forest growth dynamics</p>	<p>The corrective action shall be verified during the surveillance in 2014.</p>

		adequate. The Forest Management Plan (2009-2018) is available and had incorporated most of the items listed from a) to i) in Criterion 7.1. However the description of the forest resources and rationale for the rate of annual harvest including forest growth dynamics based on the analysis of permanent sample plots need to be strengthened to justify the annual allowable cut and the cutting cycle adopted by the FMU.	shall be incorporated in FMP mid-term review after the collected data from growth plots are analysed.	
Indicator 4.2.3	OFI	The personal protective equipment in the nursery chemical store should be replaced with a newer set and washing facilities be provided to workers. Records of chemical dispensing should also be verified by personnel in charge.	As this was an OFI no corrective action was required.	Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.
Indicator 4.4.1	OFI	The EIA Report entitled ' <i>The Proposed Logging Activities at FMU (B)-(28,787ha) in Segaliud Lokan Forest Reserve September 2012</i> ' had a section on the land use of adjacent lands. This could be further improved with a documentation on the villages that may be impacted by the FMU's operations.	As this was an OFI no corrective action was required.	Verification will be conducted during the annual surveillance
Indicator 5.3.2	OFI	The height of some of the stumps left from harvesting were above 1 m and this could be improved by reducing the height in accordance to RIL specifications.	As this was an OFI no corrective action was required.	Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.
Indicator 6.3.1	OFI	The FMU had conducted pre and post-felling inventories to assess the impacts of logging operations. During an inspection on a post-felling inventory conducted in Compartment 59, it was found that the location of the plot could be improved by locating it 100 m	As this was an OFI no corrective action was required.	Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.

		<p>perpendicular to the main or feeder roads and not following the skid trails.</p> <p>At the same time, the boundaries of the plots would have to be established accurately on the field. The analysis of the data presented also had indicated some inconsistencies in the calculation of volumes of each diameter class.</p>		
Indicator 8.2.1	OFI	<p>Based on an inspection of a PSP in Compartment 59, it was observed that the location of the PSP would have to be established in a more unbiased manner. Measurements would have to be made on all trees including pioneers and damaged trees that were still living. It would be advantageous to identify the trees at the species level. More permanent tags for recording the tree numbers may be needed as the plots are measured periodically</p>	<p>As this was an OFI no corrective action was required.</p>	<p>Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.</p>
Indicator 9.2.1	OFI	<p>A stakeholders list was provided by the FMU. Consultation was conducted with Borneo Conservation Trust on establishment and management of HCVF. However, other relevant stakeholders especially the State Wildlife Department and State Forestry Department had not been consulted. The consultation process could be improved with consultations being held with all the relevant stakeholders.</p>	<p>As this was an OFI no corrective action was required.</p>	<p>Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.</p>
Indicator 9.3.1	OFI	<p>The Environmental Compliance Report submitted to Sabah Environment Protection Department would have to be improved with the addition of measures to maintain and enhance HCVF attributes.</p>	<p>As this was an OFI no corrective action was required.</p>	<p>Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.</p>

Indicator 9.4.2	OFI	A mid-term review on the FMP that had been scheduled for this year would need to include results of findings on the HCVF monitoring activities.	As this was an OFI no corrective action was required.	Verification will be conducted in the surveillance and if no action taken this may be raised to an NCR.
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**Verification on Corrective Actions Taken on NCRs and OFIs
Raised During Previous Recertification Audit**

Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 6.1.1	Minor NCR # SKY-1	<p>The EIA report entitled '<i>The Proposed Logging Activities at FMU 19(B) 28,787ha in Segaliud Lokan Forest Reserve</i>' had mentioned on the land use of the surrounding area but had not included the impacts of the FMU's forest activities the area.</p> <p>KTS Plantation had not followed the requirement of the EIA.</p>	The FMU had requested the EIA consultant to include the potential environmental impacts of the FMU's forest activities on the forest reserve and the surrounding areas on the landscape level.	<p>The revised <i>Environmental Impact Assessment (EIA) Report for the Proposed Logging Activities at FMU 19(B) (28,787ha) in Segaliud Lokan Forest Reserve September 2012</i> was examined. This revised EIA Report had included the potential impacts of the FMU's forest operations on the neighbouring land uses. The report had also proposed that the FMU establish wildlife corridors with neighbouring forest reserves.</p> <p><u>Status:</u> This NCR was closed out.</p>
Indicator 6.7.1	Minor NCR # NAJ-1	<p>Fuel containers used by the field contractors were left directly on the forest floor in harvesting compartments 68 and 58.</p> <p>The fuel containers had not been disposed off in an environmentally appropriate manner.</p>	The FMU had constructed a storage facility for fuel at the base camp.	<p>During this surveillance audit, it was observed that there were still 2 containers with fuel dispenser in Compartment 62. The corrective actions taken had not been effective to prevent re-occurrence of the lapse.</p> <p><u>Status:</u> This minor NCR had remained</p>

				outstanding.
Indicator 8.1.1	Minor NCR # SKY-2	Quarterly monitoring of environmental features had been specified by the Sabah Environment Protection Department (SEPD). There was a delay in the submission of the Environmental Compliance Report for 2011 as stated in the letter from SEPD dated 17 July 2011.	An Environmental Compliance Reports were submitted to the SEPD by the consultant as scheduled.	During this surveillance audit, the audit team had verified that these reports had been submitted on schedule to the SEPD. <u>Status:</u> This minor NCR was closed out.
Indicator 4.1.2	OFI	It was found that employment record on contractor's workers was without the details on date of employment, age, and expiry date of temporary employment permit. These detailed information need to be updated. The FMU managers need to ensure that the contractors do not employ worker below 18 years old.	The management of the FMU had updated the employment record on the contractor's workers.	During this surveillance, it was found that the employment records of contractors' workers had been updated with the details on date of employment, age, and expiry date of temporary employment permit. From the up-dated record, the audit team had verified that there was no worker below 18 years being employed to work in the FMU. <u>Status:</u> This OFI was closed out.
Indicator 4.5.2	OFI	Discussion with a total of 20 workers and their family members on 1 August 2012 had revealed that they had lodged a complaint on the possibility of trees falling on their quarters thus threatening their lives. Record had shown that the letter of complaint dated 25 May 2012 was signed by 16 residents. However, the letter had not been recorded in the grievance form and therefore there was no	The management of the FMU had taken action to resolve the complaint by filling in the grievance form and taking the necessary follow-up actions.	This complaints had been resolved. <u>Status:</u> This OFI was closed out.

		follow-up action being taken to resolve the complaint.		
Indicator 1.3.1	OFI	A copy of the Cartagena Protocol on Biosafety to the Convention on Biological Diversity, 2000 was not available.	The management of the FMU would make available a copy of this document.	A copy of the Cartagena Protocol on Biosafety to the Convention on Biological Diversity, 2000 was made available at the Lokan Camp for reference. <u>Status:</u> This OFI was closed out.
Indicator 6.3.3	OFI	A bund for controlling the water flow had been constructed. However, the design of the bund needs to be improved.	Construction and the design of the water bunds had been improved for controlling the water flow along a steep skid trails.	During a site-visit to a water bund in compartments 62 and 59, it was found that the bump had been constructed at all closed skid trail and an improved angle. <u>Status:</u> This OFI was closed out.
Indicator 9.2.1	OFI	The list of stakeholder which was prepared in 2009 had not been updated since then.	The list of stakeholders had been updated.	During this surveillance audit, an updated list of stakeholders was made available to the audit team. <u>Status:</u> This OFI was closed out.
Indicator 9.4.1	OFI	Monthly monitoring on the population of Orang Utan was conducted. Preliminary analysis of the monitoring data was presented. However, the method of presenting the results of the analysis should be improved.	The procedure on the analysis of the available data and presentation of the results based on nest decay had been defined and further improved.	A preliminary analysis of the data on nest decay was presented to the audit team. The specific method and analysis on the nest decay was explained in the report. The procedure of analysis on the available data and presentation of the results based on nest

				<p>decay was defined and improved in the monitoring report. Two new executives had also attended training on 9-20 December 2013 conducted by BCT.</p> <p><u>Status:</u> This OFI was closed out.</p>
Indicator 6.2.4	OFI	<p>It was found that here was a hunting platform used by poachers at the boundary of the FMU with Malbumi Oil Palm Estate. This has to be reported to the relevant authority for action to be taken.</p>	<p>KTS Plantation had conducted joint patrols to curb illegal hunting with the Sabah State Forestry Department.</p> <p>The hunting platform had been removed.</p>	<p>The audit team had contacted the Sabah State Forestry Department and was informed that the Department had indeed conducted joint patrols with KTS Plantations to curb illegal hunting activities.</p> <p>During site visits to compartments 63 and 59 of the FMU, it was observed that there had been actions taken to prevent such illegal activities.</p> <p>It was also found that the platform had been dismantled.</p> <p><u>Status:</u> This OFI was closed out.</p>
Indicator 5.6.1	OFI	<p>PSPs had been established in the southern part of the FMU. Owing to the differences in the condition of the forest, these PSPs would have to be analysed separately from those established in the northern part of the FMU.</p>	<p>Establishment of PSPs had now been made by stratified grouping depending on the conditions of the forest.</p>	<p>The establishment of PSPs by stratified grouping had yet to be implemented.</p> <p><u>Status:</u> This OFI was therefore upgraded to a minor NCR.</p>

Indicator 6.4.1	OFI	The site with large concentration of <i>Nepenthes ampullaria</i> could be demarcated and mapped for protection.	The management of the FMU had demarcated and mapped the site with large concentration of <i>Nepenthes ampullaria</i> .	During a site inspection by the audit team, it was found that the area had been demarcated for protection. There was no logging activities being allowed on the site. <u>Status:</u> This OFI was closed out.
Indicator 6.5.4	OFI	A site inspection conducted by the SEPD had discovered the absence of prominent signage for the riparian belt of a river. In the previous audit an OFI was raised as it had noted following a site inspection conducted by the EPD that there was an absence of prominent signage for the riparian buffer belt of a river. Buffer belts for all rivers should be marked with clear signage. The audit team had inspected the buffers in Compartments 59 and 63 and found that riparian buffers are protected. It was observed that boundary trees had been properly marked with red paint. Signs were also erected to indicate the sites of these buffer belts.	Signage had been erected and boundary trees had been properly marked along riparian buffers	The audit team had inspected the buffers in Compartments 59 and 63 of the FMU and found they had been properly protected. It was observed that boundary trees had been properly marked with red paint. <u>Status:</u> This OFI was closed out.
Indicator 6.10.1	OFI	The MC&I (Natural Forest) has specified that conversion of natural forest to forest plantation shall be limited to no more than 5 % of the total area of the FMU. The 2,138 ha of plantation already established and the 22,238 ha which had been approved for industrial tree plantation could exceed this limitation. The scope of certification would have to be revised to comply with the conditions for natural forest management certification.	KTS Plantations had committed itself to SFM as was clearly stated in the revised FMP.	The <i>Second Forest Management Plan Segaliud-Lokan Forest Reserve FMU 19(b) Year 2009-2018</i> which was presented to the audit team had clearly re-affirmed the FMU's commitment to implement SFM in the Industrial Tree Plantation zone.

				Status: This OFI was closed out.
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