



**PUBLIC SUMMARY
SURVEILLANCE 2 AUDIT FOR
PENYUAN FOREST PLANTATION MANAGEMENT UNIT (FPMU) – LPF 0018
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FPMC 0004
Date of First Certification: 21st October 2016
Audit Date: 15th - 17th May 2018
Date of Public Summary: 19th January 2019**

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EXECUTIVE SUMMARY

The Surveillance 2 Audit for forest management certification on the Penyuan Forest Plantation Management Unit (FPMU) – LPF 0018 was conducted from 15-17 May 2018. Surveillance 1 Audit was conducted on 10-12 October 2017. While for the Stage 1 audit was conducted on 10-11 February 2015. This FPMU was managed by Shin Yang Forestry Sdn. Bhd.

This Surveillance 2 Audit was conducted on the overall forest management system and practices of the FPMU against the requirements of the Malaysian Criteria and Indicators for Forest Management Certification, MC&I Forest Plantation.v2 using the verifiers stipulated for Sarawak, Malaysia.

The audit was conducted by a two-member audit team comprising Ismail Adnan Abdul Malek (Lead Auditor) and Khairul Najwan Ahmad Jahari (Auditor), a technical expert Rahayu Zulkifli and also two observers from Department of Standard Malaysia, Bernados Anak Bingkang and Mark Anak Mariba.

The scope of the audit was limited to the forest management system and practices of the Plantation Forest area within the Penyuan FPMU with total area of 15,261 hectares. The audit involved the verification of documentations, field visits and inspections. There were also consultations held with the Sarawak Forest Department, Sarawak Forestry Corporation, and indigenous people. Consultations were held with the Tuai Rumah (headman) of Penan Communities (Long Telepeh, Long Sibau, Long Tengah, Long Apok, Long Urun, Long Balau, Long Ketuat and Long Perah) and Kenyah Community (Uma Badeng) during the audit.

The audit team also had verified on the previous findings and action taken by the FPMU during Surveillance 1 audit for three (3) Major, five (5) Minor Non-Conformance Report (NCRs) and one (1) opportunity for Improvements (OFI). Inspection of the corrective actions on ground was done during this surveillance 2 audit and all the NCRs were satisfactorily closed.

In general, the findings of this surveillance 2 audit have indicated that the Penyuan FPMU has complied with most of the requirements of the MC&I Forest Plantation.v2 despite the issuance of four (4) Major and three (3) Minor Non-Conformance Report (NCRs) on the FPMU against the requirements of the MC&I Forest Plantation.v2. The FPMU had submitted corrective action plans and evidence of implementation to address the Major NCRs and also corrective action plans for Minor NCRs raised during the surveillance 2 audit which has been accepted by the audit team.

Based on the satisfactory closure of the major NCRs and the acceptance of the corrective action plans to the minor NCRs, the Audit Team recommends Shin Yang Forestry Sdn Bhd - Penyuan FPMU to continue to be certified against MC&I Forest Plantation.v2.

2 INTRODUCTION

2.1 Name of FPMU

Penyuan FPMU – LPF 0018

2.2 Contact Person and Address

Name: Ling Ee Khai
Designation: Plantation Controller
Address: LPF/0018, Kapit Division, Sarawak
Phone #: 085 6566 99 ext. 648
Fax #: 085 655 311
E-mail: ekling@shinyang.com.my

2.3 General Background on the Penyuan FPMU

Shin Yang Forestry Sdn Bhd has signed a Licensed Planted Forests LPF0018 with the Sarawak State Government on 19th November 1999 to establish and maintain a forest plantation in the LPF/0018 - Penyuan for a period of 60 years from 19th November 1999 to 18 November 2059.

The Forest Plantation Management Unit (FPMU) managed by Shin Yang Forestry covers an area of 15,261 ha, which is part of the 155,930 ha of total area of LPF0018. The FPMU is located in the Belaga District, Kapit Division, Sarawak. The certified area only covers Coupe AT1, AT2, AT3, AT4(I) and AT4(II). The area is also adjacent to Asap Resettlement which is about 49km northwest and Bakun HEP at 31km downstream from the southwest of the site.

The forest plantation was started in 2005 with *Acacia mangium* and *Paraserianthes falcataria* and followed by other fast growing quality timber species such as *Neolamarckia cadamba* and *Eucalyptus* spp. For sustainable management, harvesting rotation of 10 years is applied to ensure efficient timber production.

A map of the FMU is attached in **Attachment 1**.

2.4 Date First Certified

21st October 2016

2.5 Location of the FPMU

The Penyuan FPMU is approximately located between latitudes 02^o 56.0'N to 03^o 02.43' N and longitudes 114^o 10.0' E to 114^o 25.61' E.

2.6 Forest Management System

The Penyuan FPMU had followed the principles of sustainable forest plantation management and the requirements of the Licence Agreement of the State government.

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

Planting operation was only completed in 2014. Five PSPs were established in the FPMU (15,291 ha, as stated in the updated FPMP) with each measuring 900 m². About 15-25 trees per PSP will be monitored for later AAC calculations.

2.8 Environmental and Socioeconomic Context

The FPMU practiced sustainable management on the plantation environment through compliance with the MC&I standards. The management has conducted EIA (2012), including measures on ERT species protection, provision for biological corridors, animal wallows, riparian buffers and various mitigation measures. Relevant SFC guidelines on protection and conservation were complied with.

Residual forest stands were protected and preserved and RIL procedures followed strictly. No poisonous chemicals were used in 2012.

The FPMU also generates job opportunity with qualified local community given preference as plantation workers and for contract works. The area is recently planted and commercial harvesting is scheduled for 2021. The plantation will mainly produce logs which feed into the local wood-based industry.

3. AUDIT PROCESS

3.1 Audit Dates

15-17 May 2018 (6 auditor days)

3.2 Audit Team

1. Ismail Adnan Abdul Malek (Trainee Lead Auditor)
2. Khairul Najwan Ahmad Jahari (Auditor)
3. Rahayu Zulkifli (Technical expert)
4. Benardos Anak Bingkang (Observer 1)
5. Mark Mariba (Observer 2)

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

3.3 Standard Used

Malaysian Criteria and Indicators for Forest Plantation Management Certification [MC&I (Forest Planation.v2)] using the verifiers stipulated for Sarawak.

3.4 Stakeholder Consultations

A stakeholder notification was issued on April 2018 for a period of one month inviting relevant stakeholders to give comments on the FPMU. Comment received from the stakeholders on the FPMU during the period.

The audit team had also conducted an onsite consultation with the relevant stakeholders during the Surveillance 2 Audit. Details of the consultation with the stakeholders are depicted in the audit plan as well as in the Surveillance 2 Audit report under Principles 2 and 3. It was noted that there were no local and indigenous communities living in the FPMU area.

During the audit, audit team has consulted Sarawak Forest Department, Sarawak Forestry Corporation, and indigenous people from consultation with Tuai Rumah (headman) of Penan Communities (Long Telepeh, Long Sibau, Long Tengah, Long Apok, Long Urun, Long Balau, Long Ketuat and Long Perah) and Kenyah Community (Uma Badeng), villagers located nearby to FPMU which had been identified in the Social Impact Assessment.

Forest plantation managers supported legally recognized mechanisms for resolving land claims (if any). Document titled Conflict and Dispute Handling Procedure (SYF/PEFC/PRO-02) was available and applied. It was noted that when related issues could not be resolved at local and management levels, it would finally be brought to court (legally recognized mechanism).

Comments from stakeholders and responses from the audit team are shown in **Attachment 3**.

3.5 Audit Process

The audit was conducted primarily to evaluate the compliance of the FPMU's current documentation, SOPs and field practices in forest plantation management listed in the MC&I Forest Plantation.v2, using the verifiers stipulated for Sarawak.

For each Indicator, the auditors had conducted either a documentation review, consultation with the relevant personnel of the FPMU 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 had decided whether or not to issue a NCR (minor or major) and 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 FPMU.

The FPMU is requested to notify SIRIM QAS International Sdn. Bhd. (SIRIM QAS International) of the proposed corrective actions taken within one month from the last date of the Surveillance 2 Audit. The corrective actions as notified by the FPMU shall be verified by the Audit Team Leader or a member of the audit team within three months from the last date of audit.

(ii) A minor NCR is a single observed lapse in compliance by the FPMU to the MC&I Forest Plantation.v2 V2.

The FPMU is required to respond in writing 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 FPMU 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 Forest Plantation.v2 but without sufficient objective evidence to support non-conformity. The closing of an OFI shall be made during the next surveillance audit.

The coverage of this surveillance audit is shown in the Stage 2 Surveillance Audit Plan in **Attachment 4**.

4 SUMMARY OF AUDIT FINDINGS

The audit team also had verified on the findings and actions taken by the FPMU during Surveillance 1 Audit for three (3) Major, five (5) Minor Non-Conformance Report (NCRs) and one (1) Opportunity for Improvement (OFI). Inspection of the corrective actions on ground was done during this Surveillance 2 Audit and all the NCRs were satisfactorily closed (**Attachment 5**).

In this Surveillance 2 audit, a total of four (4) Major and three (3) Minor Non-Conformance Report (NCRs) and no Opportunities for Improvements (OFI) were raised on the FPMU against the requirements of the MC&I Forest Plantation.v2. The audit team had examined all the corrective action plans to the findings and found them to be adequate. The FPMU had shown their commitment to address the non-conformities by establishing corrective action plans as detailed in **Attachment 6**.

The summary of the findings of this Stage 2 Surveillance audit on the Penyuan LPF0018 FPMU, against the requirements of the MC&I Forest Plantation.v2, are as follows:

Principle	Strengths	Weaknesses
Principle 1 Compliance With Laws and Principles	Register and documents of up-to-date relevant federal and state laws, regulations and policies, in particular those related to forest plantation management were available and sighted at the time of audit at the FPMU camp office. The plantation manager interviewed was found aware of the federal and state laws and regulatory framework related to management of forest plantations. There was no violation recorded by the FPMU and this was verified through records and interviews with the Sarawak Forest Department and Sarawak	There was however no recorded approval from Labour Department of Sarawak (Section 114, Labour Ordinance, 1952, Sarawak Cap. 76) for late cash payment of wages for workers who request them. This was confirmed by the Administrative Manager and through interviews with workers from the Nursery and Workshop. A Minor NCR

Principle	Strengths	Weaknesses
	<p>Forestry Corporation.</p> <p>Up to date list and documents of all legally prescribed fees, royalties, taxes, and other charges was available at the FPMU camp office. There was no harvesting activities in the certified area since the Stage 2 Audit in 2015. Hence, no payment of logs royalty was made to SFC.</p> <p>Binding international agreements documents (such as the ASEAN Agreement on Transboundary Haze Pollution 2002, International Labour Organisations Conventions (ILO), Convention of Biological Diversity (CBD), were available and sighted at the FPMU camp office. Forest plantation managers interviewed showed awareness of the international agreements.</p> <p>There were no conflicts recorded between laws, regulations and these Principles and Criteria of the MC& I (Forest Plantation). This was verified by the minutes of the Management Review meeting conducted on 23 December 2017. The FPMU is willing to participate in any process to resolve such conflicts if they were to occur in the future.</p> <p>Legal provisions were available for the establishment and protection of the forest plantation. The agreement between Shin Yang and the Sarawak Government to manage the FPMU for a period of 60 years was sighted. The FPMU also has conducted a dialog with local communities through several meetings (<i>Mesyuarat Bersama Masyarakat Tempatan</i>) to inform them against encroachment within FPMU area. This was verified through discussions with eight Penan and one Kenyah communities. Illegal encroachment was controlled through monitoring the movement of vehicles and individuals in the plantation area, and adequate signage.</p> <p>A statement of commitment to forest management certification, <i>Policy of Commitment – MC&I Forest Plantation.v2</i>, was available and displayed at the office, workers' quarters, Penan and Kenyah houses, workshop and canteen. Adequate dissemination of these policies was verified through training records of workers (February 2017) and briefings given to the local Penan and Kenyah communities (May and August, 2018).</p>	<p>IAAM01/2018 for Indicator 1.1.1 was thus raised.</p> <p>There was evidence of insufficient control sighted during the audit, where trees were found illegally felled. A Major NCR KN01/2018 for Indicator 1.5.2 was therefore raised</p>
<p>Principle 2 Tenure and Use Rights and Responsibilities</p>	<p>There was no legal land claim by the Penan and Kenyah Communities on the FPMU area as verified through discussions with the local communities. Their use rights to forest resources within the plantation are supported by the FPMU. Legally recognized mechanisms, <i>Mechanism to resolve Local</i></p>	<p>Some complaints raised by the local communities were however not investigated by the management (e.g. water pollution, wages claims and access restriction). In lieu of this a Minor NCR was raised</p>

Principle	Strengths	Weaknesses
	<p><i>Communities Issues (SYF/MC&I/P.09)</i> for resolving local community issues, including potential land claims within the FPMU, was available.</p> <p>No local and indigenous communities were present within the FPMU area. However, the Five surrounding Penan settlements have use rights on the water catchment area (known locally as <i>Pulau Paip</i>) within the FPMU, in collaboration with the management.</p> <p>Appropriate mechanisms for resolving disputes over tenure claims and use rights were available through the <i>SOP Mechanism to resolve Local Communities Issues (SYF/MC&I/P.09)</i>. Minutes of meetings between FPMU and the local communities (<i>Mesyuarat Kerjasama Masyarakat Tempatan</i>) were sighted.</p>	<p>against the Indicator 2.3.1.</p>
<p>Principle 3 Indigenous People's Rights</p>	<p>Indigenous and local community land outside the FPMU is controlled by the communities themselves. As such the concern for FPIC does not arise. Minutes of the meetings <i>Mesyuarat Bersama Masyarakat Tempatan</i> with Penan and Kenyah communities confirmed that there was no indigenous land managed by the FPMU. Despite the absence of local community in the FPMU the management do have mechanisms established to resolve any conflict and grievances between parties through the <i>SOP Mechanism to resolve Local Communities Issues (SYF/MC&I/P.09)</i>.</p> <p>Since indigenous land is located peripheral to the FPMU, the issue on their resource use and tenure rights does not arise.</p> <p>The SOP for identifying and protecting sites of special cultural, ecological, economic or religious significance to indigenous peoples, the <i>Procedure and Guideline for Identification, Demarcation, Mapping and Conservation</i>' (SYF/MC&I/P.06) was available. The involvement of local community in identifying the sites was mentioned in the Procedure. The locations of such areas within the FPMU was mapped and the information made publicly available. Minutes of the meetings, <i>Mesyuarat Bersama Masyarakat Tempatan</i>, for 2017 and 2018, were sighted. Since, all relevant communities were consulted through the meetings, the Minor NCR MRS 02/2017 for Indicator 3.3.1 raised in the previous audit was closed.</p> <p>Traditional forest-related knowledge and practices of indigenous people were not used in the FPMU management. This was verified through discussions with the communities.</p> <p>However, an <i>SOP Mechanism to resolve Local Communities Issues (SYF/MC&I/P.09)</i> would serve as the mechanism for fair and equitable</p>	

Principle	Strengths	Weaknesses
	compensation if such knowledge was to be used in the future.	
<p>Principle 4 Community Relations and Worker's Rights</p>	<p>The FPMU presented proposed and implemented training programme for all workers, <i>Internal Training Schedule for Tree Plantation Division Year 2017</i>, starting 14th February 2017 until 21st November 2017. The 30 training courses included topics such as the MC&I (plantation), PSPs, Labour Ordinance, patrolling, forest fire, chainsaw handling, waste management and tree planting. An SOP, <i>Mechanism to Encourage Locals to be Employed</i>, guided the employment of local qualified members of the community. The FPMU has also briefed the local communities through meetings, <i>Mesyuarat Bersama Masyarakat Tempatan</i>, on the recruitment preference policy. Applications were announced through newspapers and distributed leaflets. The Minor NCR MRS 03/2017 for Indicator 4.1.2 raised for non-conformance in the previous audit was duly closed. Relevant documents (passports, work permits) selectively inspected, verified that all 103 foreign workers were legally employed by the FPMU.</p> <p>Training records in 2017 and 2018 showed dissemination of up to-date safety and health information to forest workers through training in 2017 and 2018. Shin Yang Forest Sdn Bhd's has a policy on occupational safety & health dated 9 September 2014 and it was displayed at the camp office, workers' quarters, workshop and canteen areas. The auditor has verified a list of equipment and maintenance which included among others, hose reel, fire extinguishers, emergency alarm and water tank. Two units of air compressor at the workshop were inspected. The registration numbers were painted on both units. For this compliance the OFI for Indicator 4.2.4 raised in the previous Surveillance 1 Audit was thus closed. Minutes of the Safety and Health meeting in 2018 were presented and verified. The FPMU sent an annual accident report (JKKP 8) to DOSH, dated 31st January 2018. Records on workers' medical checkups by CHRA were sighted. Established guidelines by Shin Yang for storage and handling of hazardous materials were made available. Workers showed awareness of health and safety requirements of their jobs.</p> <p>Forest plantation workers at the FPMU were free to organise into union of their own choice in accordance with ILO Convention No. 87. Evidence in the form of a memorandum from Shin Yang Forestry Sdn Bhd dated 19th May 2015 was sighted. Workers were informed during the Awareness Training (PEFC Policy,</p>	

Principle	Strengths	Weaknesses
	<p>Safety and Health Policy) conducted on 28/3/2017, that they could collectively bargain with the company leading to agreements.</p> <p>A Social Impact Assessment (SIA) report on Shin Yang, 2015 was sighted and found still relevant. The local Penan and Kenyah communities were consulted. Impact on water supply and water quality, local economy and socio culture life of local communities were recorded. These findings were later incorporated in the FPMP.</p> <p>Measures to prevent loss or damage affecting the local communities' legal or customary rights, property, resources, or their livelihoods as related to the FPMU were confirmed through consultations. Appropriate mechanisms available for resolving grievances, caused by forest plantation management operations was available (SOP <i>Mechanism to resolve Local Communities Issues (SYF/MC&I/P.09)</i>).</p>	
<p>Principle 5 Benefits From the Forest</p>	<p>Investments and reinvestments has been made in administrative, nursery, planting, block maintenance, research and development (R&D), harvesting, conservation, social aspect and revenue from harvested log in the FPMU license area. Such actions taken were verified in <i>The Annual Work Plan and Budget</i> for 1st January 2018 – 31st December 2018 (Rev.2). The budget enabled the FPMU management to maintain, restore or enhance the productive capacity and ecological function of the forest plantation areas. Since the 5 coupes in the certified areas are almost ready for harvest starting next year, no site maintenance was done. New planting, including for non-timber species, were implemented. There was however no Planting Records for 2017 and 2018 since harvesting of the designated area for plantation will only begin next year.</p> <p>The main product extracted from the FPMU forest was solely logs (Coupe B1). No minor forest produce was extracted from the licensed area. According to the FPMP the proposed cutting cycle was for 10 years (by area control) and the annual rate of harvest was 1,348.80 ha/year. Logs from the FPMU were sent to the local mills since 7 January 2014. There has been limited opportunity to diversify and logs harvested were processed mainly for chipping in Bintulu. Planted trees were mainly aimed at plywood production.</p> <p>The FPMU management has adopted the SOPs <i>Reduced Impact Logging (RIL) - Harvesting Operation (SYF/MC&I/P.12)</i>, <i>Road Layout, Construction and Maintenance (SYF/MC&I/P.07)</i> and <i>Chainsaw Tree Felling (SYF/MC&I/P.16)</i> in harvesting operations</p>	<p>For the omission of the harvest rate in the revised FPMP a Major NCR KN00/2018 against Indicator 5.6.1 was raised.</p>

Principle	Strengths	Weaknesses
	<p>which prescribed the measures to protect soil from compaction and reduced/low impact of logging to minimize damage to other forest resources.</p> <p>The FPMU operated solely for the production and harvesting of timber products, particularly logs.</p> <p>The FPMU management has established guidelines to identify and demarcate sensitive areas for the protection of soil and water, watercourses and wetlands in the forest plantation areas. The guidelines used are <i>Identification, demarcation, Mapping and Conservation (SYF/MC&I/P.06)</i> and <i>Conservation of Genetic, Species and Ecosystem Biodiversity (SYF/MC&I/P.11)</i>. Maps of these areas were available in the FPMP.</p> <p>The rate of harvest was not given in the revised FPMP (10th January 2018 – 10th January 2028 (Rev.005)).</p> <p>The proposed cutting cycle was for 10 years (based on area control) and the expected annual cutting Area was 1,348.80 ha/year.</p>	
<p>Principle 6 Environmental Impact</p>	<p>The EIA on the landscape level was conducted by an EIA Consultant. The SEIA assessment covered potential impacts on fauna specifically ERT species which include Black Hornbill, Rhinoceros Hornbill, Hill Myna, Giant Squirrel and Binturong (Para 4.4.2). Recommended mitigation measures for flora and fauna protection (Para. 6.1.1 and 6.1.2), the protection of ERT fauna and the conservation of indigenous flora in the FPMU, were also suggested (Para. 6.1.2). Mitigation measures for Biodiversity Conservation, was addressed in the FPMP (2017 - 2027 Rev.004).</p> <p>Guidelines for identifying and protecting ERT species of flora and fauna, including special biological features, in the FPMU were available (<i>Conservation of Genetic, Species and Ecosystem Diversity (SYF/MC&I/P.11)</i>) as well as for establishing representative conservation and protection areas (SOP, <i>Identification, Demarcation, mapping and Conservation (SYF/MC&I/p.06)</i> and <i>Conservation of Genetic, Species and Ecosystem Diversity (SYF/MC&I/P.11)</i>). Cooperation exists between forest plantation managers and conservation organizations and regulatory authorities in implementing conservation and management activities (minutes of meetings, 4th - 5th May 2018). Illegal activities were also controlled through poster displays, monitoring of access and regular patrolling. Forest workers were made aware of ERT flora and fauna in the FPMU. Information on hunting prohibition was prominently displayed in project sites and</p>	<p>The maintenance and conservation of riparian zones and control over un-authorized activities in the FMU were considered insufficient. In lieu of this a Major NCR KN03/2018 Indicator 6.5.3 was raised.</p>

Principle	Strengths	Weaknesses
	<p>offices. Staff were informed through displays, briefings and training (<i>Wildlife Ordinance 1998</i> course on 6th June 2017). In 2017 and 2018, the FPMU management team met with 15 surrounding communities as evidenced by the minutes of <i>Mesyuarat Bersama Masyarakat Tempatan</i>, which recorded briefings given on ERT species.</p> <p>Guidelines to demarcate and protect natural forest and measures to enhance natural regeneration were available (SOP <i>Conservation of Genetic, Species and Ecosystem Diversity (SYF/MC&I/P.11)</i>). Natural forest areas were demarcated and conserved against impact of management operations especially harvesting (FPMU, Appendix 5). Areas for wildlife corridors were specifically designated (Appendix 7).</p> <p>The FPMU management has demarcated riparian zones in specific coupe areas (FPMP, Appendix 7). Appropriate protection and management activities for these areas were implemented as outlined in the SOPs and Guidelines on <i>Identification, Demarcation, mapping and Conservation (SYF/MC&I/P.06)</i> and <i>Conservation of Genetic, Species and Ecosystem Diversity (SYF/MC&I/P.11)</i> and in the FPMP (appendix 7). As verified by the auditor through map and site review, there was no environmentally sensitive areas adjacent to the FPMU.</p> <p>The FPMU management has presented the <i>Procedure and Guidelines for Road Layout, Construction and maintenance (SYF/MC&I/P.07)</i> for road layout and construction, including log landings and drainage which tallied with the requirements in the <i>Guidelines for Forest Road Layout and Construction, 1999, Sarawak Forest Department</i> and <i>Guidelines/Procedures for Reduced and Low Impact Harvesting Systems, 1999, Sarawak Forest Department</i>. The FPMU also provisioned for new and revised SOPs, <i>Reduced Impact Logging (RIL) for Harvesting Operation (SYF/MC&I/P.12)</i> and <i>Road layout, Construction and maintenance (SYF/MC&I/P.07)</i>. During site inspection at Compartment AT2, infringements on roading guidelines that affected riparian buffer zones and HCVF areas were sighted.</p> <p>The FPMU implemented the guidelines <i>Handling of Chemicals, 21 April 2011</i>. Pesticides Class 1A and 1B were not used. Interviewed forest workers were aware of the safety procedures on chemical handling and the use of appropriate PPEs when handling chemicals. They were given training in chemical storage and handling through the SOP <i>Penggunaan dan Pengendalian Racun</i> which was conducted on 10th April 2018.</p> <p>The FPMU management presented SOP for</p>	

Principle	Strengths	Weaknesses
	<p>waste disposal of solid non-organic wastes, namely <i>Scheduled Waste Management (SYF/WHM/PRO-01)</i>. The management had disposed their scheduled wastes in accordance to the SOP. In this audit SW containers were found properly closed and labelled. In lieu of this compliance the Minor NCR MRS 04/2017 for Indicator 6.7.1 raised in the previous audit was therefore closed.</p> <p>Biological control agents were not used in the FPMU.</p> <p>The FPMU had approval from the Plant Quarantine Division, Department of Agriculture, Sarawak for using exotic species such as <i>Paraserianthes falcataria</i>, <i>Acacia mangium</i>, <i>Eucalyptus pellita</i> and <i>Eucalyptus deglupta</i>. The document, <i>Permit to Import Plants, Receipt No: H250906/43/2013 dated 17th July 2014</i> was sighted. The planting in certified areas (Coupe AT4 (II) and Coupe AT1) will commence in 2019 and 2020 respectively.</p> <p>The certified FPMU covers an area of 15,261.00 ha, comprising part of the 148,126 ha of the LPF/0018 Penyuan Licencies areas. The certified forest plantation only covers limited areas. Compartments converted after year 2010 were not listed for certification.</p>	
<p>Principle 7 Management Plan</p>	<p>The FPMP Version 2 dated 1st January 2015 to 31st December 2024, was sighted during the audit. The latest update, the <i>LPF0018 Penyuan Forest Plantation Management Plan (2017-2027) Rev.005</i>, dated 8th May 2018 was available. The revised FPMP included all basic supporting documents and planned implementation. Site inspection (AT4(I)) showed that road constructions were in progress.</p> <p>The FPMP will be reviewed every five years. It is however updated with new information from time to time. Plantation managers were aware of new scientific and technical information pertinent to the management of plantation such as the potential of new species <i>Peronema canescens</i> (Sungkai).</p> <p>Updated list of training programmes conducted in year 2017 the <i>LPF0018: Internal Training Schedule for Tree Plantation Division' (14th Feb – 21st December 2017)</i> was made available. Related training on implementation of the forest management plan and the respective roles of the plantation workers were conducted. The surveyor team interviewed showed satisfactory understanding of the design and procedures of PSP establishment/monitoring. Similarly, the Forest Fire Emergency Response Team was knowledgeable on Fire Plan and Fire Emergency Response. As such the Minor NCR IAAM/SY1/17 for Indicator 7.3.2 raised in the previous Surveillance 1 Audit was closed.</p>	<p>The review of document revealed that 2,358 ha of natural forest in the certified plantation area breached on specific objective of the revised FPMU (1st January 2018 to 30th December 2028, Rev.005). For this infringement a Minor NCR KN04/2018 against Indicator 7.1.1 was raised.</p>

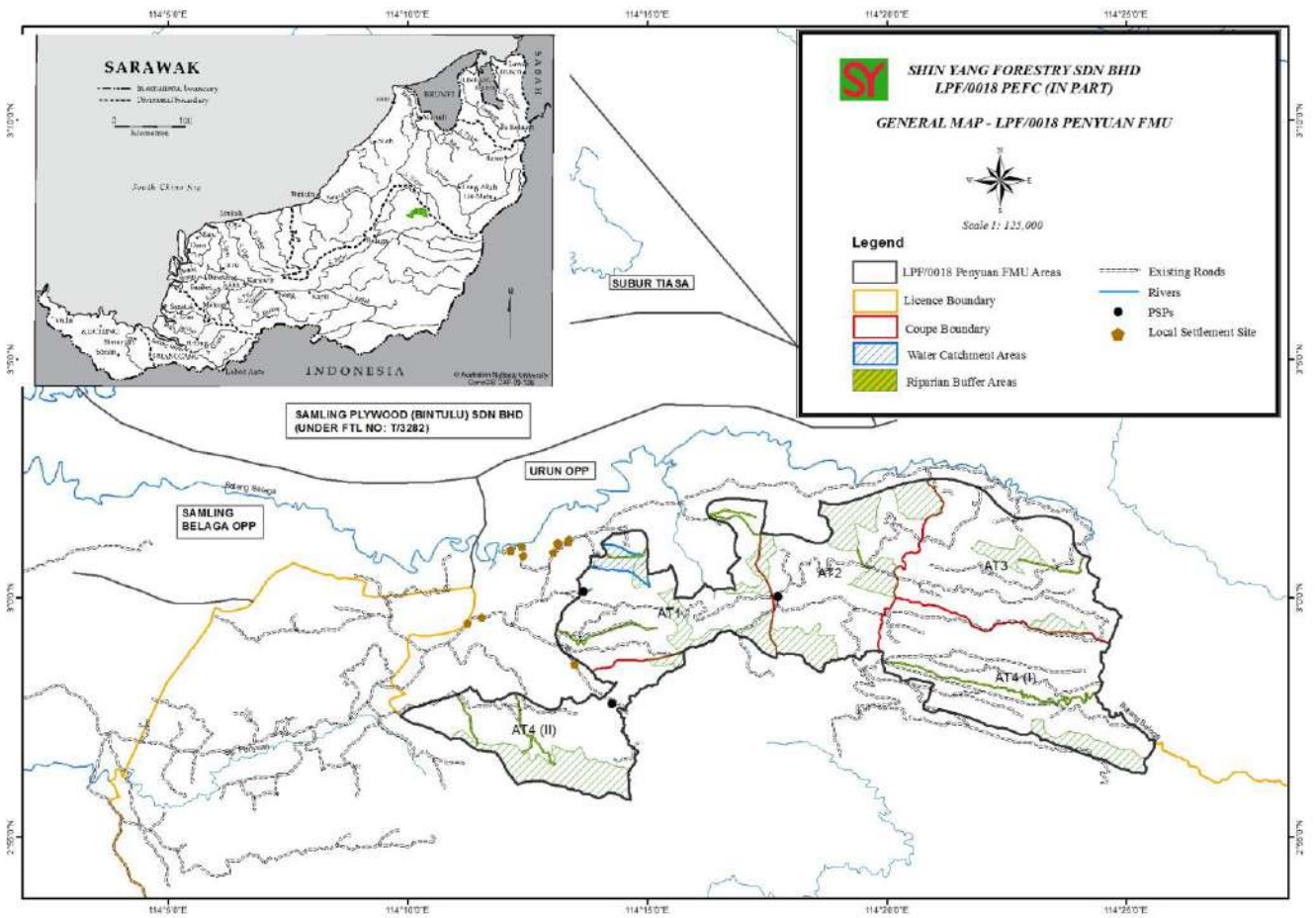
Principle	Strengths	Weaknesses
	<p>A summary of the primary elements of the forest plantation management plan as prepared and implemented under Indicator 7.1.1 was made publicly available at https://www.shinyang.com.my/products-services/tree-plantation/lpf0018-penyuan-estate.html .</p>	
<p>Principle 8 Monitoring and Assessment</p>	<p>The FPMU required the implementing of a comprehensive network of 35 Permanent Sample Plots (PSP) over the licensed area. The requirement for six PSPs in the certified area as requested in the FPMP 2017 - 2027 Rev.005, was verified by the audit. Thus, the Minor NCR MRS 06/2017 for Indicator 8.1.1 raised in the previous Surveillance 1 Audit was closed. The FPMU had implemented procedures for monitoring of its operation and their impacts on social, ecological, environmental and economic aspects as per the relevant SOPs. Records of Forest Patrols in 2017 showed that monitoring was conducted as scheduled. A consultant was engaged to monitor Social and Environmental impacts trimonthly on its forest plantation operations. The related EMR report was sighted. An Internal Audit was conducted by the FPMU management on 6th - 8th November 2018 to identify, inspect, verify and assess the compliance status as per the FPMU requirements of the MC&I Forest Plantation. A FPMU Management Review meeting was conducted on the MC&I (Forest Plantation) on 23rd December 2017 to make recommendations, address and close the findings of the internal audit.</p> <p>The FPMU was required to gather the required information for monitoring (a) Yield of log harvested, (b) Growth rates, regeneration and condition of the forest, (c) Composition and observed changes in the flora and fauna, d) Environmental and social impacts of harvesting and other operations, and (e) Costs and productivity of forest management.</p> <p>The FPMU management provided relevant documents for identifying all forest products leaving the planted area with their origin easily determined by using tagging system which contained information on species, grade, coupe and block. There was however no harvesting in certified areas of the FPMU. Although the FPMU has been certified between 21 October 2016 to 20 October 2019, no logs were supplied to the mills since harvesting has not been conducted since 2015. An earlier issue raised by TOCOPG was deemed invalid for both mills. Forescom Plywood Sdn Bhd and Shin Yang Plywood (Bintulu) Sdn Bhd, did not receive or purchase any PEFC certified material or logs from the FPMU since 2015. Both mills had operated a Due Diligence System (DDS), in</p>	<p>Requirement for PSP monitoring (b), social impact (d) and costs and productivity were found less satisfactory. In particular non-compliance in PSP dimension, equipment worthiness and suitability, incomplete information in SIA report, poor reporting on costs and productivity. Given the above shortcomings a Major NCR KN05/2018 against Indicator 8.2.1 was raised.</p>

Principle	Strengths	Weaknesses
	<p>accordance with the requirements of the PEFC ST 2002:2013, based on risk management techniques to minimize the risk of sourcing material from controversial sources.</p> <p>The FPMU had incorporated the results and findings of the monitoring activities into the implementation and revision of the next FPMP i.e. 'LPF 0018 Penyuan Forest Plantation Management Plan (FPMP) 2018 - 2028.</p> <p>A summary of the results of monitoring indicators, including those listed in Criterion 8.2, was made publicly available; https://www.shinyang.com.my/products-services/tree-plantation/lpf0018-penyuan-estate.html</p>	
<p>Principle 9 Maintenance of High Conservation Value (HCV)</p>	<p>The FPMU had consulted with relevant stakeholders on the identification of High Conservation Value Forest (HCVF) including flora and fauna on 16th December 2015.</p> <p>The list of relevant stakeholders consulted regarding the HCV areas included NGOs, government bodies, universities and related local communities.</p> <p>The relevant information on the protected HCV areas had been incorporated into the FPMP management and monitoring details were also verified. The HCVs measures taken were publicly available at; https://www.shinyang.com.my/products-services/tree-plantation/lpf0018-penyuan-estate.html</p> <p>The audit sighted the <i>Monitoring Procedures and Guidelines for Identification, Demarcation, Mapping and Conservation SYF/MC&I/P.06</i>, dated 24.7.2017, including records to assess the effectiveness of measures taken in the management of the HCV areas. Records of Forest Patrols in 2018 for Wildlife Corridor and Salt Lick areas were sighted. The Salt Lick and Jungle Palm (<i>Pulau galau</i>) sites were also inspected in the field. Relevant results and findings of the HCV monitoring activities were incorporated into the revision of the FPMP 2018 – 2028.</p>	
<p>Principle 10 Forest Plantation Development and Management</p>	<p>The plantation management plan had clearly implemented the forest management objectives, including natural forest conservation and restoration (FPMP, Para 3.3). The Annual Harvesting Plan was not available since forest harvesting and development works were carried out only in the certified areas of the FPMU.</p> <p>The FPMP 2017 - 2027 Rev.004 demarcated natural forests in the plantation areas (Appendix 7, <i>HCV & Protected Area within Penyuan FPMU Area</i>).</p>	

Principle	Strengths	Weaknesses
	<p>The plan also provided information on species planted in the previous planting operations (2003 - 2010) including their age classes (Appendix 5).</p> <p>The planting stock used with the approval from the Plant Quarantine Division was mainly <i>Paraserianthes falcataria</i>, <i>Acacia mangium</i>, <i>Eucalyptus pellita</i> and <i>Eucalyptus deglupta</i>. Maps of the planted area by species x age classes were shown in the FPMP (Appendix 5, under <i>Planting Distribution within Penyuan FPMU Area</i>).</p> <p>Information on growth characteristic, performance and management of planted species in the PSPs was available from the <i>Permanent Sample Plot (PSP) Summary data</i>. The information also includes mortality, spacing and slopes. Records of soil and site survey were seen in the document <i>Proposed Shin Yang Forest Plantation</i>, dated 5 January 2000. The FPMP also provided information in <i>Growth details of Exotic and Indigenous Species Justifications</i>. Records of the monitoring of exotic species were collated during PSP monitoring. Disease or insect outbreaks were monitored during the monthly forest patrolling. Records in April and May 2018 were verified.</p> <p>The FPMU had established a procedure to manage the natural forest inside the certified area titled <i>Procedure and Guideline for Identification, Demarcation, Mapping and Conservation</i> (SYF/MC&I/P.06 dated 24.7.2017). The FPMP's Management Objectives were included in Para 3.3 (strategy, plans and monitoring). Maps of areas managed as natural forest in the plantation were available in Appendix 7 (<i>HCV & Protected Area within Penyuan FPMU Area</i>).</p> <p>Site preparation and planting techniques adopted complied with the standard guidelines as followed in the <i>Shin Yang Tree Plantation Manual Edition 01</i> (August 2016). The relevant documents were verified and operations would not be expected to adversely impact soil or water in the FPMU.</p> <p>The relevant guidelines/records on invasive species (relate to pests and diseases, and fire management (<i>Pest Control and Disease Management Practices, including Forest Hygiene Practices and Biological Control Methods</i> (SYF/MC&I/P.23; <i>Forest Fire Management Plan</i>, 2015). No fertilizer was used in forest plantation establishment and chemical usage records up to month April 2018 were verified. No biological agents were used in the plantation. The SOP, <i>Handling of Chemical</i> (SYF/CSM/PRO-01), was verified.</p> <p>The implementation of programs to monitor potential ecological and social impacts of forest plantation establishment and development were</p>	

Principle	Strengths	Weaknesses
	<p>verified in the EMR report (January to March). The nursery and field trials, including provenance trials, for forest plantation were contained in reports of the <i>Planted Forest Research Programs (Annual Progress 2017)</i>.</p>	

Map of Penyuan LPF0018 FPMU



Details of Auditors and Qualification

Assessment Team	Role/Area of MC&I Requirement	Qualification and Experience
Ismail Adnan Malek	Assessment Team Leader / Forester	<p><u>Academic Qualification:</u> Master of Forestry, University of British Columbia, Canada</p> <p><u>Work Experience:</u> One year (1974-1975) experience as Sub Assistant Conservator of Forest at the Pahang Forest Department, involved with Forest Administration/Management and Enforcement. Next, seven years (1979-1986) experience as Forest Officer/Logging Superintendent at Syarikat Jengka Sdn. Bhd (SJSB), an integrated timber complex in Pahang. Responsible for Forest Licensing/ Administration, Forest Mapping, Road Construction and Logging Operations. Senior Lecturer at the Forestry Faculty, Universiti Putra Malaysia (UPM) from 1986 to 2014. Responsible for teaching and research in Forest Mensuration, Forest Survey, Forest Road, GIS/Remote Sensing and Forest Mapping. Responsible for academic supervision of more than 100 Bachelor/Master/Phd students in their research and thesis writing. Own research at UPM include various areas such as forest mapping using geo spatial tools, forest inventories, forest harvesting and forest management system (SMS). Also involved with consultancy works which include RPH development and Forest Mapping. Participate in organizing local/international seminars on Forestry areas. Published and presented research findings at seminars/conferences and journals. Currently as Auditor at the Food, Agriculture and Forestry /ion (FAF), SIRIM QAS International Sdn Bhd, since 2016. Involved in conducting assessments on forest management certification MC&I (Natural Forest) & MC&I (Forest Plantations).</p> <p><u>Training / Research Areas:</u></p> <ul style="list-style-type: none"> • Auditor Training Course on MC& I (Natural Forest) and MC&I (Forest Plantation V2), 9th-10th July 2015, SIRIM QAS International Sdn Bhd • ISO 14001:2004 Lead Assessor Training, 23rd-27th Nov 2015, SIRIM Training Services Sdn. Bhd • Training on Auditing Techniques, 26th January 2016, SIRIM QAS International Sdn Bhd •
Khairul Najwan Ahmad Jahari	Assessment Team Member / Forester	<p><u>Academic Qualification:</u> B.Sc of Forestry (Forest Management), University Putra Malaysia.</p> <p><u>Work Experience:</u> Appointed as contract Research Officer in the Natural Forest Division, Forest Research Institute of Malaysia (FRIM), since 2001. Conduct and coordinate a research on 8th Malaysian Plan Project; Research on Forest Resource Classification and Determination of Optimum Silviculture Option for Second Growth Forest. Produce technical reports, meeting, seminar and conferences reports as well as quarterly physical and financial reports. Coordinate and participate field works, multi-level meetings, seminars, conferences and workshops. Spent some time in other existing FRIM projects (inter divisional) as an organizing committee member, division level activities and projects. Currently as Auditor at the Food, Agriculture</p>

		<p>and Forestry Section (FAF), SIRIM QAS International, since 2009. Involved in conducting audit on forest management certification (MC&I and FSC P&C), MYNI of RSPO P&C and other management system on ISO 9001, 14001 and OHSAS 1800</p> <p><u>Training / Research Areas:</u></p> <p>Had attended and passed in the following training programmes:</p> <p>Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (2002)] organized by MTCC, 30 March - 2 April 2009.</p> <p>EMS 14001: 2004 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 2-6 March 2009.</p> <p>OHSAS 18001: 2007 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 23-27 Feb 2009.</p> <p>QMS 9001: 2008 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 16 – 21 Feb 2009.</p>
Rahayu Zulkifli	Technical Expert (Social)	<p><u>Academic Qualification:</u></p> <p>LLB (Hons) John Moores University, Liverpool, United Kingdom in 1988.</p> <p><u>Work Experience:</u></p> <p>Rahayu was a practising lawyer before joining Sistem Televisyen Malaysia Berhad in 1995 to lead its Legal Department for 5 years. She subsequently joined Crest Petroleum Berhad in 2000 as Legal Manager and Company Secretary before joining WWF-Malaysia in 2003 to pursue her interest in environmental conservation where she eventually led the Terengganu Turtle team, working closely with local community and policy makers on turtle conservation in the State. She left WWF in 2013 to join RSPO as a Dispute Settlement Facility Manager in January 2014.</p> <p>In May 2015, Rahayu left RSPO and is now working as a freelance Social Auditor under the Roundtable on Sustainable Palm Oil (RSPO) certification scheme.</p> <p>Rahayu is also an HCV assessor (in particular HCV 5 & 6), and a Social Impact Assessor.</p> <p><u>Training Areas:</u></p> <p>Rahayu was also trained and certified as a Mediator by the Malaysian Mediation Centre in 2014. She is currently undergoing training to be a Social Auditor under the Malaysian Criteria & Indicators for Forest Management Certification scheme.</p>

Comments by Stakeholders and Responses from Audit Team

No.	Stakeholder	Comments/Issues Raised	Response by Audit Team
1	Baya Sipat (Tuai Rumah) <u>Local Community:</u> Long Telepeh	<ol style="list-style-type: none"> 1. Polluted "Pemali" River (Water Catchment) area 2. No payment of allowance from FPMU to Tuai Rumah (JKKK Head) and village community 3. No provision for employment for villagers 	<p><u>Auditors' comments:</u></p> <p>The issues had been raised to the FPMU. The FPMU shall undertake the following actions: CSR Team shall investigate the water pollution complaint and other issues by 2 July 2018 and the result of the investigation shall be presented to the local community The outstanding local community issues shall be reviewed together with Shin Yang management and the local community shall be informed of management decision</p> <p><u>Auditor's Conclusion</u> Noted</p>
2	Anthony Lerang Lejau(Tuai Rumah) <u>Local Community:</u> Uma Badeng Jembatan Urun/Rumah Anthony	No information from FPMU to Tuai Rumah Uma Badeng (the village as neighbor to the plantation) about replanting works in the replanting area	<p><u>Auditors' comments:</u></p> <p>The issue had been raised to the FPMU. The FPMU shall undertake the following actions: 1. CSR Team shall investigated the complaint by 2 July 2018 and the results of investigation shall be presented to the local community 2. The outstanding local community issue shall be reviewed together with Shin Yang management and the local community shall be informed of management decision</p> <p><u>Auditor's Conclusion</u> Noted</p>
3	Pait Awam (Tuai Rumah) <u>Local Community:</u> Data Sengelang/Rumah Pait	Data Sengelang community did not receive benefits such as allowance and others from the FPMU although they had not done their normal activities such as rattan collection for tens of years.	<p><u>Auditors' comments:</u></p> <p>The issue had been raised to the FPMU. The FPMU shall undertake the following actions: 1. CSR Team had investigated the complaint and the results of the investigation shall be presented to the local community 2. The outstanding local community issue shall be reviewed together with Shin Yang management and the local community shall be informed of management decision</p> <p><u>Auditor's Conclusion</u> Noted</p>

Surveillance 2 Audit Plan

DAY	TIME	PROGRAM	
		AUDIT TEAM LEADER (AUDITOR 1 & Technical expert) (Ismail Adnan & Rahayu)	AUDITOR (2) (Khairul Najwan)
Day 0 14 May 2018 (Monday)		<ul style="list-style-type: none"> Travel from Kuala Lumpur to Bintulu (MH2742; 08:25 – 10:45) Stakeholders consultation with Sarawak Forestry Department, Bintulu Sarawak Forestry Corporation, Bintulu Travel to Penyuan LPF 0018 – Seping Estate Base Camp Briefing by Audit Team Leader to audit team on the surveillance audit plan 	
Day 1 15 May 2018 (Tuesday)	8.00 am – 11.00 am	<ul style="list-style-type: none"> Opening Meeting with representatives of FPMU Briefing session by Forest Manager of the FPMU Evaluation of changes to the management of the FPMU Check on complaints, stakeholders comments and follow-up actions (if any) Evaluate on internal audit and management review Verification of NCRs raised during the previous audit. 	
	11.00 am – 12.00 pm	<u>Documentation Review</u> <ul style="list-style-type: none"> Principle 1 – Compliance with Laws and Principles Principle 2 – Tenure and Use Rights and Responsibilities Principle 3 – Indigenous Peoples' Right Principle 4 – Community Relations and Workers' Right Principle 7 – Management Plan 	<u>Documentation Review</u> <ul style="list-style-type: none"> Principle 5 – Benefits from the forest Principle 6 – Environmental Impact Principle 8 – Monitoring and Assessment Principle 9 – Maintenance of High Conservation on Value Forests Principle 10 -
	2.00 pm – 4.30 pm	Consultation with Uma Badeng (Jambatan Urun) – Kenyah community	
	5.00 – 5.30 pm	<ul style="list-style-type: none"> Briefing to representatives of FPMU on the progress of audit Review of Day 1 Findings by Audit Team Leader 	
Day 2 16 May 2018 Wednesday	8.00 am – 5.00 pm	<u>Site Visit</u> <ul style="list-style-type: none"> Consultation with local communities within and around the perimeter of the FPMU: <u>Penan community</u> <ol style="list-style-type: none"> Long Telepeh Long Sibau Long Apok Long Urun 	<u>Site Visit</u> <ul style="list-style-type: none"> Jungle palm HCVF Terrain IV HCVF Water catchment HCVF Riparian buffer in Coupe AT2 FPMU boundary and forest fire mechanism at Coupe AT2 Consultation with workers

		<ul style="list-style-type: none"> 5. Long Balau 6. Long Ketuat 7. Long Perah 8. Long Tengah (1) 	<ul style="list-style-type: none"> • Permanent Sample Plot (PSPs) – AT2
	5.00 – 5.30 pm	<ul style="list-style-type: none"> • Review of Day 2 Findings by Audit Team Leader 	
Day 3 17 May 2018 (Thursday)	8.00 am– 12.00 pm	<ul style="list-style-type: none"> • Nursery • Chemical store • Genset • Workshop • Scheduled waste store 	<ul style="list-style-type: none"> • Documentation and records review • Principle 10 – Forest Plantation Development and Management
	2.00 – 4.00 pm	<ul style="list-style-type: none"> • Documentation and records review • Briefing to representatives of FPMU on the findings of audit • Preparation of audit report and finding (NCR) 	
	4.00 - 5.30 pm	<ul style="list-style-type: none"> • Closing Meeting 	
	7.30 pm	<ul style="list-style-type: none"> • Travel to Bintulu • Overnight at New World Hotel 	
<ul style="list-style-type: none"> • Travel from Bintulu to Kuala Lumpur date Friday: 18 May 2018 (MH2743; 11:20 – 13:25) 			

Verification on Previous Surveillance 1 Audit Findings and Actions Taken

Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Indicator 1.1.1</p> <p>NCR #: MRS 01/2017</p>	<p>Major</p>	<p>Requirement : Indicator 1.1.1 - Records and availability of up-to-date relevant federal and state laws, regulations and policies, in particular those related to forest plantation management.</p> <p>Finding : There was no evidence on approval from Labour Department of Sarawak (Section 114, Labour Ordinance, 1952, Sarawak Cap. 76) to deduct employee wages such as for levy fee.</p> <p>Objective evidence :</p> <ol style="list-style-type: none"> 1. The FPMU has deducted levy fee from workers salary as verified by auditor based on payslip in August 2017 of two Indonesian workers (Employee No.: 019927 & 021368). 2. The available permit to deduct workers' wages presented during the audit was outdated (Permit was under the name of Forescom Plywood Sdn. Bhd. dated 11 June 2013) which stated Minimum Wages Order 2012 (No. Siri: JTKSWK/PL/018/13(BTU)). 3. Official application for renewal of wage deduction permit on 24/3/2016 to Labour Department of Bintulu was rejected by the department due to document on minimum wages of workers attached was less than legal minimum wage rate. 	<p>Permit to deduct workers' wages will be re-applied to the Labour Department of Bintulu by 3-th December 2017.</p>	<p>Corrective action plan was accepted.</p> <p>Evidence of implementation: Auditor has verified permit from Sarawak Labour Department dated 27 November 2017 (JTKSWK/PL/071/17/ (BTU)) under name of Shin Yang Forestry Sdn. Bhd. where the FPMU can deduct worker wages for levy fee.</p> <p>Status: Closed.</p>
<p>Indicator 3.3.1</p>	<p>Minor</p>	<p>Requirement : Indicator 3.3.1 - Availability of appropriate procedures</p>	<p>Corrective action plan: The said local</p>	<p>Corrective action plan was accepted.</p>

<p>NCR #: MRS 02/2017</p>		<p>within current administrative processes for identifying and protecting such sites and provisions for rights of access to these sites by indigenous peoples within relevant federal and state legal frameworks or by mutual agreement.</p> <p>Finding : Record of dialogue and consultation with surrounding communities of the FPMU did not cover all communities identified in the SIA report.</p> <p>Objective evidence : The FPMU has conducted dialogue and consultation with all communities located surrounding the FPMU as per meeting minutes titled 'Mesyuarat Bersama Masyarakat Tempatan' and 'Dialog Bersama Dengan Komuniti Setempat' from 15-18/10/2016. However, there was no evidence of meeting with Long Apok, Long Liten, Uma Badeng Urun Asmidi Agau and Uma Pawa Long Urun.</p>	<p>communities will be add into Local Community Consultation Schedule for Year 2017. Consultation will be done by 13.12.2017</p>	<p>Long Apok, Long Liten, Uma Badeng Urun Asmidi Agau and Uma Pawa Long Urun had been added into Local Community Consultation Schedule for Year 2017. Consultation was done by 13.12.2017</p> <p>Status: Closed.</p>
<p>Indicator 4.1.2</p> <p>NCR #: MRS 03/2017</p>	<p>Minor</p>	<p>Requirement : Indicator 4.1.2 – Qualified people in communities living within, or adjacent to, the FMU are given preference or employment and contract works</p> <p>Finding : Qualified people in communities living within, or adjacent to, the FMU were not informed of job vacancies through distributed advertisements.</p> <p>Objective evidence :</p> <ol style="list-style-type: none"> 1. During consultation with Tuai Rumah (headman) and villagers at Data Sengelang, Long Dulit Urun, Uma Pawa Long Urun and Long Apok, it was found that the FMU did not distribute job vacancy advertisements to the local communities. 2. The FPMU only advertised the 300 vacant 	<p>Root cause: The HR department has been advertising the job vacancy through the local newspaper but they miss to distribute the advertisements to the local communities.</p> <p>Corrective action plan: A memo will be issued to HR department to given priority for local communities to work for the FPMU if they are willing to work based on their qualification and expertise.</p>	<p>Corrective action plan was accepted.</p> <p>The memo issued to HR department to give priority and preference to local communities to work at the FPMU provided that they are willing to work based on their qualification and expertise was available and verified</p> <p>Status: Closed</p>

		positions for planting, weeding, transferring the seedling and etc. through the newspapers – Mingguan Sarawak and Sarawak Tribune.		
<p>Indicator 6.7.1</p> <p>NCR #: MRS 04/ 2017</p>	<p>Major</p>	<p>Requirement : Indicator 6.7.1 - Oil, fuel, containers, liquid and solid non-organic wastes, shall be disposed of in an environmentally appropriate and legal manner.</p> <p>Finding : The management of scheduled waste was not according to procedures</p> <p>Objective evidence : Auditor has found that 2 containers of scheduled waste for SW 410 (oil filter and rag) at the scheduled waste store were not labelled. In addition, both containers were not closed</p>	<p>Root cause: Inadequate training of store in-charge.</p> <p>Corrective action plan: Internal training will be given to the store in-charge by 23/11/2017 and this training will be carry out by yearly basis. Both scheduled waste containers will be label and cover all the time when not in use.</p>	<p>Corrective action plan was accepted.</p> <p>Evidence of implementation: The FPMU has conducted an internal training on management of schedules waste on 23 November 2017.</p> <p>Auditor also has verified scheduled waste container for SW311, SW305 & SW410 with correct label, date of generation, name of producer. All the SW containers is cover all the time when not in use.</p> <p>Status: Closed.</p>
<p>Indicator 7.1.1</p> <p>NCR #: MRS 05/ 2017</p>	<p>Major</p>	<p>Requirement : Indicator 7.1.1 - Implementation of forest plantation management plan covering items (a) to (i) in Criterion 7.1, and prepared in accordance with existing guidelines and the provisions listed in Principle 1.</p> <p>Certificate for Forest Management (Forest Plantation) - As issued dated: 22 May 2017</p> <p>Finding : The FPMP was not clearly written on the coverage of certified area, annual allowable cut (AAC) and establishment of permanent sample plots (PSPs).</p> <p>Objective evidence : 1. The FPMU area as described in the FPMP is 11,646 ha (Table 1.1: Details of Penyuan FPMU area)</p>	<p>Corrective action plan:</p> <ol style="list-style-type: none"> 1. The FPMP will be revised to Rev. 05 by 09/01/2018. 2. Consultation with external researcher regarding with PSPs standard will be carried out by 09/01/2018. 	<p>Corrective action plans were accepted.</p> <p>Evidence of implementation: Auditor has verified the revised FPMP (Rev. 005) for Penyuan FPMU, dated 8th May 2018 where in the FPMP stated:</p> <ol style="list-style-type: none"> 1. The FPMU area for this audit is 15,261 ha for coup AT1, AT2, AT3, AT4(I) and AT4(II). 2. Table 3.4 in the FPMP has stated clearly that the harvesting is within 10 year period; 5 coupes in the certified area and 5 coupe in uncertified

		<p>2. Table 3.4 Planned cutting cycle (harvesting) and next replanting cycle for the Penyuan FPMU was for 5 years (2018 - 2022). However, the proposed cutting cycle mentioned in the AAC is 10 years.</p> <p>3. There was no evidence to prove that 6 PSPs as written the FMP is adequate to represent stand stocking of the FPMU area</p>		<p>area. The Annual Cutting Area (ACA) within the certified area for a period of 5 years is 1,348.80 ha.</p> <p>3. The FPMU will establish a minimum of five PSPs, each 900 square metres (15-25 stems per plot).</p> <p>Status: Closed.</p>
<p>Indicator 7.3.2</p> <p>NCR #: IAAM/SY 1/17</p>	<p>Minor</p>	<p>Requirement : Indicator 7.3.2 Forest plantation workers shall be trained as to their respective roles in the implementation of the forest plantation management plan</p> <p>Finding : Understanding of the workers on PSP establishment/monitoring and also Forest Fire Emergency procedures were not satisfactory.</p> <p>Objective evidence :</p> <ol style="list-style-type: none"> 1. Training records are unavailable for conducted training on PSP establishment and monitoring which include theory and field implementation to include; <ol style="list-style-type: none"> a) PSP objectives and functions b) PSP design/field establishment and survey c) Methodology for PSP parameter measurements (mensuration) i.e. diameter and height parameters 2. Based on interview with forest fire emergency team, the understanding on the forest fire plan was not satisfactory. 	<p>Root cause: Insufficient training program for Surveyor and Emergency Response Team.</p> <p>Corrective action plan: Internal training will be given to all Surveyor Team and Emergency Response Team by 24 November 2017.</p>	<p>Corrective action plan was accepted.</p> <p>Auditor verified that Internal training has been given to all Surveyor Team and Emergency Response Team by 24 November 2017</p> <p>Status: Closed</p>
<p>Indicator 8.1.1</p>	<p>Minor</p>	<p>Requirement : Indicator 8.1.1 - Forest plantation managers shall implement a</p>	<p>Root cause: Inadequate training among the Surveyor</p>	<p>Corrective action plan was accepted.</p>

<p>NCR #: MRS 06/ 2017</p>		<p>comprehensive network of permanent sample plots, appropriate to the scale and intensity of forest plantation management operations, to assess the health of the planted trees, forest ecosystem and the forest environment, growing stock conditions and increment</p> <p>Finding : The numbers of PSPs established on the ground does not tally with the number of PSPs written in the FPMP</p> <p>Objective evidence : The FPMU has established 5 PSPs as verified by auditor on the ground. However, the FPMP in section 2.3 Establishment of Sample Plots stated that the FPMU required a minimum of 6 PSPs to monitor stand growth and yield.</p>	<p>Team.</p> <p>Corrective action plan: New PSPs plot will be set up and the number of PSPs plots will be following the recommendation from external researcher or articles on PSPs standard and FPMP will be revised by 9 January 2018.</p>	<p>New PSPs plot had been set up. The number of PSP plots followed recommendations from external researcher consulted or articles relevant to PSP standards. The FPMP had been revised to version 005 dated 8th May 2018</p> <p>Status: Closed</p>
<p>Indicator 8.2.1</p> <p>NCR #: MRS 07/ 2017</p>	<p>Minor</p>	<p>Requirement: Indicator 8.2.1 - Forest plantation managers shall gather the relevant information, appropriate to the scale and intensity of the forest plantation management, needed to monitor the items (a) to (e) listed in Criterion 8.2.</p> <p>Finding : The FPMU has not gathered the relevant information for items, (d) as below: d) Social impacts of harvesting and other operations.</p> <p>Objective evidence : The beneficial impact and impact on socio-cultural life as reported in the social impact assessment report (Rev.1 September 2015) was not updated since the Stage 2 audit.</p>	<p>Corrective action plan: Social impact of harvesting and others operation will be carry out by Community Development Unit of Penyuan FPMU by 20/12/2017.</p>	<p>Corrective action plan was accepted.</p> <p>The auditor had verified that Social impact assessment of harvesting and other forest operations on local communities had been carried out by the Community Development Unit of Penyuan FPMU by 20/12/2017</p> <p>Status: Closed</p>
<p>Indicator 4.2.4</p>	<p>OFI</p>	<p>Two air compressor at the workshop had been registered with DOSH and inspected by DOSH officer on 20/11/2016. However, the FPMU has yet to display the</p>	<p>Not required</p>	<p>The registration no. of both air compressors at the workshop as per indicated in the</p>

		registration no. of both air compressors after receiving the certificate of fitness.		Certificate of Fitness were displayed clearly on both units Status: Noted
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Surveillance 2 Audit Findings and Corrective Action Taken

Indicator	Specification Major/Minor/OFI	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Indicator 1.5.2</p> <p>NCR No. : KN01/2018</p>	Major	<p>Requirement: Indicator 1.5.2 - Control of encroachment, illegal harvesting, hunting, and settlement, and <u>other unauthorised activities in the FPMU.</u></p> <p>Finding: The control of encroachment, illegal harvesting and other unauthorised activities in the FPMU was not sufficient.</p> <p>Objective evidence:</p> <ol style="list-style-type: none"> During site inspection at Coupe AT2, it was found; <ol style="list-style-type: none"> Seven (7) trees of <i>Paraserianthes falcataria</i> were felled during the road construction, and Four (4) trees (various species) with size from 30cm dbh to 60cm dbh (approximately) were illegally felled 	<p>Root Cause:</p> <p>The FPMU was hiring logging division to carry out road maintenance at Coupe AT2. Trees cut were for bridge construction but not recorded. Workers not provided relevant training prior to operation</p> <p>Corrective action:</p> <ol style="list-style-type: none"> Provide training “Procedure and Guideline for Road Layout, Construction and Maintenance on 10 Sept 2018 at Coupe AT4(I) to logging workers All cut trees had been recorded 	<p>Corrective action plan was accepted</p> <p>Verified Evidence of Implementation</p> <ol style="list-style-type: none"> Attendance sheet of logging workers who attended the training titled “Procedure and Guideline for Road Layout, Construction and Maintenance” on 10 Sept 2018 at Coupe AT4(I) Photograph of the in situ training Map titled “Road Maintenance Report” dated 23 September 2018 <p>Status: Closed</p>
<p>Indicator 5.6.1</p> <p>NCR No. : KN02/2018</p>	Major	<p>Requirement: Indicator 5.6.1 - Rate of harvest shall be in accordance with the prescribed cutting cycle as in the Forest Plantation Management Plan.</p> <p>Finding: The rate of harvest which is accordance with the prescribed cutting cycle was not provided in the Forest Plantation Management Plan.</p> <p>Objective evidence:</p> <p>The rate of harvest (AAC) for LPF/0018 Penyuan FPMU was not available in the revised Forest Plantation Management Plan, 1st January 2018 to 30th</p>	<p>Root Cause</p> <p>Document Controller did not update the Rate of Harvest (AAC) in the Forest Plantation management Plan Rev. 005</p> <p>Corrective action:</p> <p>The Rate of Harvest (AAC) was updated in the “Forest management Plantation Plan for LPF 0018: Penyuan FPMU</p>	<p>Corrective action plan was accepted</p> <p>Verified Evidence of Implementation</p> <p>Review of the Revised FPMP Rev. 006 showed that description of AAC had been provide in the FPMP (Ref: Para 3.7: “Yield Regulation” and Sub Para 3.7.1. “Annual Allowable Cut”</p> <p>Status: Closed</p>

		December 2028, Rev.005	(January 2015 – 31 st December 2014) Rev. 006” approved on 10 August 2018.	
Indicator 6.5.3 KN03/2018	Major	<p>Requirement: Indicator 6.5.3 – Availability and implementation of guidelines for conservation of buffer strips along stream and rivers SOP SYF/MC&I/P.07 Procedure and Guidelines for Road Layout, Construction and Maintenance dated 6.6 2015</p> <p>Finding: The maintenance and conservation of riparian zone and control other un-authorized activities in the FMU were not sufficient.</p> <p>Objective evidence:</p> <p>1. During site inspection at Compartment AT2, it was found;</p> <p>a) that soil was pushed near riparian buffer zone (near bridge), and the side drain was constructed directly into the water stream during the road maintenance, and</p> <p>b) site inspection of riparian zone in near Jungle Palm (HCV5), it was found residue of new constructed road soil was pushed into the area adjacent to the riparian buffer zone and Jungle Palm (HCV5)</p>	<p>Root Cause</p> <p>Road maintenance was carried out by Logging Division, however, the logging workers not given relevant training</p> <p>Corrective action</p> <p>1. Provide training “Prinsip dan Kriteria Pensijilan Hutan” on 10 August 2018 at Coupe AT4(I) to logging workers 2. Restore riparian buffer zone at Coupe AT2 by planting Eucalyptus trees 3. Demarcate buffer zone near Jungle Palm HCVF (HCVF5)</p>	<p>Corrective action plan was accepted</p> <p>Verified Evidence of Implementation</p> <p>1. Attendance sheet of logging workers who attended the training titled “Prinsip dan Kriteria Pensijilan Hutan” on 10 August 2018 at Coupe AT4(I)” 2. Photograph of Restoration of riparian buffer zone at Coupe AT2 by planting Eucalyptus trees 3. Photograph of demarcation of the buffer zone near Jungle Palm HCVF (HCVF5)</p> <p>Status: Closed</p>
Indicator 8.2.1 KN05/2018	Major	<p>Requirement: Indicator 8.2.1 - Forest plantation managers shall gather the relevant information, appropriate to the scale and intensity of the forest plantation management, needed to monitor the items (a) to (e) listed in Criterion 8.2.</p> <p>Finding:</p> <p>1. The establishment and monitoring of Permanent</p>	<p>Root Cause:</p> <p>1. Insufficient training program among Surveyor Team 2. Account Department did not separate costs and productivity data for Penyuan FPMU 3. SIA has been</p>	<p>Verified Evidence of Implementation</p> <p>1. Attendance sheet of Survey Team who attended the training titled ““ SOP on Permanent Plots (PSP)” on 20 September 2018 at Conference room (Seping Tree)</p>

		<p>Sample Plots were not satisfactorily conducted</p> <p>2. Costs, productivity and efficiency of forest management as required by the standards were not available.</p> <p>3. The “Social Impact Assessment Report” for LPF0018: Penyuan /Seping Estate Revision 002 “was incomplete:</p> <p>4. This finding was upgraded from Minor NCR Indicator 7.3.2 raised during the last Surveillance 1 Audit</p> <p>Objective evidence:</p> <p>1. (b) During the site inspection of Permanent Sample Plot No.3 at AT2, it was found;</p> <p>a. the length measurement of the plots (for length and width) were not corrected using clinometer readings and slope correction table,</p> <p>b. the inventory equipment (Suunto Clinometer) was damaged and for tree diameters measurements, a distance tape was used instead of a diameter tape. The compass used was also found unusable for inventory activities,</p> <p>c. Sample plot boundaries along 30m interval were not clearly demarcated on the ground,</p> <p>d. Sample plot design of 30m x 30m (0.09ha) does not tally with the SOP Ref. No: SYF/MC&I/P.20, and</p> <p>e. The SOP on Permanent Sample Plots (PSP) to study of growth rate of the planted forest, SOP Ref. No: SYF/MC&I/P.20 dated 6.7.2017 does not clearly explain the</p>	<p>done but the SIA Team did not attach the relevant document to the SIA report</p> <p>Corrective action</p> <p>1. Provide training titled “ SOP on Permanent Plots (PSP) on 20 September 2018 at Conference room (Seping Tree) to the Surveyor Team</p> <p>2. Replace inventory equipment with new and standardized units</p> <p>3. SYF Account Manager instruct Accounts Department to separate cost and productivity report for Penyuan FPMU.</p> <p>4. Attach the relevant documents to the “SIA Report for the Penyuan Estate: LPF 0018 Rev 02”</p>	<p>2. Photograph of the PSP training</p> <p>3. Memo dated 4 June 2018 from SYF Account Manager with instruction to Accounts Department to separate cost and productivity report for Penyuan FPMU.</p> <p>4. List of communities interviewed and Attendance Sheet Forms (with signed attendance of local community members who participated in the SIA studies) and Local communities feedback (Filled questionnaire forms) as annexes to the “SIA Report for the Penyuan Estate: LPF 0018 (15th January 2018 – 15th January 2023) Rev 02.</p> <p>Sighted local longhouses participation were:</p> <p>1. Data Sengelang- 9.12.2017</p> <p>2. Long Tengah(1)- 9.12.2017</p> <p>3. Uma Badeng- 9.12.2017</p> <p>4. Uma Dikan - 10.12.2017</p> <p>5. Long Balau- 13.12.2017</p> <p>6. Rumah Adeh (Long Ketuat) – 13.12.2017</p> <p>Status: Closed</p>
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		<p>working instruction and process of the PSP design, plot size and PSP maps.</p> <p>2.(e) Costs, productivity and efficiency of forest management as required by the standards were mixed with other Shin Yang subsidiaries</p> <p>1. The “Social Impact Assessment Report” for LPF0018: Penyuan /Seping Estate Revision 002” was incomplete:</p> <p>a) List of Local Communities interviewed not provided</p> <p>b) Attendance list of interviewed local communities not provided</p> <p>c) Feedback from interviewed local communities not provided</p>		
<p>Indicator 7.1.1</p> <p>KN04/2018</p>	<p>Minor</p>	<p>Requirement: Indicator 7.1.1 - Implementation of forest plantation management plan covering items (a) to (i) in Criterion 7.1, and prepared in accordance with existing guidelines and the provisions listed in Principle 1.</p> <p>Finding: Implementation of forest plantation management plan covering items (a) Management Objectives and (b) Description of the forest resources to be managed were not adhered to</p> <p>Objective evidence:</p> <p>Site inspection AT4(I) found road constructions were in progress. Review of document found the approval of PEC Ref No. LPF0018/17/72A (Compartment AT(I)) dated 30 March 2017 was with the intention to harvest 51 Blocks @ 2,358 ha of natural forest in the certified plantation area. This was not</p>	<p>Root Cause:</p> <p>Road maintenance was done by Logging Division and the workers not being given relevant training</p> <p>Corrective action</p> <p>1. To provide relevant training to the Logging workers by 9 August 2018</p> <p>2. Road construction shall be monitored by the FPMU</p>	<p>Corrective action plan dated 25 June 2018 was accepted</p> <p>Status: The implementation and effectiveness of the corrective action plan will be verified during the next audit</p>

		in line with para 6.3: Tree Felling and Harvesting System Selection, stated “All trees will be felled with the exception of <u>natural forest, conservation areas and protected areas</u> ” and para 3.3: Management Objectives, i.e. “iv. <u>To promote natural forest conservation, restoration and enhancement within FPMU</u> ” in the revised Forest Plantation Management Plan, 1 st January 2018 to 30 th December 2028, Rev.005		
<p>Indicator 1.1.1</p> <p>IAAM01/2 018</p>	<p>Minor</p>	<p>Requirement: Indicator 1.1.1 - Records and availability of up-to-date relevant federal and state laws, regulations and policies, in particular those related to forest plantation management.</p> <p>Finding: There was no evidence on approval from Labour Department of Sarawak (Section 114, Labour Ordinance, 1952, Sarawak Cap. 76) for late cash payment of wages to workers who request them</p> <p>Objective evidence:</p> <p>As confirmed by the Administrative Manager and feedback from seven (7) workers from Nursery and Workshop for Penyuan FPMU, it was found that payment of wages for workers who request their wages in cash, their salaries are paid on the 15th of the following month.</p>	<p>Root Cause:</p> <p>Account Department not aware on the Section 114, Labour Ordinance, 1952, Sarawak Cap. 76</p> <p>Corrective action</p> <p>A memo shall be issued to the Account Department to make sure they follow the Section 114, Labour Ordinance, 1952, Sarawak Cap. 76 by 25 May 2018. Payment of wages for workers who request their wages in cash shall be paid not later than seven days after the expiration of the wages period.</p>	<p>Corrective action plan dated 25 June 2018 was accepted</p> <p>Status: The implementation and effectiveness of the corrective action plan will be verified during the next audit</p>
<p>Indicator 2.3.1.</p> <p>IAAM03/2 018</p>	<p>Minor</p>	<p>Requirement: Indicator 2.3.1. - Availability of appropriate mechanism to resolve disputes over tenure claims and use rights</p> <p>Finding: The Standard Operating Procedure (SYF/MC&I/P.09: “Mechanism to resolve Local Communities Issues”) was not followed</p>	<p>Root Cause:</p> <p>CSR Team not aware of SOP</p> <p>Corrective action</p> <p>1. Training shall be provided to the CSR Team by 12 June 2018 2. CSR Team shall investigate the</p>	<p>Corrective action plan dated 25 June 2018 was accepted</p> <p>Status: The implementation and effectiveness of the corrective action plan will be verified during the next audit</p>

		<p>Objective evidence:</p> <ol style="list-style-type: none"> 1. Water pollution complaints raised in “<i>Mesyuarat Bersama Masyarakat Tempatan</i>” on 4th May 2018 was not investigated on site although reported to Shin Yang main office 2. Outstanding local communities issues: i.e. <ol style="list-style-type: none"> 1) Wages claim for survey work done during Mr Rafael Golout tenure 2) Access restrictions (Gate installations) for local communities to enter forest (for subsistence collection of resource) and 3) “Pemali” or loss of use rights claim by local communities due to Shin Yang operations (as allegedly promised by Mr Ah Heng)” that were raised and minuted during the “<i>Mesyuarat Bersama Masyarakat Tempatan</i>” in 2017 and 2018 were not investigated and the management decisions not communicated back to the local communities. 	<p>water pollution complaint by 2 July 2018 and the result of the investigation shall be presented to the relevant local communities</p> <ol style="list-style-type: none"> 3. The said outstanding local communities issues shall be reviewed together with management and shall inform the relevant local communities after management make a decision 	
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