



**PUBLIC SUMMARY
SECOND SURVEILLANCE AUDIT (SECOND CYCLE) ON
THE SEGALIUD LOKAN FMU
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FMC 001
Date of First Certification: 3 December 2009
Audit Date : 23-27 February 2015**

Prepared by:

Food, Agriculture and Forestry Section
SIRIM QAS International Sdn. Bhd.
Block 4, SIRIM Complex 1,
Persiaran Dato' Menteri Section 2,
P.O. Box 7035 40000 Shah Alam, Selangor
MALAYSIA
Tel : 60-3-5544 6400/5544 6448
Fax : 60-3 5544 6763
Website : www.sirim-qas.com.my

22 October 2015

TABLE OF CONTENTS

	Page No.
1.0 EXECUTIVE SUMMARY	3
2.0 INTRODUCTION	3
2.1 Name of FMU	3
2.2 Contact Person and Address	3
2.3 Scope of Certification	3
2.4 Standard	3
2.5 Certification Body	3
2.6 Confidentiality Requirements	4
3.0 GENERAL BACKGROUND ON THE SEGALIUD-LOKAN FMU	4
3.1 Date First Certified	4
3.2 Location of the FMU	4
3.3 Forest Management System	4
3.4 Environmental and Socioeconomic Context	5
4.0 AUDIT PROCESS	5
4.1 Audit Dates	5
4.2 Audit Team	5
4.3 Stakeholder Consultations	5
4.4 Audit Methodology	5
5.0 SUMMARY OF AUDIT FINDINGS	6
6.0 RESULTS AND CONCLUSIONS	8
Attachment 1 Map of Segaliud Lokan FMU	10
Attachment 2 Comments by Stakeholders and Responses by Audit Team	12
Attachment 3 NCRs and OFIs Raised During this Audit and Corrective Actions Taken	14
Attachment 4 Verification on Corrective Actions Taken on NCRs and OFIs Raised During Previous Audit	16

1.0 EXECUTIVE SUMMARY

This surveillance audit was conducted on the Segaliud-Lokan Forest Management Unit (FMU) (hereafter referred as Segaliud-Lokan FMU) of KTS Plantation Sdn Bhd from 23-27 February 2015 to assess on the continued compliance of the FMU's overall forest management system against the requirements of the *Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest)* [MC&I (Natural Forest)] using the verifiers stipulated for Sabah.

The audit was carried out by a three-member team comprising Dr. S.K. Yap (Lead Auditor), Mr. Elbson Marajan (Auditor) and Mr. Mohd Razman Salim (Auditor).

In general, the Segaliud-Lokan FMU had continued to comply with the requirements of the MC&I (Natural Forest), except for the 6 Minor non-conformity requests (NCRs) and 4 observations for improvement (OFIs) that were raised during this surveillance. The audit team has received a corrective action plan from the FMU on 2 April 2015 to address these Minor NCRs. The audited team had reviewed and accepted the proposed corrective action plan and therefore recommended that the Certificate for Forest Management issued to the Segaliud-Lokan FMU be maintained.

2.0 INTRODUCTION

2.1 Name of FMU

Segaliud-Lokan FMU

2.2 Contact Person and Address

Peter Tiong Siow Kwong (Senior Executive)
KTS Plantation Sdn. Bhd.
Lot 32, Bandar Pasaraya Commercial Complex,
Mile 4, North Road, WDT 20,
90009 Sandakan, Sabah,
Malaysia
Tel: +6089 271 602
Fax: +6089 271 600
Email: ktsplantation@gmail.com

2.3 Scope of Certification

The management of 57,247 hectares (ha) of Natural Forest within the Permanent Reserved Forest located in the Segaliud-Lokan FMU.

2.4 Standard

Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest) [MC&I (Natural Forest)].

2.5 Certification Body

SIRIM QAS International Sdn. Bhd. (SIRIM QAS International) is the oldest and leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally recognised standards. Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA) and the United Kingdom Accreditation Services (UKAS). SIRIM QAS International is a partner of IQNet, a network currently comprising of 36 leading certification bodies in Europe, North and South America, East Asia and Australia.

2.6 Confidentiality Requirements

The audit team members from SIRIM QAS International have undertaken not to disclose any

information or documents obtained during this surveillance audit, and the final report, to any third party, without the expressed approval of the Certificate holder unless required by law.

3.0 GENERAL BACKGROUND ON THE SEGALIUD-LOKAN FMU

The Segaliud-Lokan FMU is located in the Sandakan Forest District, Sabah. The FMU, which was gazetted in 1984 covers an area of 57,247 hectares (ha). The FMU is managed by KTS Plantation Sdn. Bhd. (KTSP). KTSP is a member of the KTS Holdings Sdn. Bhd. KTSP has entered into an agreement with the Sabah Government to manage the FMU on a sustainable basis.

The FMU consists of lowland *Dipterocarp* forests with the original vegetation made up mainly of *Parashorea tomentelia*/ *Eusideroxylon zwageri*, dominated by *Parashorea* sp. and associated species of *Shorea leptoclados*, *Dryobalanops lanceolata* and *Dipterocarpus caudiferus*. About 40 % of the large trees in the FMU 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* forest.

A map of the FMU showing the significant features of the forest is attached in **Attachment 1**.

3.1 Date First Certified

3 December 2009

3.2 Location of the FMU

The FMU is located along the 46th Mile, Sandakan-Telupid Highway, Sandakan, Sabah.

3.3 Forest Management System

The FMU was earmarked for the development of plantation in 1985 without a prescription on the minimum felling diameter limit. Multiple loggings had occurred in the FMU since then until 1993. In the same year, KTSP was granted a 96-year occupation lease by the Sabah State Government to manage the FMU for the purpose of forest plantation development, timber extraction and the establishment of integrated timber processing facilities. In 1995, the FMU started with conventional logging but then adopted the Reduced Impact Logging (RIL) system in 1998.

The first "Ten-Year Forest Management Plan (1999-2008)" for the FMU had specified that of the total size of the FMU, 37,420 ha would be managed for Industrial Tree Plantations (ITP), 7,540 ha for natural forest, 10,346 ha for Protection Forest and 1,941 ha for research.

However, KTSP had then decided to maintain the whole FMU under natural forest except, for the 2,163 ha which had already been planted with Rubber trees, the 115 ha planted with *Acacia mangium* (improved variety) and 27 ha with trial species. Following this decision, a new revised "Forest Management Plan (2009-2018)" had been prepared and approved by the Sabah State Forestry Department in 2009.

Within the protection forest, sites with more than 25 degrees slopes were still being kept for water resource protection while those with slope of less than 25 degrees were for wildlife conservation. Of the production forest area, permanent infrastructures occupy 786 ha with 448.6 km of logging roads and another 364 ha had been protected as riparian reserve.

The FMU is now managed based on the principles of sustainable forest management (SFM) and the requirements of the Sustainable Forest Management Licence Agreement (SFMLA) with the Sabah State Government. The main goal is to ensure that the timber resources will 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 has to be approved by the Sabah State Forestry Department with the submission of the Comprehensive Harvesting Plan (CHP) for each block.

Owing to the earlier unrestricted felling regimes and the multiple entries into the FMU, many sites have now being left with few original primary forest species and some areas in the south-eastern portion denuded of big trees. The FMU is now embarking on an enrichment planting programme for these degraded sites.

3.4 Environmental and Socioeconomic Context

An EIA report entitled *KTS Plantation Logging Activities at Segaliud Lokan Forest Reserve, Sabah* was first produced in August 2001. Another EIA on the FMU was conducted and a report was submitted for approval in 2012. Both reports were examined during this surveillance audit. The potential impacts and strategies to mitigate the impacts had been incorporated into the revised FMP 2009-2018. Following the revision of the FMU, the EIA consultant had included the environmental impact of forest activities within the FMU and the surrounding areas on the landscape level.

The revised EIA report 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 examined. The neighbouring land use including oil palm estates, forest reserves and wildlife sanctuary and their impacts on the FMU ecosystem had been included in this revised report. The establishment of wildlife corridors with neighbouring forest reserves was suggested. This revised EIA report was approved on 1 March 2013 and a contract to monitor the area with the Environment Protection Department, Sabah (EPD Sabah) was also signed on the same date.

The revised *Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018* had documented the indigenous people's rights and customary use rights, including a native dispute settlement flowchart. The FMU had continued to respect the rights of the indigenous peoples as outlined in the United Nations Declaration on Rights of Indigenous Peoples (UNDRIP), 2007.

There was no land within the FMU which had been under the control of the indigenous people thus there was no record of delegation of power by them. The FMU's management had continued to participate as a member of the neighbouring Deramakot Forest Reserve's Social Forestry Committee which was set up to resolve conflicts and grievances involving the indigenous peoples.

4.0 AUDIT PROCESS

4.1 Audit Dates

23-27 February 2015 / 12 auditor day(s)

4.2 Audit Team

Lead Auditor : Dr. S.K.Yap
Auditors : Mr. Elbson Marajan
Mr. Mohd Razman Salim

4.3 Stakeholder Consultations

A one-month stakeholder consultation was conducted beginning in January 2015 to solicit feedback from stakeholders on the continued 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**.

4.4 Audit Methodology

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

For each Indicator, the auditors had conducted 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 with the indicator. If a non-compliance is observed, the auditors then decides whether to issue a major, minor NCR or an OFI.

Consultations were held with the contractors and workers operating within the FMU. Meetings were also conducted with the management representatives and the forest rangers based at the FMU.

5.0 SUMMARY OF AUDIT FINDINGS

Details of the assessment findings (evidences) have been addressed in the full detailed report. The summary of the audit findings are as follows:

PRINCIPLE	STRENGTHS	WEAKNESSES
Principle 1	The Segaliud-Lokan FMU's forest management practices had continued to comply with all applicable laws of Malaysia and respect international treaties and agreements to which Malaysia is a signatory.	No negative findings found during this audit. However an OFI was raised related to the concern of the local Forest Ranger of possible encroachment on the FMU via Sungai Rawog.
Principle 2	Long-term tenure and use rights to the land and forest resources had been clearly defined, documented and legally established.	No negative findings.
Principle 3	<p>The <i>Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i> had documented the indigenous people's rights and customary use rights, including a native dispute settlement flowchart. The FMU had continued to respect the rights of the indigenous peoples as outlined in the UNDRIP, 2007.</p> <p>There was no land within the FMU which had been under the control of the indigenous people thus there was no record of delegation of power by them. The FMU's management had continued to participate as a member of the neighbouring Deramakot Forest Reserve's Social Forestry Committee which was set up to resolve conflicts and grievances involving the indigenous peoples.</p> <p>As there was no record of conflicts and grievances between parties involved concerning legal and customary rights within the FMU there was therefore no record of outcomes of direct negotiations or arbitration concerning these legal and customary rights. Similarly, there were no records of decisions of Native Courts or decisions of Civil Courts concerning their legal and</p>	No negative findings.

	customary rights within the FMU.	
Principle 4	Forest management operations had generally continued to maintain the long-term social and economic well-being of local communities and forest workers.	There were 3 observations made on the FMU's compliance with the requirements of this Principle with respect to indicators 4.2.3, 4.2.4 and 4.3.4. It was observed that a chemical sprayer had not been equipped with a PPE (goggle) and a first aid box had not been adequately stocked (indicator 4.2.3). It was also observed that although safety record had continued to be maintained, there was no discussion on the root cause for minor injuries to prevent them from recurring (indicator 4.2.4). In addition, it was observed that the Management Workers Committee had not held frequent meetings to allow the workers to present their grievances (indicator 4.3.4).
Principle 5	Forest management operations had continued to encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.	No negative findings.
Principle 6	<p>The <i>MC&I (Natural Forest)</i> has stipulated that forest conversion from natural forest to forest plantation shall be limited to no more than 5 % of the total area of the FMU. It was noted that there were 2,138 ha of plantation already been established. Although 22,238 ha had been approved for industrial tree plantation, there was only enrichment planting being done in degraded sites and areas with very poor forest cover following the decision to manage the whole FMU under natural forest.</p> <p>As documented in the revised <i>Forest Management Plan Segaliud Lokan Forest Reserve FMU 19(b) Year 2009-2018</i>, the FMU had continued to be committed to implement sustainable forest management in area which had earlier been designated as Industrial Tree Plantation zone. The approach would be to implement enrichment planting to improve forest resources within degraded sites with poor tree cover.</p> <p>As some of the degraded sites were completely devoid of trees, extensive planting would be implemented. Exotic fast growing</p>	Used batteries were found in the contractor's camp outside the storage hut but without appropriate labels. A minor NCR SL 1/2015 was raised against indicator 6.7.1.

	species would be employed to create the forest cover essential for the local tree species. The nursery inspection and records of seedlings produced had shown an increase the stocking of local forest tree species.	
Principle 7	A management plan – appropriate to the tenure, scale and intensity of the operations – has been prepared, approved and continued to be implemented and kept up-to-date. The long term objectives of management, and the means of achieving them, have been clearly stated.	The forest managers involved in the RIL process, analysis of the data from PSPs and wildlife monitoring had not been trained in these respective fields. A minor NCR SL 2/2015 was therefore raised against indicator 7.3.2.
Principle 8	Monitoring had continued to be conducted – appropriate to the scale and intensity of forest management – to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.	The publicly available summary in the web page of the FMU www.segaliudlokan.com had not included the yield of forest products harvested, growth rate and regeneration of the forest and costs, effectiveness of forest management. A minor NCR SL 3/2015 was raised against indicator 8.5.1.}
Principle 9	Management activities in high conservation value forests had continued to maintain the attributes which define such forests. Decisions regarding high conservation value forests had always been considered in the context of a precautionary approach.	<p>The report on the evaluation of HCVF within the FMU which was prepared in August 2009 had not been reviewed and updated to include the new HCVF sites which had been identified. A minor NCR SL 4/2015 was raised against indicator 9.1.1.</p> <p>Measures to demarcate and enhance the HCVF attributes in the new HCVF sites with <i>Nepenthes</i> plant had not been implemented and included in the Forest Management Plan. The attributes which had been identified were not appropriate. A minor NCR SL 5/2015 was raised against indicator 9.3.1.</p> <p>There was no annual monitoring being conducted to assess the effectiveness of the measures taken in the management of the demarcated HCVF sites with the <i>Nepenthes</i>, Dipterocarp plots and the salt licks. A minor NCR SL 6/2015 was therefore raised against indicator 9.4.1.</p>

6.0 RESULTS AND CONCLUSIONS

Based on the findings of this surveillance audit, it was found that KTSP had continued to manage the Segaliud-Lokan FMU in compliance with the requirements of the *MC&I* (Natural Forest). However, there were lapses in the management system and practices which had resulted in the issuance of 6 minor NCRs and 4 OFIs. The details on the NCRs and OFIs raised are shown in **Attachment 3**.

The management of the Segaliud-Lokan FMU had submitted its proposed corrective actions to address the 6 minor NCRs, which was received by the audit team on 2 April 2015. The proposed corrective actions 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.

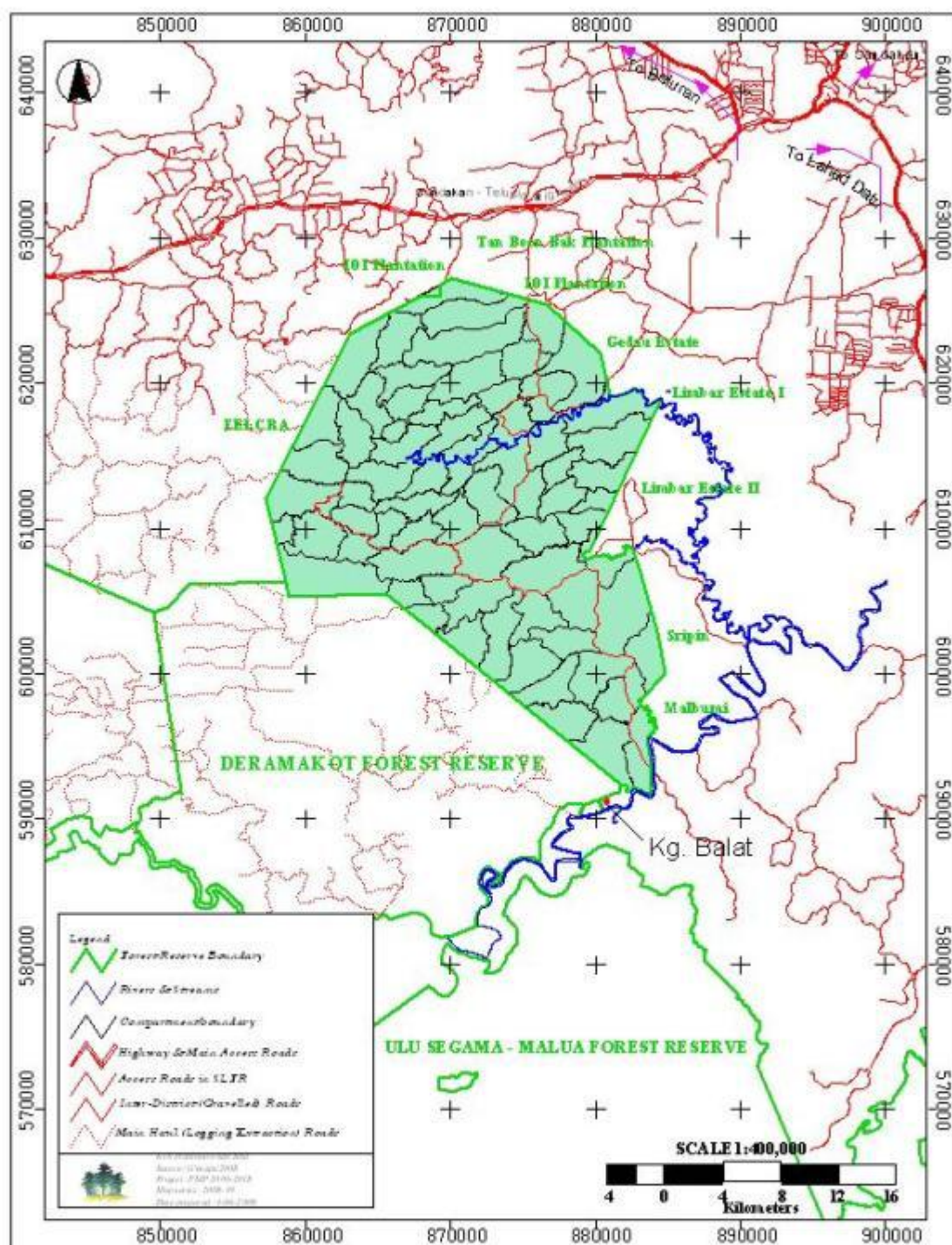
The audit team had also verified on the corrective actions taken by Segaliud-Lokan FMU to address the 1 Major and 5 Minor NCRs which were raised during the previous audit and found they had been implemented effectively and therefore had closed out these NCRs. The details on the verification of the corrective actions taken and the status of the NCRs raised during the previous audit are shown in **Attachment 4**.

On indigenous peoples' rights, there was no land within the FMU which had been under the control of the indigenous people. The FMU had a long-term tenure on the land under the the Sustainable Forest Management Licence Agreement (SFMLA) with the Sabah State Government.

With regards to Criterion 6.10, there was no conversion of forest plantation area into non forest land use within the FMU. There was only enrichment planting being done in degraded sites and areas with very poor forest cover following the decision to manage the whole FMU under natural forest.

There was no major NCR raised during this surveillance audit. In addition, the audit team had verified the corrective actions taken by Segaliud-Lokan FMU to address the 1 Major and 5 Minor NCRs which were raised during the previous audit and closed them out. Therefore, the audit team had recommended that the Certificate for Forest Management issued to the Segaliud-Lokan FMU be maintained.

Map of Segaliud Lokan FMU



Attachment 2 Comments by Stakeholders and Responses by Audit Team

	Agency	Comments	Auditor's Response
1	District Forest Officer Sandakan	Environmental Protection Protection forest covering 6,447ha where logging was prohibited. Logging subjected to RIL practice including no logging along steep areas, riparian buffer belts and directional felling.	During the field inspection, it was found that the protection areas had remained intact without any logging activities. It was also observed that RIL practices were being implemented in the field according to specifications.
		Biodiversity Conservation Protection of compartments for research, survey, wildlife and species protection. Within the NFM compartments prescribed conditions for leaving the fruit trees and endangered species as well as mother trees.	It was observed that HCVF sites and salt licks as well as wildlife corridor and endangered species had continued to be protected.
		Opportunities for employment KTS had employed more than 100 personnel in the field and office. It is a policy to keep certain percentage for local workers especially those living near to the area of the FMU. Owing to changing of staff and recruiting of new officers is still an on-going exercise, the FMU needs time to establish a good experienced team. Need to segregate work force according to specific not general tasks in the field.	It was observed that the FMU had continued to employ local workers. However, there were areas where foreign workers had to be employed owing to the lack of interest of the local people in the nearby communities to take up these jobs. In addition, it was observed that a new team of workers had just started working in the FMU and they would require some time to improve on their work skill and competence.
		Community relations and workers' rights Establishment of committee to handle this problem.	The FMU had continued to work together with the neighbouring Deramakot Forest Reserve in the consultative process with the nearby community in Kg. Barat. Records of attendance at the consultative meeting were shown.
		Benefits from the forest The FMU had provided timber for sawmills in Sandakan with some for export. Other benefits in the FMU are wildlife conservation area that is part of the elephant corridor and Orang Utan between Deramakot and Segaluid Lokan, recreation and research purposes.	No response required.

		<p>Relationship with FMU</p> <p>The department is monitoring and managing the FMU with the main task to work together in the field operation and protection. It all translated in the AWP and 10 year FMP.</p>	<p>No response required.</p>
--	--	--	------------------------------

NCRs and OFIs Raised During this Audit and Corrective Actions Taken

Indicator	Specification Major/Minor/OFI	Details on Non-conformance	Corrective Action Plan	Verification by Assessor
6.7.1	Minor NCR SL 1/2015	Used batteries were found in the contractor's camp outside the storage hut without appropriate labels.	<ul style="list-style-type: none"> • Conduct in-house training on schedule waste management for the contractor. • Regular monitoring by EO • EMS Internal audit. • Arrange regular delivery of wastes to licensed facilities 	Action plan accepted and verification on implementation would be conducted during the next recertification audit.
7.3.2	Minor NCR SL 2/2015	The forest managers involved in the RIL process, analysis of the data from PSPs and wildlife monitoring had not been trained in these respective fields.	<ul style="list-style-type: none"> • Respective staff to attend relevant training • Identify and collaborate with relevant expert to train and assist on data analysis. 	Action plan accepted. Training records and list of experts consulted would have to be presented during the next audit.
8.5.1	Minor NCR SL 3/2015	The publicly available summary in the web page of the FMU www.segaliudlokan.com had not included the yield of forest products harvested, growth rate and regeneration of the forest and costs, effectiveness of forest management.	<ul style="list-style-type: none"> • Activate website • Update public summary in the website to include information such as yield data, growth rate and regeneration and cost effectiveness of forest management. 	Action plan accepted. Verification on the up-dating of the public summary in the web site would be done during the next recertification audit.
9.1.1	Minor NCR SL 4/2015	The report on the evaluation of HCVF within the FMU which was prepared in August	<ul style="list-style-type: none"> • Review and update HCVF evaluation report and include new HCVF sites which had been identified. 	Action plan accepted. The updated HCVF evaluation would have to be presented during the next recertification audit.

		2009 had not been reviewed and updated to include the new HCVF sites which had been identified.		
9.3.1	Minor NCR SL 5/2015	Measures to demarcate and enhance the HCVF attributes in the new HCVF sites with <i>Nepenthes</i> plant had not been implemented and included in the Forest Management Plan. The attributes which had been identified were not appropriate.	<ul style="list-style-type: none"> • Demarcate and enhance the HCVF attribute of the new HCVF site. • Review attribute allocation. 	Action plan accepted. The verification on the demarcation and enhancement of new HCVF sites would be done during the next recertification audit.
9.4.1	Minor NCR SL 6/2015	There was no annual monitoring being conducted to assess the effectiveness of the measures taken in the management of the demarcated HCVF sites with the <i>Nepenthes</i> , <i>Dipterocarp</i> plots and the salt licks.	<ul style="list-style-type: none"> • Initiate annual monitoring activities to assess the effectiveness of the measure taken on the management of all HCVF sites. 	Action plan accepted. The effectiveness of monitoring measures taken would be verified during the next recertification audit.

Verification on Corrective Actions Taken on NCRs and OFIs Raised During Previous Audit

Indicator	Specification Major/Minor/OFI	Detail on Non-conformances	Corrective Action Taken	Verification by Assessor
1.1.3	Major NCR # SL 1/2013	<p>Records presented in the Environmental Compliance Reports Y1/2013 and Y2/2013 had indicated non compliances with the total thirty-seven Environmental Conditions prescribed by EPD Sabah.</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 within the approval by EPD Sabah. These non-compliances shall be rectified immediately.</p>	Following the surveillance, the FMU had presented an <i>Environmental Compliance Report Y3/2013 October 2013-January 2014</i> to the EPD Sabah. In this report the FMU had now complied with all the environmental conditions specified in the approval for the EIA.	A copy of the Environmental Compliance Report was reviewed by the audit team. In Chapter 3 on the 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 # SL 1/2013 was therefore closed out.
5.6.1	Minor NCR # SL 2/2013	<p>The analysis of the growth rates based on Permanent Sample Plots (PSPs) was not adequate.</p> <p>PSPs had been established in the FMU. Owing to the differences in the condition of the</p>	Stratum map for the FMU indicating Strata 3, 4 and 5 had been obtained. Preliminary analysis had been completed following a training held on 6-7 January 2015. The PSP Inventory based on two broad strata had been completed. Results for the Year 2014 were presented to the audit team.	The stratum map for the FMU was examined and reviewed. The three strata had also been verified. Preliminary results from the analysis were examined. Therefore, the minor NCR SL 2/2013 was closed out.

		<p>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 2012. An analysis has yet to be conducted. As such an analysis was crucial to provide reliable estimates on the growth rates, this OFI was therefore upgraded to a minor NCR.</p>		
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>A site in Compartment 49 with an abundance of Nepenthes was demarcated for protection. However, this site had not been marked out in maps and management guidelines for its establishment and protection had not been established. Another site in Compartment 58 with a</p>	<p>An SOP, HCVA Management Document No: KTSP/SOP2446/14 dated 15 November 29014 had been prepared. The document had described the procedures on monitoring and controlling of records on HCV sites. Maps showing HCVF sites were presented during the surveillance. A report HCVF Demarcation Report for the sites identified was also prepared. It was also observed that a plot with HCVF was demarcated with trees marked with red paint and a signage being placed near the entrance.</p>	<p>The map demarcating the HCV sites was examined during this surveillance audit. During an inspection on the Nepenthes plot, it was verified that there was a signage being erected. The minor NCR SL 3/2013 was therefore closed out.</p>

		high density of large Dipterocarp trees had been protected from harvesting. Similarly, management practices had not been written for its establishment and demarcated on maps.		
6.5.1	Minor NCR # SL 4/2013	<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.</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>A warning letter was issued to contractor and this was followed by a refresher course organized for the logging contractor and supervisor.</p> <p>Continuous monitoring was being maintained.</p>	<p>Inspection was conducted on the skid trail 19 in Compartment 42 and skid trail 9 and 25 in Compartment 44. It was observed that these skid trails were constructed according to specifications of RIL. Therefore minor NCR SL 4/2013 was closed out.</p>
6.7.1	Minor NCR # SL 5/2013	<p>The fuel and containers had not been disposed off in an environmentally appropriate manner.</p> <p>During this surveillance, it was observed that there were still 2 containers with</p>	<p>A warning letter had been issued to the contractor. In addition, there was a continuous monitoring on the disposal of wastes.</p>	<p>It was verified that scheduled wastes had been removed by licensed contractor Tiong Cheong Bricks Sdn Berhad. There was an application made for an extension of storage of wastes for more than 180 days and over 20 tons. The minor NCR SL 5/2013 was therefore closed out.</p>

		fuel dispenser left in Compartment 62. The corrective actions taken had not been sufficiently effective to prevent re-occurrence of this incident. This Minor NCR which was raised during the previous audit remained outstanding.		
7.1.1	Minor NCR #: SL 6/2013	<p>The description on the forest resources, rationale for the rate of annual harvest and forest growth dynamics within the FMP had not been adequate.</p> <p>A Forest Management Plan (2009-2018) was made available which had incorporated most of the items listed from a) to i) of Criterion 7.1. However, the descriptions on the forest resources and rationale for the rate of annual harvest including forest growth dynamics based on the analysis of PSPs should be further strengthened to justify the annual allowable cut and the cutting cycle adopted by the FMU.</p>	Preliminary analysis had been completed following the training held on 6-7 January 2015.	The audit team had checked on the results of an inventory on the PSP for the Year 2014 and found that there was an increase in the Mean Annual Growth in SLFR (2005-2014). The minor NCR SL 6/2013 was therefore closed out.
4.2.3	OFI # 1	The personal protective equipment (PPE) in the nursery chemical store could be replaced with a	A chemical movement record (Sub store) had been prepared indicating daily supply of chemicals. The records were inspected at the nursery.	OFI # 1 was closed out.

		newer set and washing facilities be added to workers. Records of chemical dispensing should also be verified by personnel in charge.	New sets of PPE had been given to the sprayers. A washing facility had been provided for the workers.	
4.4.1	OFI # 2	An Environmental Impact Assessment (EIA) Report entitled The Proposed Logging Activities at FMU (B)-(28,787ha) in Segaluid Lokan Forest Reserve September 2012 had included a section on the land use of the adjacent lands. This could be improved by documenting the villages that may be impacted by the FMU operation.	Section 3.3.7 of the EIA Report had identified five villages along the Kinabatangan River and their locations were shown on the map of the FMU. Only Kg. Balat had been identified as having of some relationship with the FMU. Representatives from the FMU had continued to be members of the Social Forestry Committee of the neighbouring Deramakot Forest Reserve which was set up to resolve any conflict and grievances involving the indigenous people. Latest meeting was on 12 August 2014.	OFI # 2 was closed out.
5.3.2	OFI # 3	The heights of some of the stumps left from harvesting were above 1 m and this could be reduced in accordance to RIL specifications.	Inspection of the remaining stumps in the harvesting blocks had shown that they were in accordance to RIL requirements.	OFI # 3 was closed out.
6.3.1	OFI # 4	The FMU had conducted pre-felling and post felling inventory to assess the impacts of logging. Based on the inspection on the post felling inventory conducted in Compartment 59, it was observed that the location of the plot could be improved. It should be	Post felling inventory using PSPs had been done in accordance to the SOP. The newly established PSPs were not located close to the main or feeder roads. Preliminary analysis on the inventory data had been conducted and results presented to the audit team.	OFI # 4 was closed out.

		located 100 m perpendicular to the main or feeder roads and should not follow the skid trails. At the same time the boundaries of the plots would have to be established accurately in the field. The analysis on the data presented also had indicated some inconsistencies in the calculation of volumes of each diameter class.		
8.2.1	OFI # 5	Based on inspection on a PSP in Compartment 59, it was observed that it would have to be established in a more unbiased manner. Measurements would have to be made on all living trees including pioneers and damaged trees. 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 were being measured periodically.	Based on inspection on the newly established PSPs, it was observed that all trees had their measurements taken.	OFI # 5 was closed out.
9.2.1	OFI # 6	A stakeholders list was provided by the FMU to the audit team. Whilst it was observed that the FMU had consulted the Borneo Conservation	The FMU had held consultations with the State Forestry Department.	OFI # 6 was closed out.

		Trust on the establishment and management of HCVF, other related stakeholders especially State Wildlife Department and State Forestry Department were not being consulted. The consultation process could be improved with consultation with all the other relevant stakeholders.		
9.3.1	OFI # 7	The Environmental Compliance Report submitted to the EPD Sabah could be improved with the inclusion of measures to maintain and enhance HCVF attributes.	The FMU had consulted the EIA consultant. A Compliance Report was done and there were measures to maintain and enhance HCVF being included it in accordance to the specifications of EPD Sabah.	OFI # 7 was closed out.
9.4.2	OFI # 8	A mid-term review of the FMP that had been scheduled for this year would need to include the results of findings of the HCVF monitoring activities.	A draft document entitled 'The Second Forest Management Plan Mid-Term Review Segaluid Lokan Forest Reserve FMU 19(b) Year 2009-2018' had been prepared and had included a report on the results of findings of the HCVF monitoring activities.	OFI # 8 was closed out.