

Date of Public Summary: February 2011

**PUBLIC SUMMARY OF FIRST SURVEILLANCE AUDIT OF
SEGALIUD LOKAN FOREST MANAGEMENT UNIT FOR
FOREST MANAGEMENT CERTIFICATION**

Certificate No	: FMC 001
Date of Certification	: 3 December 2009
Date of Surveillance Audit	: 28 September – 1 October 2010

Certification Body:

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1. INTRODUCTION

This annual surveillance audit on the Segaliud Lokan Forest Management Unit (hereafter referred to as 'the FMU') was conducted from 28 September to 1 October 2010. It was the first annual surveillance audit conducted on the FMU to assess its continued compliance against the requirements of the MC&I (2002) using the verifiers stipulated for Sabah following the Stage 2 Audit which was conducted on 24 to 28 August 2009.

The FMU is managed by KTS Plantations Sdn. Bhd (KTSP). The FMU is located in the Segaliud-Lokan Forest Reserve along the 46th Mile, Sandakan-Telupid Highway. 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*, dominated by *Parashorea* and associate species of *Shorea leptoclados*, *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 of non-Dipterocarp species.

The FMU had followed the principles of sustainable forest management (SFM) and the requirements of the Licence Agreement of the Sabah State Government. A Forest Management Plan (FMP) covering the period from 2009 to 2018 had been presented during the Stage 2 audit and there has been no change made to the FMP during this annual surveillance audit.

As noted previously during the Stage 2 Audit, 37,420 ha of the FMU had been originally scheduled for Industrial Tree Plantation and 12,603 ha under natural forest management system. The FMP had, however, maintained the whole area under natural forest management except for the 2,163 ha already planted with rubber trees (*Heavea brasiliensis*).

2. GENERAL SUMMARY

2.1 Name of FMU

Segaliud-Lokan FMU

2.2 Contact Person and Address

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2.3 Dates of Surveillance Audit:

28 September – 1 October 2010 (8 man-days)

2.4 **Audit Team**

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

2.5 **Standards Used**

Malaysian Criteria and Indicators for Forest Management Certification [MC&I (2002)] using the verifiers stipulated for Sabah.

2.6 **Stakeholder Consultation**

A stakeholder consultation through invitation to comment on the management of the FMU was conducted in September 2010 for a period of one month. However, there were no comments received from any stakeholder.

3. **SUMMARY OF SURVEILLANCE AUDIT FINDINGS**

The findings of the surveillance audit had indicated that in general, the FMU had continued to fulfill the requirements of the *MC&I* (2002) despite the issuance of two (2) new minor Non-Conformity Reports (NCRs) and four (4) Observation for Improvements (OFIs).

The audit team had also verified on the corrective actions taken by KTSP to address all the seven (7) minor NCRs raised during the previous Stage 2 Audit. The audit team was satisfied that the actions taken by KTSP had been appropriate and had consequently closed out all the minor NCRs. The details on the status of the NCRs and OFIs raised during the previous Stage 2 audit, and the new NCRs and OFIs raised during this surveillance audit attached in **Annex 1**.

KTSP had submitted a corrective action plan detailing on the corrective actions it would be taking to address the new NCRs and OFIs raised during this surveillance audit. The proposed action plan had been accepted by the Audit Team Leader. These proposed corrective actions by KTSP to address the new minor NCRs and OFIs shall be verified by the audit team during the next surveillance audit.

As no Major NCR had been raised, the audit team had therefore recommended that the *Certificate for Forest Management* awarded to KTSP be maintained.

**Status of NCRs and OFIs Issued In Previous Stage 2 Audit and
Issuance of New NCRs and OFIs in this Surveillance Audit**

Status of NCRs and OFIs Issued in Previous Stage 2 Audit

Indicator	NCR No.	Non-Compliance	Corrective Actions Taken	Status
1.1.3	Minor NCR 1	Records of violations and actions taken to address them. Employment contract provides for 7 days in two months and does not provide for annual leave.	Examination of daily employee record maintained in Segaliud Lokan Camp had indicated that workers were allowed one day paid leave every week. Consultations with daily paid nursery workers had also confirmed that they were given a day off every week. The workers were allowed to accumulate this day-off up to two months. A circular had been issued on 18 June 2010 to all workers with effect on 1 July 2010. Briefing on the leave day had also been discussed through the Management Workers Committee. Requirement under Section 104D of the Sabah Labour Ordinance on annual leave would only be implemented at the end of the year following consultations with the workers.	Closed out.
1.5.2	Minor NCR 2	Inspection of the southern boundary next to Sg Kinabatangan showed no marking of boundary trees and no signage was posted to indicate the FMU.	A signboard (36"x60") had been erected at Sg Tabalian on 24 September 2009. A photograph of the signboard was presented during this surveillance audit as it was too far for the audit team to inspect the sign. Another 30 pieces of signboards (each 12"x18") were put along Sungai Tabalian Besar on the eastern boundary and Sungai Tabalian Kecil at the western boundary. Inspection of boundary marking was made at Compartments 66 and 68 with Deramakot Forest Reserved. Signboards were put up and the boundary had been clearly marked.	Closed out.

5.3.2	Minor NCR 3	Short length logs trimmed from harvested trees have been left in the field	The FMU management had approached the Sabah Forestry Department on its intention to utilize the residual logs. The District Forest Officer had written to suggest that KTSP to establish a mill specifically for these residual logs and had requested that a working paper be prepared for presentation to the Department. KTSP would also be looking into the possibility of engaging a small contractor to conduct salvage the short logs but was waiting for the top management decision.	Closed out.
5.6.1	Minor NCR 4	92 PSPs established are confined to the northern half of the FMU thus a need to establish PSPs in the harvested sites at the southern portion	A stratum map had been prepared showing the forest classes within the FMU. Permanent sample plots would be established within each forest class. A sample plot had been established in Compartment 64 which was in the process of harvesting. This compartment is located at the southern portion of the FMU.	Closed out.
6.3.1	Minor NCR 5	Trees for retention and mother trees have to be marked as stated in the CHP	Although not required by the Sabah Forestry Department to conduct pre Felling and post Felling inventories, the management has initiated pre Felling sampling at 1% intensity in compartments 65 and 66 which had been scheduled for harvesting at the end of the year. A post Felling plot had also been established in compartment 66. In compartment 66, a 50m x 50m plot was inspected. The data indicated that the harvestable volume was 38.04m ³ per hectare. Projected volumes for the second and third rotation cycles were estimated.	Closed out.
6.9.1	Minor NCR 6	No evaluation of the large amount of exotic trees planted in the enrichment plan	Monitoring of the planted exotic Mahogany species had been conducted and the records were presented during this surveillance audit.	Closed out.

			KTSP had planned that monitoring would be conducted on other exotic species to determine their potential ecological impacts on the forest. The nursery was in the process of establishing seedlings of indigenous species following the gregarious fruiting season in the forest.	
8.5.1	Minor NCR 7	Public summary not available	A public summary of the operation in Segaliud Lokan FMU had been presented in the webpage and this was made available during the audit. Collection of data on the monitoring of Orang Utan nests and camera trapping was still in progress. The summary of the analysis would be added to the web page once completed.	Closed out.
1.4.1	OFI 1	The Indicator requires an evaluation of any conflicts between laws, regulations and the FSC Principles and Criteria, if any. Although the operation of the FMU has not revealed any potential conflicts it is recommended that the evaluation be conducted to assess any possible conflicts.	There were no documented conflicts between the FSC Principles and Criteria with laws. Evaluation has been carried out through stakeholder's consultation including NGOs, local community and workers.	Closed out.
4.1.2	OFI 2	Although there has been significant effort in improving the recruitment of people from communities adjacent to the FMU, as seen from employment records, this can be further improved.	There were no communities within the FMU. The only community adjacent to, which is outside the FMU is that of Kampung Balat which falls within the neighbouring Deramakot FMU. This community has experienced considerable out-migration of its younger members for employment in town. Currently, none from Kampung Balat is employed by the FMU. There was job application from the Kg. Balat communities made through the JKKK Kg Balat Kinabatangan on 16 Sept 2010.	Closed out.

			<p>However during that time there was no job offer from KTSP.</p> <p>The Forest Management Plan 2009-2018 had stated that local communities shall be given preference for employment, whenever practical. Similarly, the licence agreement had also specified the requirement to employ the local communities in the work force.</p>	
4.2.2	OFI 3	<p>There has been a major improvement in workers housing. However, there are still some workers (new recruits) housed in less than adequate conditions. Management intends to improve this by providing adequate housing to all. This should be achieved as soon as practicable.</p>	<p>Workers have treated water supply. Decent housing had been provided for a majority of workers. This was verified during interview held with some of the workers employed by Hong Kiong Enterprise (contractor) at Temporary Quarter in Compt 54. There were plans to provide the remaining, mainly new recruits, with the same facility.</p> <p>KTSP had been providing the workers with improvement on sewage system, and one new block with four houses 90% completed and one more block was in progress. The new block is located near the old blocks.</p>	Closed out.
4.2.3	OFI 4	<p>Forest workers are provided with safety equipment including boots. However, given the conditions, workers prefer the local rubber shoes which they say gives better traction and ease of movement. There should be consultative attempts to find better safety boots, appropriate to local conditions.</p>	<p>KTSP had encouraged the field workers to use the local rubber-studded shoes rather than safety boots, as the former gave better traction and mobility in the local conditions. This has been tested during a workshop on Occupational Safety and Health held on 8 June 2010 at 'Institut Perhutanan Sabah' (IPS). The results had proven that rubber-studded shoes were better than safety shoes.</p> <p>The Guidelines on RIL also had not mentioned the usage on safety shoes, but requires workers to</p>	Closed out.

			use proper equipment during harvesting operations.	
4.4.1	OFI 5	<p>Social impact assessment shows that there is no direct impact on communities, specifically, the one stakeholder community, Kg. Balat. Nevertheless, a consultative needs assessment should be conducted to identify community projects that can create and/or enhance independent community sustainable livelihoods. If possible, this should take into account Principle 5, specifically Indicator 5.4.1 with regards to the forest's multiple products.</p>	Social impact assessment has been carried out and consultations held were documented.	Closed out.
6.2.1	OFI 6	<p>The Indicator specifies that there be guidelines to identify and protect endangered, rare and threatened species of forest flora and fauna, including features of special biological interest.</p> <p>With the recorded presence of 4 totally protected animal species and the large population of Orang Utans in the FMU conservation guidelines based on precautionary principles have to be developed while specific measures are being established. Cooperation with the Department of Wildlife to assist in training of FMU staff as Honorary Wildlife Ranger will further assist in the prevention of poaching activities.</p>	<p>Key mammals such as Asian elephants (<i>Elephas maximus</i>) and Orang Utan (<i>Pongo pygmaeus</i>) were frequently sighted and camera trapping as well monitoring of nests had been conducted (Fig. 1). A survey of Orang Utan nests had been conducted in Compartment 50 while camera traps were used to monitor fauna for 6 months with the cooperation of WWF Malaysia. Salt licks had been identified and buffer belts would be determined with consultation with relevant authorities (Fig. 2). Two staff members had been trained as Honorary Games Wardens as suggested in an OFI raised during the previous Stage 2 Audit.</p>	Closed out.

6.7.2	OFI 7	<p>This Indicator specifies that containers, liquid and solid non-organic wastes including fuel and oil should be disposed of in an environmentally appropriate and legal manner.</p> <p>During the inspection of the Scheduled Waste store, it was observed that the required labels stating the date of generation of these wastes were prepared but not affixed on the containers. It is recommended that all containers of scheduled waste be appropriately labeled following generation.</p>	During the Stage 2 Audit it was observed that the required labels stating the date of generation of these wastes were prepared but not affixed on the containers. An OFI was therefore raised but this had been corrected.	Closed out.
6.10.1	OFI 8	<p>The Indicator specifies that conversion of forest area to plantations consistent with the provisions of the relevant national and regional legal frameworks and policies should provide substantial, additional secure and long term benefits across the forest management unit. The Segaliud-Lokan FMU has stated in its FMP management strategy that it will not convert the remaining ITP compartments to mono crop plantations. This commitment to natural forest management, barring circumstances beyond its control, should be stated in the public summary.</p>	The MR had requested for such a statement from the senior management which had not made the final decision.	Remained outstanding, to be verified during the next surveillance audit.

Issuance of New NCRs and OFIs in this Surveillance Audit

NCRs:

Indicator	NCR No.	Status	Summary of Non Compliance
4.2.3	1	Minor	Hard hats had been provided by the contractor responsible for harvesting but their use had not been effectively enforced. It was observed along skid trail B10 in Compartment 64 that workers from the contractor responsible for harvesting trees had not been wearing safety gear like hard hats.
9.3.2	2	Minor	A report entitled 'Evaluation of High Conservation Value Forest (HCVF) in Segaliud-Lokan Forest Reserve' was completed in August 2009. In the report, the definition, status, monitoring and management measures for HCVF attributes were presented. However, measures to ensure the maintenance and enhancement of the HCVF attributes had not been included in the publicly available summary.

Opportunities for Improvement:

Indicator	OFI No.	Summary of OFI
1.5.2	1	In view of the incidences of poaching observed including in the salt lake inspected in Compartment 50, the Honorary Wildlife Rangers who had been trained by the World Wide Fund for Nature (WWF) and Wildlife Department could be mobilized for patrolling of sensitive entry points by poachers
4.2.1	2	The contract agreement with respect to the safety and welfare of workers signed with the harvesting contractor has to be drafted with similar terms as that given to employees employed directly by the FMU management. All foreign workers must have all relevant legal documentation.
5.6.1	3	From the Pre-Felling Assessment conducted in Compartment 66, it was observed that the available volume of harvestable trees for the second and third rotation was very low. An inspection of Compartment 58 had also indicated a very low volume of marketable trees. These harvestable areas within the FMU would have to be reassessed and the annual harvest areas recalculated. Enrichment planting in these sites would have to be enhanced.
6.2.3	4	The implementation of management guidelines to establish representative conservation and protection areas especially salt licks could be enhanced with greater cooperative with conservation organizations and regulatory authorities. Analysis of data from camera trapping and documentation of Orang Utan nesting sites could be done with their assistance.

End of Public Summary