



**PUBLIC SUMMARY
SURVEILLANCE 2 AUDIT (3RD CYCLE) ON
SEGALIUD LOKAN FOREST RESERVE MANAGEMENT UNIT
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FMC 0001
Date of First Certification: 29 December 2009
Audit Date: 4–7 December 2017
Date of Public Summary : 7 August 2018**

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1 EXECUTIVE SUMMARY

A Stage 2 audit on the Segaliud-Lokan Forest Management Unit (Segaliud-Lokan FMU) was conducted from 24 to 28 August 2009. This is an audit on the overall forest management system and practices of the natural forest within the FMU against the requirements of the *Malaysian Criteria and Indicators for Forest Management Certification (MC&I) 2002* using the verifiers stipulated for Sabah. The scope of the audit is limited to the forest management system and practices of the natural forest within the FMU. Following the Stage 2 Audit, the Surveillance 1 Audit on the Segaliud Lokan FMU was conducted from 28 September to 1 October 2010. For the Surveillance 2 Audit was conducted from 19-22 July 2011. A Recertification Audit for renewal of the certificate was conducted from 31 July – 4 August 2012. Criteria and Indicators for Forest Management Certification [MC&I (2002)]. In line with the transition plan from the use of MC&I (2002) to MC&I (Natural Forest), the recertification audit also included the MC&I (Natural Forest) in its audit scope.

In the second audit cycle for the FMU the Surveillance 1 Audit and Surveillance 2 Audit were conducted from 25-29 November 2013 and 23-27 February 2015 respectively. A Recertification Audit for renewal of the certificate was conducted from 19–24 October 2015. The third audit cycle was conducted following the certificate renewal when Surveillance 1 Audit was conducted from 9-13 January 2017. And the Surveillance 2 Audit conducted in the same year from 4-7 December 2017.

The Segaliud-Lokan FMU constitutes the FMU 19 (b) of the Sandakan Forest District, which was gazetted in 1984. The FMU, which is managed by KTS Plantation Sdn Bhd (KTSP) covers an area of 57,247 hectares (ha) consisting of lowland *Dipterocarp* forest.

The FMU is managed under the principles of sustainable forest management (SFM) as required in the License Agreement with the Sabah State Government. KTSP has prepared a Forest Management Plan (FMP) for the period from 1 January 2009 – 31 December 2018.

This Surveillance 2 Audit (third cycle) was conducted by a three-member audit team comprising Mohd Razman Salim, Ismail Adnan Abdul Malek and Tn. Hj. Roslee Jamaludin, including a trainee auditor, Angelica Sinimis Suimin.

In general, the Segaliud-Lokan FMU has complied with most of the requirements of the MC&I (Natural Forest). However, three Major and six Minor Non-Compliance Reports (NCRs) were also issued. In lieu of the acceptance of corrective action plan and evidence of implementation for the three Major NCRs and corrective action plan for the six Minor NCRs, conducted within the stipulated timeframe, the FMU is therefore recommended for certification. The corrective actions as notified by the FMU will be verified during the next audit.

2 INTRODUCTION

2.1 Name of FMU

Segaliud-Lokan Forest Management Unit (Segaliud-Lokan FMU)

2.2 Contact Person and Address

Name: Peter Tiong Siew Kwong
Designation: Operational Manager
Address: KTS Plantation Sdn. Bhd
Mile 46, Sandakan – Telupid Highway
90009 Sandakan Sabah Malaysia.
Phone #: 089-271601/2/ 013-8608131/ 019-892639 / 012-8856659 (Ms Marylyn)
Fax #: 089-271600
E-mail: ktsplantation@gmail.com

2.3 General Background on the Segaliud-Lokan FMU

The Segaliud-Lokan FMU 19 (b) of the Sandakan Forest District was gazetted in 1984 and covers an area of 57,247 hectares (ha). The FMU is located along the 46 Mile, Sandakan-Telupid Highway and is managed by KTS Plantation Sdn Bhd (KTSP). A map of the FMU showing the significant features of the forest is attached in **Attachment 1**.

The FMU consists of lowland *Dipterocarp* forests with the original vegetation made up mainly of *Parashorea tomentelia/Eusideroxylon zwageri*, dominated by *Parashorea* and associated species of *Shorea leptocladus*, *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* forest.

The FMU is currently managed based on the principles of sustainable forest management (SFM) and the requirements of the License Agreement with the Sabah State Government. A Forest Management Plan (FMP) covering the period from 2009 to 2018 had been completed and presented during the audit. Although originally 37,420 ha had been scheduled for Industrial Tree Plantation and 12,603 ha under natural forest management system, the FMP has maintained the whole area under natural forest management except for the 2,163 ha which had already been planted with Rubber trees.

The FMU was earmarked for plantation purpose in 1985 without the prescription of a minimum felling diameter limit of 60 cm at breast height (dbh) and multiple logging occurred until 1993. In 1993, 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.

The 'Forest Management Plan Segaliud-Lokan Forest Reserve FMU 19(b), Year 2009-2018' was approved by the Sabah Forestry Department in 2009. Under this FMP, the area for natural forest management (NFM) is 12,603 ha, Industrial Tree Plantation 37,420 ha, the Protection Forest 6,447 ha and research forest 777 ha. Within the protection forest, sites with more than 25 degrees slopes are kept for water resource protection while those with slope of less than 25 degrees are for wildlife conservation.

In 1995, FMU operation was initiated with conventional logging and adopted the Reduced Impact Logging (RIL) system in 1998. All subsequent harvesting was approved by the State Forestry Department with the submission of the Comprehensive Harvesting Plan (CHP) for each logging block. The earlier unrestricted felling regimes and the multiple entries into the FMU had resulted in many sites reduced to few original primary forest species and some blocks, in the south-eastern portion, completely denuded of big trees. The FMU is now embarking on an enrichment planting programme for these degraded sites.

The FMU's main goal as per FMP 2009-2018 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. For this purpose the FMU has conducted enrichment planting as silviculture treatment in the natural forest areas (NFM). Over 24,449 ha were enriched from 1997 to 2013 by using timber tree species such as *Azadirachta excelsa*, *Swietenia macrophylla*, *Hopea odorata*, *Neolamarckia cadamba* (Laran), *Octomeles sumatrana* (Binuang) and *D. lanceolata*.

For ITP areas, the FMU has planted 2,279 ha of mixed indigenous and exotic tree species from 1995 to 2005, comprising 2,163 ha of rubber trees (*Hevea brasiliensis*), and 81 ha of trial *Acacia mangium* (improved variety), 3 ha of trial Laran (*Neoclamarckia cadamba*), 6 ha of trial Binuang and Laran, 2 ha of Merawan Siput Jantan (*Hopea odorata*) and 24 ha of other mixed species trials.

It was reported that the FMU has an abundance of wildlife species. Large species sighted include the Borneo Pygmy Elephants, Orang Utans (*Pongo pygmaeus*), bearded pigs (*Sus barbatus*) and six species of hornbills (*Anthrococeros coronatus*). During the audit, many overnight nests of the Orang Utans and wildlife tracks along secondary roads were spotted.

The nearest local community is Kampung Balat located 5 km outside the FMU but within the neighbouring FSC-certified Deramakot FMU. Another village, Sungai Lokan, is located at a significant distance from the FMU boundary, over a one-hour boat journey, on the confluence of the Sungai Lokan and the Sungai Kinabatangan.

2.4 Date First Certified

The FMU was first certified on 29 December 2009.

2.5 Location of the FMU

The Segaliud-Lokan FMU is located south west of Sandakan, between longitudes 117° 23' E and 117° 39' E, and between latitudes 5° 20' N and 5° 27' N, along the 46 Mile, Sandakan-Telupid Highway.

2.6 Forest Management System

The current size of annual logging areas was determined at 2,500 hectares and within the sustainable level. There will be around 20 trees/ha of harvestable trees (DBH > 50cm) in the second harvest cycle which is significantly higher than the present harvesting stands. Trees with a DBH of more than 120 cm are kept as mother trees. The FMU has applied ground skidding method and the Reduced Impact Logging (RIL) system for timber harvesting operation.

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

The AAC was established at 34m³/ha/yr.

2.8 Environmental and Socioeconomic Context

The FMU practiced sustainable management through compliance with the MC&I standards. The management has conducted EIA, including measures on ERT species protection, provision for biological corridors, wildlife buffers, riparian buffers and various mitigation measures. Relevant guidelines on protection and conservation were complied with. Representative ecosystems were preserved and RIL procedures followed strictly.

The FMU also generates job opportunity with qualified local community given preference as plantation workers and for contract works. The FMU mainly produce logs which feed into the local wood-based industry. Presently there's no production on minor forest products but its collection is permitted for the local community.

3. AUDIT PROCESS

3.1 Audit Dates

4–7 December 2017 (12 auditor days)

3.2 Audit Team

- | | |
|-----------------------------|-------------------|
| 1. Mohd Razman Salim | (Lead Auditor) |
| 2. Tn. Hj. Roslee Jamaludin | (Auditor) |
| 3. Dr. Nazre Saleh | (Auditor) |
| 4. Angelica Sinimis Siumin | (Trainee Auditor) |

Details on the experiences and qualifications of the audit team members are as in **Attachment 2**.

3.3 Standard Used

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

3.4 Stakeholder Consultations

A stakeholder consultation was conducted in November 2017 for a period of one month. However, there was no comment received from the stakeholders.

Onsite stakeholders' consultation was conducted with main regulatory agencies consisting of Sabah Forestry Department (SFD), Wildlife Department and Labour and Human Resources Department at Sandakan including with Assistance District Forest Officer (ADFO) – Mr. Jariu Ganggen. These agencies had not reported any serious non compliances that would hinder the continuous certification of the FMU.

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 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.

An NCR raised during an audit is categorized as either major or minor as follows:

(i) A major NCR is a non-compliance deemed by the Auditor to be critical and is likely to result in an immediate hazard to the quality or standard of forest management system and practices in the FMU.

The FMU is requested to notify SIRIM QAS International Sdn Bhd (SIRIM QAS International) of the corrective actions taken within one month from the last date of the surveillance audit. The corrective actions as notified by the FMU shall be verified by the Audit Team Leader or a member of the audit team within two months after the acceptance of the corrective actions

(ii) A minor NCR is a single observed lapse in compliance by the FMU to the MC&I (Natural Forest)

The FMU shall submit a corrective action to SIRIM QAS International within one month from the last date of audit detailing the actions to be taken to address all minor NCRs. The effectiveness of the resulting actions taken by the FMU must be verified at the next surveillance visit.

(iii) An OFI is a situation where the auditor has noted an area of concern on the capability of the forest management system to achieve conformance to the requirements of the MC&I but without sufficient objective evidence to support raising a non-conformity. The FMU shall submit a corrective action plan within three months from the last date of the audit. The closing of an OFI shall be made during the next surveillance audit.

The Audit Plan is shown in **Attachment 3**.

4 SUMMARY OF AUDIT FINDINGS

Based on the acceptance of corrective actions plan and evidence of implementation for all Major non-conformities and corrective action plan for all Minor non-conformities raised during Surveillance 2 Audit in 2017 within the stipulated timeframe from last date of the audit, it was concluded that **Segaliud-Lokan FMU** has continued to comply with the requirements of the MC&I (Natural Forest).

In the previous Surveillance 1 Audit in January 2017, one (1) Major and six (6) Minor NCRs raised were closed out through verification of corrective action records and implementation. The verification comments are shown in **Attachment 4**. However, one (1) Minor NCR for Indicator 6.5.1 (MRS 1/2017) was upgraded to Major NCR (RJ 02/2017) during this Surveillance 2 Audit in 2017. All non-conformities raised during the Surveillance 1 Audit have been closed out through verification of implementation and records review except for one (1) Minor NCR which was upgraded to a Major NCR during the Surveillance 2 Audit due to recurrence of the same issue.

In this Surveillance 2 Audit, three (3) Major and six (6) Minor NCRs were issued against the requirements of the MC&I (Natural Forest). Details of the Major NCRs (RJ 01/2017 (SA2), RJ 02/2017 (SA2) & MN 01/2017 (SA2)), Minor NCRs (MRS 01/2017 (SA2), MRS 02/2017 (SA2), MRS 03/2017 (SA2), RJ 03/2017 (SA2), MN 02/2017 (SA2) & MN 03/2017 (SA2)) and OFIs raised are shown in **Attachment 5**.

The audit team had reviewed, accepted and verified the corrective actions taken by the FMU to address the 3 major NCRs raised during the Surveillance 2 audit. The corrective actions taken were found satisfactory and as such had closed out the NCRs. The audit team had also reviewed and accepted the proposed corrective actions to address the 6 minor NCRs which will be verified during the next audit.

In consideration of the rectifications taken to address the non-compliances, the assessment team recommends that **Segaliud-Lokan FMU** continue to be certified against the MC&I (Natural Forest).

The summary of findings of the Surveillance 2 audit on the **Segaliud-Lokan FMU**, against the requirements of the MC&I (Natural Forest), are as follows:

Principle	Strengths	Weaknesses
Principle 1 Compliance With Laws and Principles	<p>The forest management had continued to maintain records of all relevant national and local laws and regulations and policies related to forest management. Copies of the documents were available in the office of the Lokan Base Camp. Forest managers were generally aware of the said laws and regulations. And consultation with the ADFO indicated that no compounds were issued during the year 2017 signifying the absence of forest violation.</p> <p>Current list of all legally prescribed fees, royalties, taxes, and other charges were made available at the camp site and the log pond. The Sabah Timber Royalty (FD: 18/2016), receipts on royalty for processing, extracted logs, logging license and occupational permits were verified.</p> <p>Forest managers had demonstrated awareness of international agreements. Copies of these documents, such as the International Labour Organisation (ILO)</p>	<p>The audit however noted two non-compliances; namely, infringements on [i] Labour Ordinance (Sabah Cap. 67), Section 113(4) regarding salary deduction, and [ii] Labour Ordinance (Sabah Cap 67) Amended 2005 regarding leave entitlement. Major NCR MN 01/2017 – SA2 for Indicator 1.1.1 was raised accordingly</p>

	<p>Conventions, Convention of Biological Diversity (CBD) and International Tropical Timber Agreement 1994, were available in the Lokan office.</p> <p>There were no conflicts between laws and regulations, and the <i>MC&I (Natural Forest) Principles and Criteria</i>. Forest managers profess willingness to participate in the resolution of such conflicts if it were to occur.</p> <p>The legal provisions for establishment and protection of forest reserve in the FMU were specified in the license agreement signed between KTSP and the Sabah Forestry Department (License Agreement for Timber, Tree Plantation and Wood Processing Plant for KTS Plantation Sdn Bhd (1993-2089)). Joint patrolling between the two agencies effectively curbed and reduced encroachment. The FMU was zoned for more effective monitoring. External boundaries bordering FELCRA plantation, with adequate signage, further secured the FMU.</p> <p>A policy statement on <i>Forest & Environmental Management Policy</i> signed by the Managing Director on 1st December 2017 was available and placed at strategic places in the Lokan base camp. The Policy had committed the FMU to compliance with all regulations and laws. These statements, as included in the <i>Second Forest Management Plan 1st revision Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i>, were displayed in the FMU website.</p>	
<p>Principle 2 Tenure and Use Rights and Responsibilities</p>	<p>KTS Plantation (KTSP) was given the right by the state (Sabah Forestry Department) to manage Segaliud-Lokan FMU for 96 years (1993-2089) under the License Agreement, JP(SLK) 125/93 (CO), 1 May 1993. There is no settlement or customary sites within the FMU area hence obviating any land claim issue.</p> <p>As related above in Criterion 2.1, there was no tenancy or customary sites in the FMU area.</p> <p>Although the FMU does not have tenancy nor customary right, mechanism to resolve potential disputes is available as provided by the state and internally through the Community Forestry Committee (CFC).</p>	
<p>Principle 3 Indigenous People's Rights</p>	<p>The FMU acknowledged indigenous peoples' rights as stated in their FMP, FMU 19(b), 2009-2018 including the recognition of Native Court (see Appendix 10) apart from state Ordinance. This is concurrent with the United Nations Declaration on Rights of Indigenous Peoples, 2007.</p> <p>Since there was no tenancy or customary sites in the FMU area (Criterion 2.1 above) the requirement pertaining to management of indigenous land is deemed not applicable.</p> <p>The FMU is guided by the documents <i>Evaluation of High Conservation Value Forest (HCVF) in Segaliud Lokan Forest Reserve" (2015 version)</i> and <i>Compliance Report 2016 (#KTSP/SFD/CR/Vol2016)</i> for identifying sites of cultural, ecological or religious significance to indigenous people. There is no such site of importance that has been identified to date within the FMU area.</p>	

	<p>There was no record on the use of traditional forest-related knowledge and practices of indigenous peoples as related to FMU management. Similarly, there is no record of compensation for the use of traditional forest-related knowledge and practices for the local community. As stated earlier (Criterion 2.3) adequate mechanism exists for such claims if needed.</p>	
<p>Principle 4 Community Relations and Worker's Rights</p>	<p>The FMU provided training for their staff as documented in <i>Training Reports</i>. Local communities were given employment/contract preference by the FMU as emphasized in <i>The Second Forest Management Plan 1st Revision Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i>.</p> <p>Field workers were updated on applicable laws and regulations regarding occupational safety and health, through briefing conducted for them. Records showed that the relevant trainings were conducted (e.g. schedule waste management, USECH Regulation 2000).</p> <p>Management policies on safety and health were accessible to the workers. At the Lokan FMU site office, a KTSP Safety and Health policy dated 27th August 2012 was displayed. Policy statement was also mentioned in the <i>Second Forest Management Plan, 2009-2018</i>.</p> <p>Equipments were found kept in good conditions. In the camp at Compt. 9, for example, maintenance records were verified and updated for all safety and operational equipment (chainsaws and vehicle and bulldozers). The FMU safety records were current. No work related injuries had occurred in 2017. Copies of safety records were for 2017 were sent to the Department of Occupational Health (DOSH). The FMU had demarcated the hazardous areas in the store and the nursery and proper signage noted. Safety guidelines posters in the nursery were displayed on nursery walls and in the chemical store. There was general awareness regarding the handling of chemicals among workers interviewed. Safety Data Sheet was also displayed at the store.</p> <p>The FMP allowed their workers the right to freely organize themselves into union of their own choice. The workers have access to their rights and benefits and protection is assured under applicable laws and/or regulations. The audit verified records on work contracts, employment terms, enumeration rates, holidays, sick leaves, SOCSO coverage, insurance, EPF contributions, and rights of migrant workers. Two committees, Community Forestry Committee (CFC) and Management Workers Committee (MWC), were set up to handle grievances. In addition the management has clear SOP (KTSP/SOP/44/21) on the mechanism.</p> <p>Social impact assessment (SIA) had been carried out as part of the revised EIA and consultations with the surrounding communities were documented. As part of the HCVF evaluation a social assessment survey and analysis was conducted. Relevant information from the study had been incorporated in management planning and the FMP revision had taken this into account. Legal documents</p>	<p>The audit noted that some programmes (e.g., training in scheduled waste, chemical handling and HCVF awareness) designated in the 2017 <i>Training Schedule</i> has not been conducted. A Minor NCR MRS 01/2017 - SA2 for Indicator 4.1.1 was raised for the non-compliance.</p> <p>The audit also noted some non-compliances in the maintenance of first-aid kits; namely, none was provided at the nursery, kit contents at the workshop and main store had expired in 2014, kit contents at the stumping site inspected were inadequate and the kit box at the guard house was empty. In addition, Terbutaline Syrup stock at the base camp clinic, was found stored at below 25°C in the open, exceeding the required temperature. Thus, a Major NCR RJ 1/2017 - SA2 for Indicator 4.2.3 was raised.</p> <p>The audit team found that the SIA did not specifically address extant issues as per MC&I requirements. Furthermore, the report proved outdated and</p>

	<p>relating to prevention of loss or damage affecting community customary rights, property, resources, or their livelihoods were available at the office at Segaliud Lokan Base Camp for audit. There were no records of such loss or damage to the local community. Appropriate mechanisms were already in place (e.g., Social Forestry Committee) to address grievances if necessary.</p>	<p>not comprehensive in providing full information on impacts of forest operation on surrounding communities and stakeholders. Thus, a Minor NCR MN 02/2017 – SA2 for Indicator 4.4.1 was raised.</p>
<p>Principle 5 Benefits From the Forest</p>	<p>Annual Work Plan 2017 and the Compliance Report 2016 submitted to the Forestry Department presented budgets for all the activities conducted within the FMU including costs of training, restoration planting, silvicultural treatment and environmental protection. The Second Forest Management Plan, 2009-2018 further elaborated on forest management, conservation, socio-economic status and environmental protection.</p> <p>Forest management aimed at optimizing use of forest resources. Damages and wastages were minimized through compliance with RIL guidelines and the Comprehensive Harvesting Plans (CHP), and post-harvest compliance assessment. There were no records of minor forest produce extraction although their harvesting by the local community was permitted. The gazetted Royalty Structure and Rates for logs in Sabah was structured with preferential royalty rates for local processing to encourage local participation. A copy of the document based on the director's circular (<i>Pekeliling Pengarah</i>) <i>FD 37/201</i>, January 2014, was made available. Different rates were allocated to RIL harvested logs and those from reforestation sites.</p> <p>Reduced impact logging techniques were in accordance with the <i>RIL Operation Guide Book: Code of Practices for Forest Harvesting in Sabah 1999</i> which were enforced in a modified manner in the harvesting operations of the FMU. In addition harvesting was guided by the Comprehensive Harvesting Plans (CHP). In combination, harvesting operation minimized wastage of forest resources. Only tagged logs were extracted except for non-commercial damaged and hollow logs. The integrity of skid trails, feeder roads, secondary roads and buffer zones in Compartment 19 were inspected and verified.</p> <p>The FMU was operating mainly for the production of logs. The production mix of different species provided some diversification of forest resources.</p> <p>Sensitive areas demarcated and protected as verified at Sg. Rawog, Compartment 52 & 56 and Sg. Sisikan (between Compartment 26 & 28), included riparian buffer belt and slopes above 25 degrees. There was no forest site classified as watershed within the concession. The FMU also has maintained and enhanced forest resources through restoration planting as verified at Compartment 28 and 37 in Sg. Sisikan.</p>	

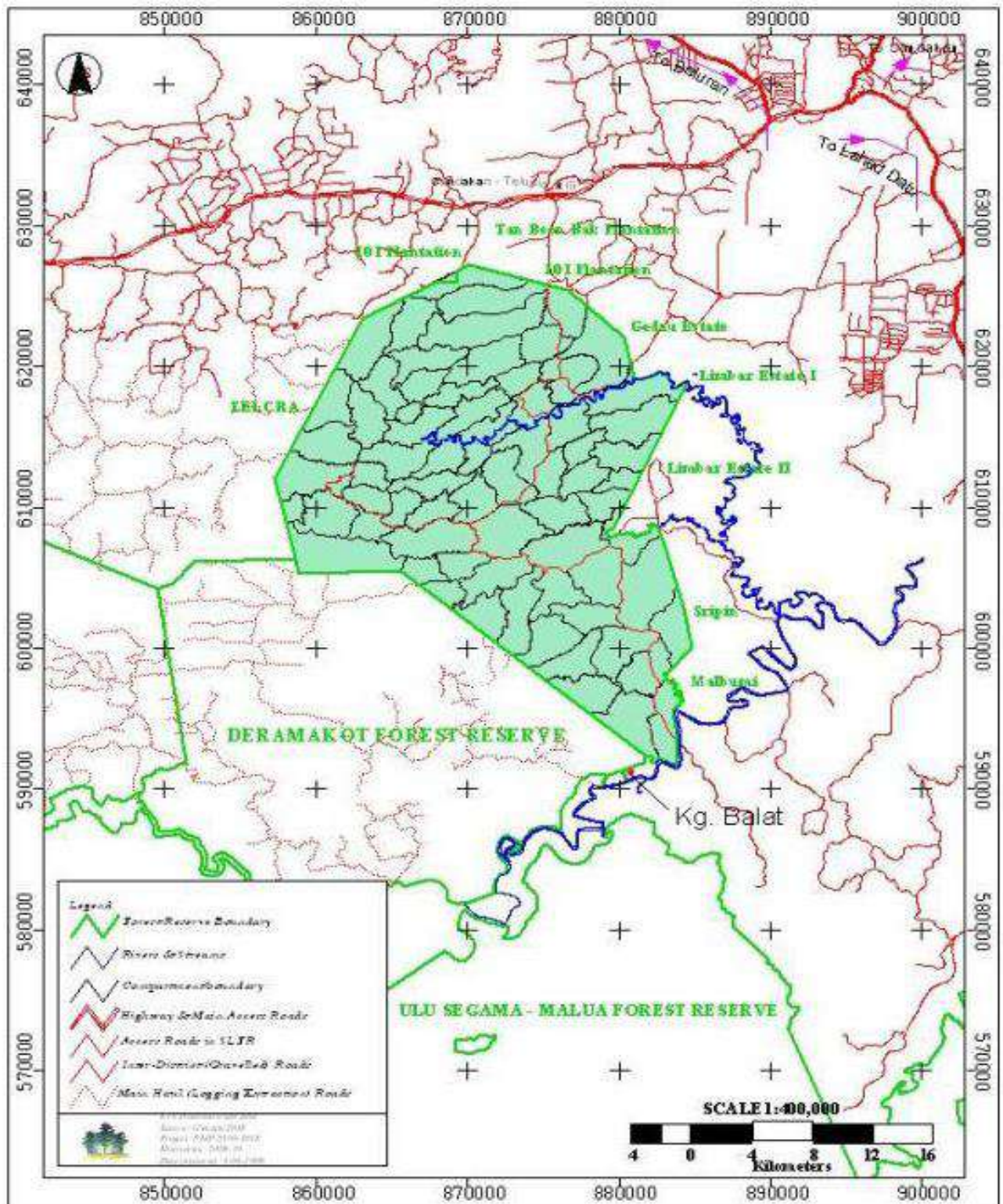
	<p>Based on preliminary data, the AAC was established at 34m³/ha/yr as stated in <i>The Second Forest Management Plan, 2009-2018</i>. Actual harvesting volume over the first FMP was 80% of the estimated AAC well below cutting limit. The FMU also planned to revise data from the current 98 permanent sample plots to update AAC determination. The FMU maintained records on quantity of timber harvested from the FMU as summarized in the Annual Work Plan (AWP) 2017. Resource sustainability measures taken also include the Comprehensive Tree Harvesting Plans (verified for compartment 19) and daily felling records including tagging of harvested logs at log landings.</p>	
<p>Principle 6 Environmental Impact</p>	<p>The revised EIA (2012) for the FMU was approved on 1 March 2013 and sighted during the audit. The document also included potential impacts of adjacent oil palm estates on the FMU. The establishment of wildlife corridors with neighbouring forest reserves was also suggested. Recommendations on strategies to mitigate the impacts of forest management were incorporated into the revised Second Forest Management Plan, 2009-2018.</p> <p>Guidelines on ERT species were incorporated in the revised <i>Environmental Impact Assessment (EIA) Report (2012)</i> and the revised <i>Second Forest Management Plan, 2009-2018</i> as indicated above (Criterion 6.1). The FMU cooperated with stakeholders in conservation activities: Examples include conservation of a rare <i>Nepenthes</i> species, four protected animal species (with the Wildlife Department), and salt licks. Cooperation with the University Malaysia Sabah included identification of HCVF sites and improvement on high production corridors (HPC). The FMU is secured through enforcement of no hunting policy, signage, security gates, monthly boundary patrols and aerial monitoring (some years). Record on aerial monitoring was verified.</p> <p>The impacts of harvesting, pre-harvesting and post harvesting were assessed using data from sample plots. Inventories determined trees to be felled (listed and mapped in the CHP) and retained for regeneration. Post-harvest regeneration treatments were conducted where necessary. These were verified through the relevant documents sighted - The Closing Inspection Report (17th August 2017) and PSP records of selected compartments. Annual Work Plan and Comprehensive Harvesting Plan considered the need for protecting biological corridors. Buffer zones were also established around salt licks or wallows, linked to existing buffers, for wildlife conservation.</p> <p>The FMP stipulated an area of 10,346 ha to be set aside as Protected Forests to represent areas of existing forest ecosystems. In addition steep areas above 25 degrees and riparian buffer belts were also protected. These sites were identified during pre-felling exercise, demarcated on the ground and documented in the CHP and in the Compliance Report. Felling is prohibited in these areas.</p> <p>Field inspection (Compartment 25) verified that harvesting was conducted according to the Comprehensive Harvesting Plan where procedures to protect soil from</p>	<p>During field inspection in Compartment 19, surface soil was found bulldozed into the buffer zone at bridge B1 in Secondary road S2. Since it was a recurrent infringement (previous Minor NCR MRS 01/2017 for indicator 6.5.1); the NCR was thus upgraded to Major NCR RJ02/2017 for indicator 6.5.1.</p> <p>For the absence of management policy on environmentally friendly non-chemical methods of pest management during the audit a Minor NCR RJ 3/2017 – SA2 was raised for Indicator 6.6.1.</p>

	<p>compaction and erosion during harvesting operations were implemented in accordance to RIL requirements. Riparian buffers were also established according to RIL guidelines. These were demarcated with boundary trees and strategic signage.</p> <p>Management policy on environmentally friendly non-chemical methods of pest management was not evident during the audit. Chemicals used were mainly for paints, fuel and herbicides, used in pest control in restoration planting and the nursery. Handling and storage was proper as in accordance with SOPs for mixing chemicals, fertilizer application and weeding. A list of chemicals used and an assessed report (<i>Report of Chemical Health Risk Assessment, 5-6 October 2016</i>) were verified. Nursery workers were adequately briefed and trained on chemical handling. Training records on OSH and scheduled waste management in 2017 were sighted.</p> <p>Records on disposal of spent batteries and oil by specified contractors (Nov 2017) were verified. Medical wastes were similarly disposed (contractor, Sedalia Sdn Bhd). There was no application of biological control agents in the FMU.</p> <p>Under the initial ITP condition exotic fast growing species would be employed to generate forest cover together with local species. The exotics are more resilient and suitable to much degraded sites. Over time however, more local species are used in regenerating post-harvest natural forest stands while exotic species are mainly confined to degraded sites.</p> <p>The industrial plantation area within the FMU was verified at 37,420 ha as compared to 22,238 ha recorded in the last audit. This is still within the 5% limit for conversion from natural forest. The plantation was mainly confined to degraded sites and areas with very poor forest cover.</p>	
<p>Principle 7 Management Plan</p>	<p>The revised <i>Second Forest Management Plan 1st Revision Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i> was presented during the audit. The inclusion of particulars as listed from (a) to (i) in this criterion was verified. Some discrepancies were however noted.</p> <p>Periodic review of the management was maintained as in the revised "Second Forest Management Plan 1st Revision Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018" which was presented during this audit. The updates included harvesting plans, growth analysis and harvest rates, and HCV as well as forest conservation strategies.</p> <p>The training program with ten courses, centered on forest management, for 2017 was sighted. Training included OSH, RIL guidelines, dendrology, Chemical handling & USECHH regulations.</p> <p>The public summary of the management plan could be viewed from the FMU's web page at http://www.segaliudlokan.com/executive-summary-forest-management-plan/</p>	<p>The following non-compliance was noted in the revised FMP: (i) Actions taken by the Community Forest Committee (CFC) were not recorded. (ii) HCVF map was not updated. And (iii) Map of PSP distribution was also not updated. A Minor NCR MN 03/2017 – SA2 for Indicator 7.1.1 was thus raised.</p>

<p>Principle 8 Monitoring and Assessment</p>	<p>The FMU had requested the Sandakan District Forest to conduct closing operation on Compartment 28, 25 and 14 (letters dated 20 March 2017, 15 May 2017 & 28 November 2017) as per the Sustainable Forest Management Guidelines-Part IV (October 2003). Other monitoring procedures conducted include checking on environmental features as specified by the Environment Protection Department and annual meeting with relevant stakeholders to assess social impacts.</p> <p>The relevant information as listed in Criterion 8.2 (a) to (e) were collated by the FMU. These included yield of forest products (13.8K m³, Jan-Oct 2017), PSP data on growth and regeneration status, changes in flora and fauna (Compartment 20, 22, 23, 28 and 30; wildlife report with UMS), environment and social impact (reports submitted to EPD over 2016-2017; consultation with relevant estates, April 2017) and on forest management (various costs reported for 2016 amounting to RM10.7M).</p> <p>Site inspection at the stumping site and was made in Compartment 19 and relevant documents were checked at the log pond. The documents verified were selected internal Delivery Notes, Block Scaling Log Register Book and Daily Hauling Report Block, copies of Disposal Permits for Round Logs and the Removal Passes Form IV. SOP on tree tagging/tree marking. In addition, the Comprehensive Harvesting Plan was verified. Log movements were verified from the Daily Felling and Extraction Form or Comprehensive Tree Harvesting Report for SKT A 31. Log records tallied between stumping sites and log record book at the log pond.</p> <p>The <i>Second Forest Management Plan 1st Revision Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i> incorporated results of monitoring as mentioned earlier. Results of subsequent monitoring (as per Indicator 8.2.1) will similarly be incorporated into the forthcoming FMP revision for the succeeding period 2019-2028.</p> <p>A summary of the results of monitoring indicators as listed in Criterion 8.2 was made available to the public at http://www.segaliudlokan.com/monitoring/.</p>	<p>The PSP ATP02 and ATP04 were found located on the margin of harvest area (50 m from road side). Saplings were erroneously inventoried at 5.0 cm diameter and below instead of the correct size range of 1.35 m height down to 3.0 cm diameter. For the oversight a Minor NCR MRS 02/2017 - SA2 for Indicator 8.2.1 was raised.</p>
<p>Principle 9 Maintenance of High Conservation Value Forests (HCV)</p>	<p>Four HCVF areas documented are Nepanthes site (Compartment 49), saltlick (Compartment 56), steep area with old growth trees (Compartment 58) and the Toluh waterfall (Compartment 26).</p> <p>The FMU consulted with stakeholders on HCVFs in 2015 as verified through the official letter to the Wildlife Department and Sabah Forestry Department dated 2 February 2015. The next consultation will be conducted in 2018.</p> <p>The FMU has stated measures to demarcate, maintain and/or enhance the four HCVF areas in the FMP (2009-2018). The specific measures to maintain and enhance the conservation attributes of the HCVF sites were identified in the updated <i>Evaluation of High Conservation Value Forest (HCVF) Segaliud Lokan Forest Reserve (FMU 19B) November 2016</i>. The updated summary was also</p>	<p>The SOP and information for HCVF was not updated for the FMU. For example, the Tolih waterfall was not stated, monitoring conducted not on the designated time and monitoring form used (SF17) was outdated. For the oversight a Minor NCR MRS 03/2017 - SA2 for Indicator 9.4.1 was raised.</p>

	<p>uploaded onto the website http://www.segaliudlokan.com/hcvf/.</p> <p>The FMU has established a monitoring procedure to assess the effectiveness of measures in the management of the HCVFs titled 'Standard Operating Procedures HCVF Management' with date of effective on 1st June 2015. Four HCVF areas were verified through documentation during audit.</p>	
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Map of Segaliud Lokan FMU



Experiences and Qualifications of Audit Team Members

Assessment Team	Role/Area of MC&I Requirement	Qualification and Experience
Mohd Razman Salim	Assessment Team Leader / Environment / Social issues	<p>Academic Qualification: B.Sc of Forestry (Forest Production), University Putra Malaysia.</p> <p>Work Experience: Five years experienced as Research Officer at the Forest Research Institute Malaysia (FRIM) since 2007 in a various area such as ecological research for lowland and hill dipterocarp forest, Geographic Information Systems, forest inventories, forest harvesting and forest management system (SMS). Participate in organizing committee member, division level activities and projects. Coordinate and collaborate a long term ecological plot and inventory data about 25 years at the Pasoh, Negeri Sembilan with Negeri Sembilan Forestry Department, universities (local & international) and NGOs. Published and presented research findings at the seminars and conferences. Currently as Auditor at the Food, Agriculture and Forestry Section (FAF), SIRIM QAS International Sdn Bhd, since 2013. Involved in conducting assessments on forest management certification [MC&I (Natural Forest)] & [MC&I (Plantations)], MYNI of RSPO P&C and other management systems on ISO 9001, 14001 and OHSAS 18001</p> <p>Training / Research Areas:</p> <p>Was attending and pass in the following training programmes:</p> <p>Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (Natural Forest)] & [MC&I (Plantations)] organized by MTCC, 1-4 December 2013. EMS 14001: 2004 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 18-22 March 2013. OHSAS 18001: 2007 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 11-15 March 2013. QMS 9001: 2008 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 4-8 March 2013.</p>
Tn. Hj. Roslee Jamaludin	Assessment Team Member / Forester	<p>Academic Qualification: B.Sc. of Forestry (Forest Management), University Putra Malaysia. Diploma of Forestry, Mara Institute of Technology, Malaysia.</p> <p>Work Experience: A retiree of Forest Conservator from Forestry Department of Peninsular Malaysia, with 36 years of experience in forest management, operation and administration. Has been working in various position since appointment in 1977, which includes Assistant Forest Management officer in Kuantan, Forestry Department of Pahang, Assistant District Forest Officer in Kuala Lipis Pahang and Segamat, Johor. Forest Plantation Officer in Johor and Terengganu, Forestry Officer for the State of Malacca. Assistant Director for Forest Harvesting and Industries in Selangor, District Forest Officer in Dungun Terengganu, Assistant Director for Forest Management in Negeri Sembilan and the State Director of Forestry Penang before retirement in April 2015. Has involved in several Working Committee form by the Forestry Department of Peninsular Malaysia to further improve the existing procedures, such as, Forestry Manual, Forest Road Guidelines, Forestry Rules, other</p>

		<p>guidelines regarding the MC&I for forest certification. A member of MAJURUS, was appointed as an Internal Auditor for the MC&I. Has attended several forestry Conference overseas and local. A member of IRIM (Institut Rimbawan Malaysia). Appointed as a facilitator and trainer for Forest Road Guidelines by Forestry Department Peninsular Malaysia.</p> <p>Attended training programmes:</p> <ul style="list-style-type: none"> • Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (Natural Forest)] & [MC&I (Plantations)] organised by MTCC, 9 – 10 July 2015 • EMS 14001: 2004 Lead Assessor Training Course organised by SIRIM Training Services Sdn Bhd, 23 Nov. – 27 Nov. 2015. • Briefing on RSPO Principle & Criteria (HCV) organised by SIRIM QAS (Food, Agri & Forestry Section) 21 August 2015. • Workshop on Auditing Technique for FMC (2) organised by SIRIM QAS (Food, Agri & Forestry Section) 26 Jan 2016.
Dr. Mohd Nazre Saleh	Assessment Team Member/ Forester	<p>Academic Qualification: <i>Diploma in Forestry, UPM</i> <i>B. Sc. Conservation Biology & Ecology (UKM)</i> <i>MSc. Botany (UKM)</i> <i>PhD. Botany (Edinburgh)</i></p> <p>Work Experience: One year as Research Assistant in WWF-Malaysia in the year from 1999-2000. Become an academic staff in Faculty of Forestry, Universiti Putra Malaysia (UPM), Serdang Selangor from 2000 to present (16 years), starting as a tutor promoted as Senior Lecturer in 2009, and currently as an Associate Professor since 2013. Main responsibility is teaching the undergraduates in the subject of Dendrology, Forest Ecology and Ethnobotany, and Forest Dynamics for postgraduate students. Main research subjects are botany, forest ecology and, forest conservation and management done by supervising both undergraduate and postgraduate (Master/PhD) students funded by local and international grants. Appointed as Head of Department since 2010 for Department of Forest Production (2010-2012) and Department of Forest Management (2013-present). Has sat in many committees for university and ministry (national) related to forestry subjects such as Mangrove Conservation, Forest Management, Forest Protection and Forest Plantation. Published more than 50 articles in local and international book, journals, chapters in books, conference proceeding and technical reports. Attended and presented in many workshops, conferences, seminars held at both local and international levels.</p> <p>Attended and pass the following training programmes:</p> <ul style="list-style-type: none"> • Auditor Training Course on MC& I (Natural Forest) and MC&I (Forest Plantation V2) (SIRIM QAS Sdn. Bhd), 9th-10th July 2015. • EMS 14001: 2004 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 18th – 22nd July 2016. • Forest Management Certification (FMC) Workshop, SIRIM Bhd, 6th –7th December 2016 • Training on Auditing Techniques (SIRIM QAS Int. Sdn. Bhd), 26th January 2016.
Angelica Sinimis Suimin	Trainee Auditor	<p>Academic Qualification: <i>B. Sc. Social (USM)</i> <i>MSc. Environmental Management (UNIMAS)</i></p> <p>Work Experience: Various experience in forest industries especially on social aspect with (i) social consultant/researcher – 3 years, (ii) Sabah Forest Industries Sdn.</p>

		<p>Bhd. (SFI) – 6 years, (iii) Subur Tiasa Holdings Bhd – 4 years & (iv) Freelance consultant – SAGE Consult with Sabah Forest Industries Sdn Bhd (SFI) from 2011 to 2015.</p> <p>Other consultancy work experience for other organisations:</p> <ol style="list-style-type: none"> 1. High Conservation Values Assessment (HCV) – Jambongan Island 2. Due Diligence Social Assessment at SAFODA area, Pitas District 3. Social Baseline and Strategic CSR intervention, Hijauan Bengkoka Plantations- Pitas District 4. High Conservation Value Assessment (HCV) and pre-liminary social baseline for proposed Oil palm project- Kerema, Gulf Province, Papua New Guinea. 5. Part-time Consultant for Hijauan Bengkoka Plantations <p>Attended and pass in the following training programmes:</p> <ol style="list-style-type: none"> i. Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (Natural Forest)] & [MC&I (Plantations)] organized by MTCC, 1-4 December 2013. ii. EMS 14001: 2004 Training, 2013 iii. OHSAS 18001: 2007 Awareness Training, 2012. iv. FSC Expert Lead Auditor, NEPCON-Tawau, 2015. v. Social Impact Assessment (SIA) by ENSEARCH, Kota Kinabalu, 2012.
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Surveillance 2 Audit Plan

DAY	TIME	PROGRAM		
		AUDITOR 1 (Razman)	AUDITOR 2 (Roslee)	AUDITOR 3 (Dr Nazre & Angelica)
Day 0 Sunday (3/12/2017)		<ul style="list-style-type: none"> Razman, HJ Roslee & Dr Nazre - Travel from Kuala Lumpur to Sandakan (MH2710; 1025 - 1310) All auditors and 1 trainee auditor (Angelica) travel to Segaliud Lokan Base Camp Briefing by Audit Team Leader on the surveillance 2 audit plan 		
Day 1 Monday (4/12/2017)	8.30 am – 12.00 pm	<ul style="list-style-type: none"> Opening Meeting with representatives of FMU Briefing session by Forest Manager of the FMU on progress of forest activities Q&A Session Evaluation of changes to the management of the FMU Check on progress of planned activities aimed at enhancing the operation system to achieve improvement in overall performance Check on complaints, stakeholder comments and follow-up actions with Government agencies and NGOs Check on verification for closing NCRs raised during the previous audit Evaluate on procedures for internal audit Evaluate on management review system 		
	2.00 – 5.00 pm	Documentation and records review	Documentation and records review	Documentation and records review
		<ul style="list-style-type: none"> Principle 7 – Management Plan Principle 8 – Monitoring and Assessment Principle 9 – Maintenance of High Conservation Value Forests 	<ul style="list-style-type: none"> Principle 1 – Compliance with Laws and Principles Principle 4 - Community Relations and Worker's Right (Indicator 4.2) Principle 5 – Benefits from the forest Principle 6 – Environmental Impact 	<ul style="list-style-type: none"> Principle 2 – Tenure and Use Rights and Responsibilities Principle 3 – Indigenous Peoples' Right Principle 4 - Community Relations and Worker's Right
<ul style="list-style-type: none"> Review of Day 1 Findings by Audit Team Leader 				
Day 2 Tuesday (5/12/2017)	8.00 am – 5.00 pm	Site visit <ul style="list-style-type: none"> HCVFs area – Toluh waterfall at Compt. 26 Boundaries inspection between Compt. 15 and Gagah Makmur Estate Protection area / riparian buffer at Sg. Rawog at 	Site visit <ul style="list-style-type: none"> Inspection of active area at Compartment 19. Interview with workers (local and foreign workers) 	Site visit & consultations <ul style="list-style-type: none"> Assistance District Forest Officer (ADFO) – Mr. Jariu Ganggen Labour Department, Sandakan, Sabah Forestry Department (SFD) & Wildlife Department. KTS Office in Sandakan

		<p>Compt. 52 & 56 and Sg. Sisikan (between Compt. 26 & 28)</p> <ul style="list-style-type: none"> • Restoration planting sites at Compt. 28 • High Production Corridor (HPC) at Compt. 37. 		
		<ul style="list-style-type: none"> • Review of Day 2 Findings by Audit Team Leader 		
<p>Day 3 Wednesday (6/12/2017)</p>	<p>8.00 am – 5.00 pm</p>	<ul style="list-style-type: none"> • PSP plots (i) ITP02, Compt. 4 (ii) ITP04, Compt. 8 	<ul style="list-style-type: none"> • CoC Process • Nursery • Workshop • Clinic • Interview with field workers (local and foreign workers) • Interview with union representatives 	
		<ul style="list-style-type: none"> • Review of Day 3 Findings by Audit Team Leader 		
<p>Day 4 Thursday (7/12/2017)</p>	<p>8.00 am - 12.00 pm</p>	<ul style="list-style-type: none"> • Documentation and records review 		
	<p>2.00 – 3.00 pm</p>	<ul style="list-style-type: none"> • Preparation of audit report and finding 		
	<p>3.00 – 5.00 pm</p>	<ul style="list-style-type: none"> • Closing Meeting and presentation of findings of audit and discussion on follow-up activities 		
	<p>5.30 pm</p>	<ul style="list-style-type: none"> • Travel to Sandakan. • Stay at Four Points Hotel, Sandakan 		
<p>Friday (8/12/2017)</p>		<ul style="list-style-type: none"> • Travel from Sandakan to Kuala Lumpur on Friday (8/12/2017) (MH2711; 1355 - 1635) 		

Corrective Actions Taken and Final Status on NCRs and OFIs Raised During Previous Audit

P & C Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Indicator 4.3.3 NCR #: IS01/2017	Minor	The right of workers to benefits and protection is assured under applicable laws and/or regulations Employment terms and conditions not clearly explained to employees.	To produce a circular on annual and sick leave entitlement for the workers To ensure the workers are aware of the circular	Labour Department Sandakan has verified the same issue on 20 February 2017 and 20&21 April 2017 to inspect conformance to Sabah Labour Ordinance Cap. 67. A letter from the Sabah Labour Department ref: JTK.H.SDK.600-3/7/01117/229 was issued to KTS to indicate satisfactorily results of the inspection and no further labour issues was raised. Based on interview with 21 workers, they were understood their sick leave entitlement as stated in the employment contract. Status: Closed.
Indicator 4.3.4 NCR #: IS02/2017	Minor	Availability of appropriate procedures to address grievances raised by workers The grievance procedures that were established by the FMU were not clearly explained and understood by the employees and workers.	To brief workers on the grievance process flow.	The management has clear SOP (KTSP/SOP/44/21) on worker's grievances. In addition to that workers also were briefed on the mechanism (briefing report dated 23/6/2017). Interview session with the selected workers in the nursery (Asmanah Yunus & Matahari Darisu), guard post (Rowan Kanong & Sangku Lampun) and forest workers (Nagai Kuing & Elfren Patrick) confirm about the understanding of the workers on the function of MWC to channel their grievances. Status: Closed.
Indicator 6.5.1 NCR #: MRS 1/2017	Minor	Availability and implementation of harvesting procedures to protect the soil from compaction by harvesting machinery and erosion during harvesting operations. Implementation of	To brief related persons on the following: List of penalties for breach of RIL Guidelines for Forest Infrastructure manual	During the site visit to active area, Licence no. JP(SLK)125/93(CO) in compartment of 19, it was found that the bulldozer had pushed the soil into buffer zone at bridge B1 in Secondary road S2. It was a recurrent of previous Minor NCR MRS 01/2017 SA1.

		harvesting procedures to protect soil erosions during harvesting was not followed.	KTS/SOP/446-3 particularly on 5.13 Culverts and water crossing.	Status: Upgraded to a Major NCR RJ 02/2017 – SA2 during this Surveillance 2 Audit.
Indicator 6.7.1 NCR #: SK1/2017	Minor	Oil, fuel, tyres, containers, liquid and solid non-organic wastes, shall be disposed of in an environmentally appropriate and legal manner. Scheduled wastes were observed to be stored over the prescribed period and some containers had not been labeled with the dates of waste generation as specified under the Environmental Quality Act.	To engage contractors to dispose scheduled wastes To improve existing environmental monitoring program on scheduled wastes compliance.	During the inspection of the store at the workshop during this audit, it was observed that used acid batteries under SW102 were labelled and stored since 19/10/2017 and the spent oil was labelled and stored since 27/11/2017, which was still within the permitted time limit. The record of disposal by the specified contractor dated July – Nov. 2017 for used batteries and record for spent oil disposal by specified contractor dated 1/11/2017 were made available during the audit. Medical wastes generated during first aid procedures were also disposed to Sedafiat Sdn Bhd. in Sandakan by specified contractors. Status: Closed.
Indicator 7.3.2 MRS 2/2017	Minor	Forest workers shall be trained as to their respective roles in the implementation of the forest management plan. Forest workers were not adequately trained in their roles on implementation and establishment of PSPs.	To engage FRC to provide comprehensive trainings on PSP establishment.	The FMU has conducted training on establishment of Permanent Sample Plot and tree identification (Dendrology) on 18-23 September 2017 and 6 August 2017 for inventory team members. Status: Closed.
Indicator 8.2.1 NCR #: SK2/2017	Minor	Forest managers shall gather the relevant information, appropriate to the scale and intensity of the forest management operations, needed to monitor the items (a) to (e) listed in Criterion 8.2. The social communication record had not included the monitoring of social impacts of harvesting and other operations within the FMU.	To conduct annual social impact To compile and highlight the social impacts of in minutes of meeting	The FMU has conducted stakeholders consultation with Gedau Estate, Linbar 1 Estate and Linbar 2 Estate on 19 & 25 April 2017 as verified through meeting minute titled 'Consultation with Gedau Estate' and 'Consultation with Linbar 1 Estate and Linbar 2 Estate'. The FMU will be conducted an annual stakeholders meeting with stakeholders in order to monitor the impact of harvesting operation on the surrounding stakeholders. Status: Closed

<p>Indicator 9.3.1</p> <p>NCR #: SK3/2017</p>	<p>Minor</p>	<p>Measures to demarcate, maintain and/or enhance the HCVF attributes are documented in the forest management plan and effectively implemented HCVF sites with environmental services were not demarcated on the ground.</p>	<p>To mark Toluh waterfall boundary To erect signage at the entrance to the waterfall</p>	<p>Auditor has verified that the FMU has marked 30 m boundary mark for HCVF waterfall Toluh.</p> <p>Status: Closed.</p>
<p>Indicator 9.3.2</p> <p>NCR #: SK4/2017</p>	<p>Major</p>	<p>These measures shall be included in the forest management plan summary made available to the public The specific measures to maintain and enhance HCV attributes of the sites identified in the updated Evaluation HCVF in Segaluid Lokan not presented in the publicly available summary.</p>	<p>Upload the management prescription on HCV into Segaluid lokan Forest Reserve web page.</p>	<p>he specific measures to maintain and enhance the conservation attributes of the HCVF sites identified in the updated <i>Evaluation of High Conservation Value Forest (HCVF) Segaluid Lokan Forest Reserve (FMU 19B) November 2016</i> has been updated at the website http://www.segaluidlokan.com/hcvf/.</p> <p>Status: Closed</p>
<p>Indicator 4.2.3</p>	<p>OFI</p>	<p>During site inspection at the contractor's camp, the audit team had verified records on maintenance for all safety and operational equipment such as chainsaws, vehicle and bulldozers were in good working condition. The procedure could be enhanced by updating of maintenance records.</p>	<p>Not required</p>	<p>During site inspection at the contractor's camp at Compt.9 Permit No: JP(SDK)OP.06/2016, the audit team had verified records on maintenance for all safety and operational equipment such as chainsaws, vehicle and bulldozers were in a good working condition and the record of maintenance for the vehicle and equipment were recorded and updated.</p> <p>Status: Closed</p>
<p>Indicator 9.2.1</p>	<p>OFI</p>	<p>The revised list of stakeholders presented to the audit team included a large number of stakeholders some with no relevance to the FMU. Some of these stakeholders were also not able to contribute towards HCV attributes. There is a need to enhance the list to technical experts while otjer stakeholders would be more relevant to</p>	<p>Not required</p>	<p>The FMU has updated a list of stakeholders on 3 November 2017. The revised list of stakeholders presented to the audit team had included relevant stakeholders for HCVF consultation such as:</p> <p>i) Government agencies - Sabah Forestry Department (SFD), Sabah Wildlife Department (SWD), Institute for Tropical Biology & Conservation (ITBC) & Faculty of Science and Natural Resources from University Malaysia Sabah</p>

		Indicator 4.4.1.		(UMS) ii) NGOs - Wildlife Wide Fund for Nature Malaysia (WWF), Borneo Conservation Trust & Danau Girang Field Centre Status: Closed.
Indicator 9.4.1	OFI	The HCVF Monitoring forms included a section on Recommendations to Maintenance Site. This section could be improved by adding management procedures and possible enhancement measures.	Not required	HCV Monitoring form had been improved with additional of (1) Management Procedures and (2) Possible enhancement measures in the section 'Recommendations to Maintain/Enhance Site'. Status: Closed.

Details on NCRs and OFIs Raised During this Surveillance 2 Audit and Corrective Actions Taken

P & C Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Indicator 1.1.1</p> <p>NCR #: MN 01/2017 – SA2</p>	Major	<p>Requirement: Indicator 1.1.1 - Records and availability of up-to-date applicable federal, state and local laws, and regulations and policies, in particular those related to forest management.</p> <p>Finding: The FMU failed to follow the requirement of Labour Ordinance (Sabah Cap. 67), Section 113(4)</p> <p>Objective evidence: The FMU was found not adhere to the notice permit from <i>Jabatan Tenaga Kerja Sabah</i> (No Siri: 11(0992)SDK dated on 12 June 2017 with regards on '<i>Permit Potongan Daripada Gaji Pekerja Seksyen 113(4), Ordinan Buruh (Sabah Bab 67)</i>' specifically on the condition of; #1. <i>Jumlah semua potongan gaji pekerja sebulan hendaklah tidak melebihi 50% daripada pendapatan bulanan atau 75% sekiranya potongan gaji melibatkan pinjaman perumahan</i> - Evidence from the record of payment found in KTS Plantation office in Sandakan main office showed that salary of employee (Employee No.: 010021) for the month of November 2017 was deducted a total of RM607.50 (66%) from earning of RM920.40. #5. <i>Permit ini hendaklah dipamerkan di suatu tempat yang mudah dilihat di tempat penggajian pekerja-pekerja</i> - The notice was not displayed in the FMU area.</p>	<p>Root cause: Highest proportion of salary deduction comes from the canteen credit bond. The company allowed workers to take sundry good throughout the month for their convenience.</p> <p>Corrective action: 1. To limit the amount of canteen credit bond. Date of effective: 1/1/2018. 2. To display the Notice Permit from Jabatan Tenaga Kerja Sabah '<i>Permit Potongan Daripada Gaji Pekerja Seksyen 113(4) Ordinan Buruh Sabah (Bab 67)</i>' for awareness at sundry shop by 1/1/2018.</p>	<p>Corrective action was accepted by audit team.</p> <p>Evidence of implementation: 1. Auditor has verified payslip for Employee No: 010021 for January 2018 where the deduction not exceed 50% of monthly wages. 2. Photo of the permit has been displayed at the strategic area at sundry shop. 3. The management has briefed all staff and workers on the limit amount of canteen credit and deduction permit from labour department on 23/2/2018.</p> <p>Status: Closed.</p>
<p>Indicator 4.1.1</p> <p>NCR #: MRS 01/2017 – SA2</p>	Minor	<p>Requirement : Indicator 4.1.1 - Forest managers provide appropriate support for training, retraining, local infrastructure, facilities and social programmes that commensurate with the scale and intensity of forest management operations</p> <p>Finding : The FMU has yet to add other relevant training in the training plan '2017 Training Schedule' as required by the standard.</p>	<p>Root cause: Incomplete training plan meet of the training planned is upon the requirement of Forestry Department and ISO 14001.</p> <p>Corrective action: To establish a</p>	<p>Corrective action was accepted by audit team.</p> <p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>

		<p>Objective evidence:</p> <ol style="list-style-type: none"> Scheduled waste training Chemical handling HCVF awareness training Flora and fauna briefing (RTE) 	<p>training matrix that covers all aspect of forest management from different level of staff and workers.</p>	
<p>Indicator 4.2.3</p> <p>NCR #: RJ 01/2017 – SA2</p>	<p>Major</p>	<p>Requirement: Indicator 4.2.3. Appropriate safety and operational equipment in good working condition, including operational procedures, shall be made available to forest workers in the work place.</p> <p>Finding:</p> <ol style="list-style-type: none"> First Aid Box was not provided and not fully equipped as required at working area. Medicine stock was not stored in the controlled temperature as required. <p>Objective evidence:</p> <ol style="list-style-type: none"> Auditor has found that first aid kit : <ol style="list-style-type: none"> At Nursery, was not provided by the FMU management At Workshop and Main Store the content were expired in 2014. At Stumping site the content of first aid kit was found to be insufficient At Guard House the first aid box was found empty Inspection at the base camp's clinic found that Terbutaline Syrup stock that required to be kept below 25^o was kept in the open room that exceed the requirement. 	<p>Root cause:</p> <ol style="list-style-type: none"> Ineffective monitoring system on first aid box. Improper medicine storage location. <p>Corrective action:</p> <ol style="list-style-type: none"> To revise and enhance the first aid SOP by 31/1/2018. To implement the SOP and close monitor by safety officer every month. To use refrigerator as storage for liquid medicines. 	<p>Corrective action was accepted by audit team.</p> <p>Evidence of implementation:</p> <ol style="list-style-type: none"> SOP for First aid kit/ box monitoring was revised on 31 January 2018 titled 'First Aid Kit Monthly Monitoring Report'. The management has distributed first aid box to nursery, workshop, mainstore, stumping and guard house on 28/2/2018. Liquid medicine such as Terbutaline was stored in the refrigerator. <p>Status: Closed.</p>
<p>Indicator 4.4.1</p> <p>NCR #: MN 02/2017 – SA2</p>	<p>Minor</p>	<p>Requirement: Indicator 4.4.1: Forest managers shall evaluate, through consultations, social impact of forest operations directly affecting communities, and the people and groups directly affected by the forest operations shall have access to information on the results of the social impact evaluations.</p> <p>Finding:</p> <p>Social Impact Assessment (SIA) that carried out as part of the revised EIA and HCVF did not address the issues as per MC&I requirements for social impact evaluation</p> <p>Objective evidence:</p>	<p>Root cause:</p> <p>Social impact assessment was not conducted to include all required information.</p> <p>Corrective action:</p> <p>To engage consultant to conduct social impact assessment (SIA). Expected completion by 31/10/2018.</p>	<p>Corrective action was accepted by audit team.</p> <p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>

		SIA information was found reported in the EIA Report 2012 under section 4-13, and Evaluation of High Conservation Value Forest Report (page 9-15) during the audit. However, both reports were found to be outdated and not comprehensive to establish full information in particular evaluation and the impacts of forest operation to the surrounding communities and stakeholders.		
Indicator 6.5.1 NCR #: RJ 02/2017 - SA2	Major (Upgraded from previous Minor NCR)	<p>Requirement: Indicator 6.5.1- Availability and implementation of harvesting procedures to protect the soil from compaction by harvesting machinery and erosion during harvesting operations</p> <p>Finding: Implementation of harvesting procedure to protect the soil from erosion during harvesting operation was not adhered.</p> <p>Objective evidence: During the site visit to active area, License no. JP (SLK)125/93(CO) in compartment of 19 , it was found that the bulldozer had pushed the soil into buffer zone at bridge B1 in Secondary road S2. It was a recurrent of previous Minor NCR MRS 01/2017 SA1.</p>	<p>Root cause: Absence of detained working procedure for bridge construction.</p> <p>Corrective action:</p> <ol style="list-style-type: none"> 1. To clear soil from buffer zone by 31/1/2018. 2. To consult with Sabah Forestry Department on the correct procedure by 31/1/2018. 3. To revise standard operating procedure by 15/2/2018. 4. To brief related supervisors and workers by 20/2/2018. 5. To establish monitoring procedures by 15/2/2018. 	<p>Corrective action was accepted by audit team.</p> <p>Evidence of implementation:</p> <ol style="list-style-type: none"> 1. Photo of soil clearing at bridge B1, secondary road S2 dated 12/1/2018 was verified. 2. SOP titled 'Forest Infrastructure Manual' – bridge construction and monitoring procedures was revised on 2/1/2018 by adding preventive and corrective measure to avoid soil disturbance during stream-crossing construction. 3. Record of briefing on bridge construction to workers titled 'Briefing on RIL guidelines and operation impact' dated 12/1/2018 was verified. <p>Status: Closed</p>
Indicator 6.6.1	Minor	Requirement : Indicator 6.6.1 - Availability of management policy on environmentally friendly non-chemical	Root cause: Policy on the use of	Corrective action was accepted by audit team.

<p>NCR #: RJ 03/2017 – SA2</p>		<p>methods of pest management</p> <p>Finding: Policy on the use of environmentally friendly non-chemical methods of pest management and avoiding the use of chemical pesticides was not available</p> <p>Objective evidence: Management policy on the use of environmentally friendly non-chemical methods of pest management and avoiding the use of chemical pesticides was not available at Segaliud - Lokan FMU.</p>	<p>environmentally friendly non-chemical methods of pest management and avoiding the use of chemical pesticides is not included in the forest and environmental management policy of KTS Plantation.</p> <p>Corrective action: To include the policy on the use of environmental friendly non-chemical methods of pest management in the Forest and Environmental Management Policy by 15/2/2018.</p>	<p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>
<p>Indicator 7.1.1</p> <p>NCR #: MN 03/2017 – SA2</p>	<p>Minor</p>	<p>Requirement : Indicator 7.1.1 - Availability and implementation of Forest Management Plan</p> <p>Finding:</p> <ol style="list-style-type: none"> 1. Implementation of Community Forest Committee (CFC) in FMP (page 58-59) was not available 2. Map of all identified HCVPs was not updated in the FMP. 3. Description and map of PSPs in the FMP were not updated with latest design and no. of PSPs plot <p>Objective evidence:</p> <ol style="list-style-type: none"> 1. The FMP mentioned that the CFC is responsible for; (4.9.1) SIA study. (4.9.4) Employment Right and (4.9.5) Consultation with resident on social issues, but no evidence was found during the audit that CFC has dealt with these three issues. This was based on the interview with the the FMU's management staff, and also interview with 7 general workers. 2. The FMU has yet to update map of identified HCVPs (saltlick, dipterocarp abundance area, and Toluh waterfall) in the FMP. 3. The FMU also has yet to revise old 	<p>Root cause:</p> <ol style="list-style-type: none"> 1. Community Forest Committee (CFC) was not active and fully functioning. 2. The information No. 2 and 3 was updated in separate report as the Mid-Term Review for FMP was documented in 2015. <p>Corrective action:</p> <ol style="list-style-type: none"> 1. Depending on SIA finding, may or may not CFC to form. 2. To update the FMP through addendum accordingly by 30/6/2018. 	<p>Corrective action was accepted by audit team.</p> <p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>

		plan to establish 98 PSPs and map of PSPs (Map 9: Permanent Yield Sample Plots Location) as stated in the FMP 2009-2018 - Section 3.2.3 Assessment of Permanent Sample Plots with current plan were 60 PSPs (30 PSPs in ITP area & 30 PSPs in NFM area).		
<p>Indicator 8.2.1</p> <p>NCR #: MRS 02/2017 – SA2</p>	<p>Minor</p>	<p>Requirement : Indicator 8.2.1 - Forest managers shall gather the relevant information, appropriate to the scale and intensity of the forest management operations, needed to monitor the items (a) to (e) listed in Criterion 8.2.</p> <p>Finding :</p> <ol style="list-style-type: none"> 1. Method on establishing PSPs plot in the NFM area could affected the accuracy results of growth and yield. 2. Inventory of sapling was not accordance to standard procedure <p>Objective evidence :</p> <ol style="list-style-type: none"> 1. As refer to SOP Permanent Sample Plot (Operation), auditor has found that position of PSPs for ATP02 and ATP04 were at the edge of harvesting area (50 m from road side). 2. Counted of sapling as verified in the 'Sapling Count and Silviculture Information Form-SF19' was 5.0 cm and below. However, the SOP stated the counted sapling shall be taller than 1.35 m but less 3 cm. 	<p>Root cause: Most of the PSP plot located in non-operation area, therefore buffer is not required. However, buffer will be consider in the revised SOP to standardize the procedure.</p> <p>Corrective action: To improve the PSP SOP with the following amendment:</p> <ol style="list-style-type: none"> 1. To establish a 50 m buffer from the edge of harvesting area. 2. Sapling defined as tree smaller than 5 cm DBH but more than 50 cm height. 	<p>Corrective action was accepted by audit team.</p> <p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>
<p>Indicator 9.4.1</p> <p>NCR #: MRS 03/2017 – SA2</p>	<p>Minor</p>	<p>Requirement : Indicator 9.4.1 - Forest managers shall conduct, appropriate to scale and intensity of forest management operations, annual monitoring to assess the effectiveness of the measures in the management of the HCVFs in the FMU</p> <p>Finding : SOP HCVF was not updated with all identified HCVF area in the FMU, monitoring practices, and latest revision of monitoring form.</p> <p>Objective evidence :</p> <ol style="list-style-type: none"> i. Toluh waterfall was not stated in the SOP ii. Distance of boundary mark for all HCVFs area also not mentioned. iii. As per SOP, monitoring shall be conducted middle of the year. 	<p>Root cause: SOP is not updated. Need to assign PIC to review the SOP.</p> <p>Corrective action:</p> <ol style="list-style-type: none"> 1) To revise and update the SOP annually. 2) To monitor the implementation of SOP by PIC. 	<p>Corrective action was accepted by audit team.</p> <p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>

		<p>However, actual monitoring for all HCVFs were conducted on 24 October 2017 and 20 November 2017.</p> <p>iv. The monitoring form (SF17) in the SOP also was not updated with current version 'SPF17 2017 rev 2'</p>		
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