



**PUBLIC SUMMARY
STAGE 3 SURVEILLANCE ON
SEGALIUD LOKAN FOREST MANAGEMENT UNIT
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FMC-NF 00001
Date of First Certification: 28 May 2013
Audit Date: 16-17 March 2021 (Remote)
13-16 December 2021 (Onsite)
Date of Public Summary: 10 June 2022**

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EXECUTIVE SUMMARY

The Surveillance 3 audit for forest management certification on the KTS Plantation Sdn Bhd – Segaliud Lokan FMU was conducted 16-17 March 2021 (Remote) and 13-16 December 2021 (Onsite). This was an audit conducted following the previous audit which was conducted on 22-25 October 2019 on the overall forest management system and practices of the FMU against the requirements of the Malaysian Criteria and Indicators for Forest Management Certification (MC&I SFM) using the verifiers stipulated for Sabah, Malaysia. The remote audit was conducted with the full cooperation of the Segaliud Lokan FMU by a two-member team comprising Mohd Razman Salim (Lead Auditor) and Mohd Annas Amin Hj Omar (Auditor). Haniff Salleh from Malaysian Timber Certification Council (MTCC) participated in this Surveillance 3 audit (Remote) as an observer. The onsite audit was conducted by four-member team comprising Hj. Roslee Jamaludin (Lead Auditor), Mohd Annas Amin Hj. Omar (Auditor), Khairul Najwan Ahmad Jahari (Auditor), and Dr. Mohd. Nazre Saleh (Auditor). The Segaliud Lokan FMU only covers an area of 57,247 ha of Segaliud Lokan Forest Reserve. The forest area is situated approximately between Latitudes 5° 20' N to 5° 40' N and Longitudes 117° 25' E to 117° 40' E and accessible from Sandakan Town along the 46 Mile, Sandakan-Telupid Highway. It took about 1 hour of travelling time from Sandakan Town to the FMU base camp. The audit involved the verification of documentations and field visits and inspections. There were also consultations being held with the Forestry Department, and relevant indigenous settlements adjacent to FMU. In general, the findings of this Surveillance 3 audit have indicated that the Segaliud Lokan FMU had complied with most of the requirements of the MC&I SFM despite the issuance of total one (1) Major and five (5) Minor NCR, and two (2) OFI against the requirements of the MC&I SFM. The audit team had also verified on the previous year findings taken by the Segaliud Lokan FMU to address all the finding raised during the last Surveillance 1 audit. The Surveillance 2 audit was not conducted due to Movement Control Order (MCO) for year 2020. The FMU had submitted a proposed corrective action plans to address the NCRs and OFI raised during the Surveillance 3 audit by mail on 12 January 2022 which has been accepted by the audit team leader. The last evidence of corrective action taken for Major NCR was received on 19th March 2022 and has been accepted and closed on 23rd March 2022. The effectiveness of the corrective actions taken by the FMU to address the Minor NCRs shall be verified by the audit team during the next surveillance audit. The Audit Team Leader after consultation with team members recommends that certification of Segaliud Lokan FMU against the MC&I SFM for certification conditional upon acceptance of corrective action plans within one (1) month from the date of the Surveillance 3 audit.

1.0 INTRODUCTION

1.1 Name of FMU

Segaliud Lokan Forest Management Unit

1.2 Contact Person and Address

Name : Marylyn Jonalius
Designation : Environmental Executive
Address : Mile 46, Sandakan – Telupid Highway,
90009 Sandakan, Sabah, Malaysia
Phone # : 089 271601/2 / 013 8608131
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1.3 General Background of the Segaliud Lokan FMU

The Segaliud-Lokan FMU 19 (b) of the Sandakan Forest District, which was gazetted in 1984 covers an area of 57,247 hectares (ha) and located between latitudes 5° 20' N and 5° 40' N, and longitudes 117° 25' E and 117° 40' E along the 46 Mile, Sandakan-Telupid Highway. The FMU 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 leptoclados*, *Dryobalanops lanceolata* and *Dipterocarpus caudiferus*. About 40 % of the large trees within the FMU comprised of these species. With the completion of the second rotation harvesting, the forest strata and species composition had changed with a shift to more of non-Dipterocarp Forest.

The FMU is being managed based on the principles of sustainable forest management (SFM) and the requirements of the Licence Agreement with the Sabah State Government. A Forest Management Plan (FMP) covering the period from 2019 to 2028 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 (2019-2028) Segaliud-Lokan Forest Reserve FMU 19(b), was approved by the Sabah Forestry Department on 14th Oct.2019. Under this FMP, the area for natural forest management (NFM) is 12,603 ha, Industrial Tree Plantation is 37,420 ha, the Protection Forest is 6,447 ha and research forest is 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, the FMU was started with conventional logging but adopted the Reduced Impact Logging (RIL) system in 1998. All subsequent harvesting has to be approved by the State

Forestry Department with the submission of the Comprehensive Harvesting Plan (CHP) for each block. The earlier unrestricted felling regimes and the multiple entries into the FMU had resulted in many sites now left with 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 2019-2028 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. Therefore, The FMU has conducted an enrichment planting as a silviculture treatment in the natural forest areas (NFM) which covered 24,449 ha from 1997 to 2013 by using indigenous tree species such as *Azadirachta excelsa*, *Swietenia macrophylla*, *Hopea odorata*, Laran (*Neolamarckia cadamba*), Binuang (*Octomeles sumatrana*) and *D. lanceolata*.

For ITP areas, the FMU has planted 2,279 ha of indigenous tree species and exotic species from 1995 to 2005 which were 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 trial.

It was reported that there is an abundance of wildlife species. Most common species are the Borneo Pygmy Elephants, Orang Utans (*Pongo pygmaeus*) and bearded pigs (*Sus barbatus*) while six of the eight species of hornbills (*Anthrococeros coronatus*) have been sighted in the FMU.

The nearest local community is Kampung Balat which is sited 5 km outside the FMU and completely within the neighbouring FSC-certified Deramakot FMU. Another, village is Sungai Lokan, which is located a significant distance from the FMU boundary, at the confluence of the Sungai Lokan and the Sungai Kinabatangan, some one-hour ride by boat from the FMU's boundary.

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

1.4 Date First Certified

28 May 2013

1.5 Location of the FMU

The FMU is located between latitudes 5° 20' N and 5° 40' N, and longitudes 117° 25' E and 117° 40' E along the 46 Mile, Sandakan-Telupid Highway.

1.6 Forest Management System

The FMU is being managed based on the principles of sustainable forest management (SFM) and the requirements of the Licence Agreement with the Sabah State Government. A Forest Management Plan (FMP) 2019 to 2028, had been completed and presented during the audit.

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

For the Twelfth Malaysia Plan (2021-2025) the Annual Allowable Cut (AAC) was calculated at an average of 46,375m³/year (or 18.55m³/ha) on average for the 25-year cutting cycle (2019-2028). The harvest for 2021 was targeted at 5,081.59 ha with a production volume of 35,910.21m³. The Segaliud Lokan FMU covers a total area of 57,247 ha.

1.8 Environmental and Socioeconomic Context

The audit is basically limited to the Segaliud Lokan FMU, a gazetted entity under the management of KTS Plantation Sdn Bhd (KTSP) and demarcated on the ground by clear boundaries. The total area of 57,247 ha was subjected to the certification process. The physical environment, related forest-based operations and community areas referred to in the audit, and their associated documentation, are confined within the borders of the said FMU. Similarly, the socioeconomic context referred to in the audit is also confined within the FMU borders. The audit report does not concern with matters outside the designated FMU boundaries.

2.0 AUDIT PROCESS

2.1 Audit Dates

2 December 2018 – 1 December 2023 (12 man-days)

2.2 Audit Team

1. Hj. Roslee Jamaludin (Lead Auditor)
2. Mohd Annas Amin Hj. Omar (Auditor)
3. Khairul Najwan Ahmad Jahari (Auditor)
4. Dr. Mohd. Nazre Saleh (Auditor)

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

2.3 Standard Used

The overall forest management system and practices of the FMU were audited against the requirements of the Malaysian Criteria and Indicators for Forest Management Certification (MC&I SFM) using the verifiers stipulated for Sabah, Malaysia.

2.4 Stakeholder Consultations

A stakeholder notification was issued in November 2021 for a period of one month inviting relevant stakeholders to give comments on the FMU. The comment of stakeholder as in **Attachment 3**.

The audit team had conducted an onsite consultation with the relevant stakeholders during this Surveillance 3 audit.

2.5 Audit Process

The audit was conducted primarily to evaluate the level of compliance of the FMU, current documentation, Standard Operating Procedures (SOPs) and field practices in forest management with the detailed of the listed in the MC&I SFM using the verifiers stipulated for Sabah, Malaysia.

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 level of compliance with the verifiers on a particular indicator, the auditors had reviewed and verified the degree of the overall compliance in the indicator before a finding was raised either a nonconformity (NCR) (minor or major) or opportunities for improvement (OFI).

An NCR raised during the audit and categorized by the audit team as either major or minor or is defined 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 proposed corrective actions taken within one month from the last date of the 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 three months from the last date of audit.

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

The FMU shall respond in writing to SIRIM QAS International within one months 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 a non-conformity. The closing of an OFI shall be made during the next surveillance audit.

The coverage of this Stage 1 surveillance audit is as shown in the audit plan in **Attachment 4**.

3.0 SUMMARY OF AUDIT FINDINGS

A total of one (1) Major [Indicator 4.2.5 - upgraded] and five (5) Minor Non-Conformance Report (NCRs) [Indicator 1.5.2, 4.3.3, 6.6.2, 8.1.3 and 8.3.1] and two (2) OFI (Indicator 5.3.1 and 8.3.1) were raised on the Segaliud- Lokan FMU against the requirements of the MC&I SFM. The audit team had examined all the proposed corrective action plans to address the NCRs and OFI raised during the audit by email on 12th January 2022 which has been accepted by the audit team leader. The last evidence of corrective action taken for Major NCRs was received on 19th March 2022 and has been accepted and closed on 23rd march 2022.

The effectiveness of the corrective actions taken by the FMU to address the Minor NCRs and OFIs were verified by the audit team with the details given in **Attachment 5**. Previous findings and corrective action taken are shown in **Attachment 6**.

The summary on the findings of the Stage 1 surveillance audit on the Segaliud- Lokan FMU against the requirements of the MC&I (Natural Forest) are as follows:

Principle	Strengths	Weaknesses
<p>Principle 1 Compliance with Laws and Principles</p>	<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 DFO of Sandakan indicated that no compounds were issued during the year 2021 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), revised license fees and other miscellaneous forest charges were verified.</p> <p>Forest managers had demonstrated awareness of international agreements. Copies of these documents, such as the International Labour Organisation (ILO) 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 MC&I (Natural Forest) Principles and Criteria. 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 including hotspots for hunting and gaharu poaching. Records of joint FDS-KTS aerial survey of external boundaries with Malbumi Estate and Bimbingan Estate for Segilud-Lokan (2021) were presented. Adequate signage was in place and no illegal activities were detected.</p> <p>A policy statement on Forest & Environmental Management Policy signed</p>	<p>Site Inspection of Pre-Harvesting activities at Compartment 23 however showed that the Block Boundary between Compartment 23 and Compartment 20 was not demarcated. A Minor NCR ANS01/2021 for Indicator 1.5.2 was thus raised.</p>

Principle	Strengths	Weaknesses
	<p>by the Managing Director on April 2021 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 Third Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018, were displayed in the FMU website.</p>	
<p>Principle 2 Tenure and Use Rights and Responsibilities</p>	<p>The License Agreement, JP(SLK) 125/93 (CO) dated 1st May 1993 issued to KTS Plantation (KTSP) by the State (Sabah Forestry Department) stated the right for KTSP to manage the Segaliud-Lokan FMU for 96 years (1993 to 2089). There is no settlement or customary sites within the FMU area hence obviating any land claim issue. Mechanisms for resolving such claims, if necessary, were however available and supported by the forest managers.</p> <p>As related above in Criterion 2.1, there was no tenancy or customary sites in the FMU area. The Third Forest Management Plan 2019 – 2028 Segaliud Lokan Forest Reserves FMU 19(b) had however clearly outlined the mechanism to address indigenous people’s right and customary use right if the issue arises.</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). The CFC included communities living within Deramakot and closest to the Segaliud-Lokan FMU.</p>	
<p>Principle 3 Indigenous People’s Rights</p>	<p>The FMU acknowledged indigenous peoples’ rights as stated in their FMP and in the recognition of Native Court apart from state Ordinance. This is consistent 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 does not arise.</p> <p>The FMU is guided by the documents Evaluation of High Conservation Value Forest (HCVF) in Segaliud Lokan Forest</p>	

Principle	Strengths	Weaknesses
	<p>Reserve” (2019 Revision) and Compliance Report 2018 (#KTSP/SFD/CR/Vol 1) for identifying sites of cultural, ecological or religious significance to indigenous people. There is no site of such importance that has been identified to date within the FMU area. The audit however noted that there were new species of nepenthes namely <i>Nepenthes mirabilis</i> and <i>Nepenthes hybrid</i> were discovered during the scientific expedition conducted in August 2018. Mechanism to resolve potential conflict for such sites is included in the FMP.</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 embodied in the CFC exists to resolve such claims if necessary.</p>	
<p>Principle 4 Community Relations and Workers’ Rights</p>	<p>The FMU provided training for their staff as documented in Training Reports. Local communities were given employment/contract preference by the FMU as emphasized in The Third Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2019-2028. It is also a partial requirement of the License Agreement for Timber, Tree Plantation and Wood Processing Plant for KTS Plantation Sdn Bhd.</p> <p>Field workers were updated on applicable laws and regulations regarding occupational safety and health, through briefing conducted for them. The KTSP Safety and Health policy (August 2012) was sighted and also included in the FMP. Training awareness on safety policy was conducted on 14 Jan 2021.</p> <p>It is clearly stated in the FMP (para 4.11.3) that the workers have the right to organize into union of their own choices according with ILO Convention No.87. The company also made available to the workers the acts and regulations pertaining to these rights. The right of workers to employment benefits and social protection is assured under applicable laws and/or regulations in the</p>	<p>Hazardous materials (brake and power steering fluid) were stored in mineral water bottles and not labelled as required. Drums containing scheduled wastes were found not/improperly labelled or not disposed in time. Signage was also not installed in the store. In the last surveillance audit (2019) a Minor NCR (RJ01/2019 for Indicator 4.2.5) was raised for various non-compliances including inadequate labelling of scheduled wastes. Given the unsatisfactory implementation in the corrective action plan the Minor NCR was thus upgraded to Major NCR RJ01/2021.</p> <p>During audit of contract workers, the employment contract of two workers were not available and employment data on three workers were not clearly stated for 2009/2011. Further, record of</p>

Principle	Strengths	Weaknesses
	<p>FMU. Documents on SOCSO protection as well as its contribution, together with that of the FMU, were verified. Employment agreements of contract workers were also audited. The management has clear SOP (KTSP/SOP/44/21) on worker's grievances. They were briefed on the mechanism on 1 Sept 2021 and interviews showed their understanding. Consultation with the Sandakan Labour Department found no worker issues were raised.</p> <p>The Social Impact Assessment on the FMU was conducted in 2018, as part of the revised EIA, in consultations with the surrounding communities. As part of the HCVF evaluation, a social assessment survey and analysis was also conducted. The results were incorporated in the management planning and revision of the FMP. The assessment report, 'Social Impact Assessment KTS Plantation - FMU 19B Segaliud-Lokan Forest Reserve' (June 2018), was presented for verification.</p> <p>The legal frameworks protecting local communities' legal or customary rights, property, resources, or their livelihoods were verified in several documents presented during audit. Among these include the Federal Constitution, the Aboriginal Peoples Act (1954), and the FMP. The appropriate mechanisms to assist the local community claim fair and equitable compensation if negatively impacted by forest operations were in place. No case was however recorded of the loss or damage of local people's legal or customary rights, property, resources, or livelihoods resulting from forest operations.</p>	<p>for employees were not sufficient as required in Labour Ordinance (Sabah Cap 67), Kaedah Buruh (Sabah) (Kandungan Kontrak) 2008. In consequence, Minor NCR KN01/2019 for Indicator 4.3.3. was raised.</p>
<p>Principle 5 Benefits From the Forest</p>	<p>The management of Segaliud Lokan FMU made several efforts for economic viability while taking into account the full environmental, social, and operational costs of production by investments and reinvestments, including forest administration, protection, research, human resource development, economic, conservation, environmental and social aspects based on 'The Third Forest Management Plan (2019-2028) Segaliud-Lokan Forest Reserve, FMU 19B'. Further, the FMU 'Annual Work Plan 2021' was verified during the audit together with the</p>	<p>The Code of Practices for Forest Harvesting in Sabah 1999 of the Sabah State Forestry Department and the CHP were used as guides in harvesting operations. However, the "Comprehensive Tree Harvesting Report/Laporan Terperinci Penuaian Kayu" could be further improved to include a column for "species". This should serve to facilitate crosschecking of species in</p>

Principle	Strengths	Weaknesses
	<p>'Proposed Annual Budget for 2021' for the FMU which assured that the investments were allocated to maintain the ecological productivity and integrity of the forest.</p> <p>Forest management was 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. Forest inventory was conducted based on PSP data. The Silviculture Management Inventory (SMI) of the timber resource focused on timber production in terms of forest growth, mortality rate, potential harvest year, and estimated project volume. The results as presented in the FMP were sighted. No minor forest product was extracted, but in the future gaharu resin is expected to be produced from trees planted in enrichment planting and rehabilitation operations. The gazetted Royalty Structure and Rates for logs in Sabah was designed with preferential royalty rates for local processing to encourage local participation. A new gazetted rate based on a circular, "Sabah Timber Royalty Effective 1 July 2016 FD 18/2016" was made available. Different rates were allocated to RIL harvested logs and those from reforestation sites.</p> <p>For standard operating procedures in harvesting operations, the RIL Operation Guide Book was used. KTS Plantation used the Code of Practice for Forest Harvesting in Sabah, Malaysia, 2009 to minimize waste during harvesting and on-site processing and avoid damage to forest resources. In addition, the FMU obtained approval for its Comprehensive Harvesting Plans (CHP) prior to logging. 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 20 were inspected and verified. RIL training courses were conducted (March 2020, August 2021) for forest workers. They were found knowledgeable on RIL by the auditors.</p> <p>The FMU was currently operating only for log production from their natural forest stand and forest plantations (ITP). The production mix of timber species were also provided for</p>	<p>the field. An OFI for Indicator 5.3.1 was thus raised.</p>

Principle	Strengths	Weaknesses
	<p>through planted Laran and mixed dipterocarps. Gaharu resins will also be produced in the future from planted trees.</p> <p>The Forest Management Plan and Comprehensive Harvesting Plan clearly describe the prescription to identify and demarcate sensitive areas for the protection of soil and water, water catchments, watercourses and wetlands including the HCV areas. This was verified through site visit to The Sg. Limau and Sg. Rawog areas (Compartment 13, 17 and 20) during audit. Among other sensitive areas, slopes above 25 degrees were protected from harvesting activities, boundaries colour coded, signage installed and the areas demarcated on maps. The FMU also has maintained and enhanced forest resources through forest rehabilitation and enrichment planting with high growth rate local tree species in 2018 (Compartment 14, 19 and 25) in the High Production Corridor.</p> <p>The AAC for the Segaliud Lokan FMU was established at the estimated total AAC was established at 46,375m³ per year. The KTSP Finance and Administration Division had continued to keep and maintain records of the amount of timber harvested from the FMU according to the Annual Work Plan (AWP) 2021. The newly designated PSPs, the 'Pair Permanent Sample Plot (Pair-PSP),' were widely established to improve on monitoring of stand growth and hence greater AAC accuracy in the future.</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 Proposed Logging Activities at FMU 19(B) (28,787ha) in Segaliud Lokan Forest Reserve (September 2012) in the revised EIA was also examined. The potential impacts and mitigation strategies were incorporated into the revised FMP (2019-2028). Measures on the adjacent oil palm estates were included. Potential impacts on the FMU ecosystem were also raised in the same report. Establishment of wildlife corridors with neighbouring forest reserves was suggested.</p> <p>Guidelines on potential impacts of forest operations were incorporated in the revised Environmental Impact Assessment (EIA)</p>	<p>The Report of Chemical Health Risk Assessment showed that more than five years had elapsed since the last assessment (5&6 October 2016). Given that no revision was conducted since then, as required under Regulation 10 of Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000, a Minor NCR ANS02/2021 for Indicator 6.6.2 was therefore raised.</p>

Principle	Strengths	Weaknesses
	<p>Report (2012) for the Proposed Logging Activities at FMU 19(B) (28,787ha) in Segaliud-Lokan Forest Reserve September 2012 had been incorporated into the revised The Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b), 2019-2028. This included the endangered, rare and threatened species (ERT) of flora and fauna. The FMU cooperated with stakeholders, such as the University Malaysia Sabah (UMS), in conservation activities. A no-hunting policy was enforced and complemented with security gates and monthly boundary patrol by the FMU management. Forest workers and local communities were made aware of ERT species through disseminated notices and posters at gate houses and camp area. The impacts of harvesting, pre-harvesting and post harvesting were assessed using data from sample plots. The Assessment of post-harvest damage for Compartment 8 (harvested from September 2020 to February 2021) was conducted and the report presented on 10 March 2021. Inventories determined trees to be felled (listed and mapped in the CHP) and retained for regeneration. Compartments understocked with harvestable trees were not logged. Post-harvest regeneration treatments were conducted where necessary. The FMP contained management strategy for forest protection. 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 as per the criteria stated in the Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b) 2019-2028. 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 of active logging site</p>	

Principle	Strengths	Weaknesses
	<p>(Compartment 20) verified that steep areas were protected and demarcated. Harvesting was conducted according to the Comprehensive Harvesting Plan where procedures to protect soil from compaction and erosion during harvesting operations, and protection of riverine buffer strips, were implemented in accordance to RIL requirements. Riparian buffers were demarcated with boundary trees and strategic signage. A fire prevention and control plan titled Management Prescription by Forest Zone for fire prone forest type within the FMU was presented.</p> <p>Policy on environmentally friendly non-chemical methods of pest management titled Forest & Environmental Management Policy was available during audit. The MC&I (Natural Forest) standard in the policy need to be replaced with MC&I SFM. Chemicals used were mainly for paints, fuel and herbicides, used in pest control in restoration planting and the nursery. Chemical handling and storage were proper and in accordance with SOPs for mixing chemicals, fertilizer application and weeding. A list of chemicals used and a report (Report of Chemical Health Risk Assessment, 5-6 October 2016) were verified by a registered assessor. Workers were trained in chemical usage, such as scheduled waste management (May 2021) and chemical handling (March 2021). The FMU has also established a plan of for reduced use of chemical pesticide. A document on integrated Pest Management (IPM) (KTSP/SOP/446/22), provided SOP for reduced chemical usage.</p> <p>The DOE was notified that all scheduled wastes generated by Segaliud Lokan FMU was handled through the e-SWIS system. Relevant documents concerning disposal inventory, transportation and storage permit were sighted and verified. During the previous audit, a minor NCR was raised under Indicator 4.2.5 since some schedule wastes (SW 305, SW 410, SW 404) were not dated when these were first generated. In this surveillance 3 audit however, the non-compliance under Indicator 4.2.5 was upgraded to a Major NCR. (Refer Indicator 4.2.5)</p>	

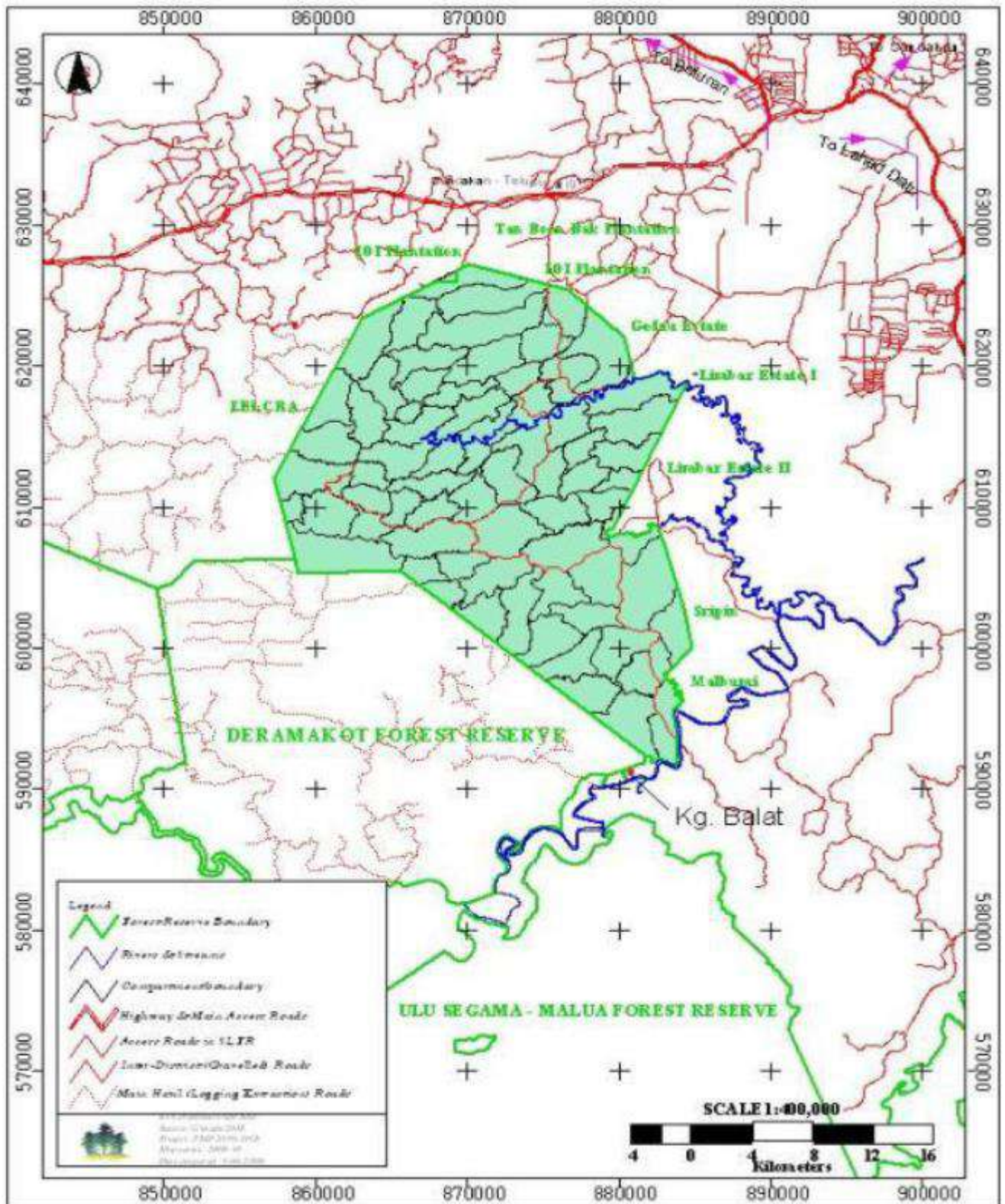
Principle	Strengths	Weaknesses
	<p>There was no application of biological control agents in the FMU.</p> <p>Under the enrichment planting program for 2020 local and indigenous species were used in the FMU. The related document on the enrichment planting Laporan Ringkas Kemajuan Kerja-Kerja Silvikultur, Hutan Simpan Segaliud Lokan, January 2021 was made available during audit. Exotic species were also planted as given in the List of Exotic Seedlings Planted since 1996 – 2020. Planting of exotic species were discontinued since 2020. The report Exotic Species Monitoring in Segaliud Lokan Forest Reserve 2020 on Swietenia macrophylla, Acacia mangium, Hopea odorata and Khaya Ivorensis was also sighted.</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. As mentioned in the FMP the management is committed to SFM in the ITP areas focused on restorative planting of degraded sites to improve forest resources.</p>	
<p>Principle 7 Management Plan</p>	<p>The Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b), 2019-2028 was presented during the audit. The inclusion of particulars as listed from (a) to (i) in this criterion was verified. The FMU was committed to implement sustainable forest management in the Industrial Tree Plantation zone.</p> <p>Periodic review of the management was maintained as in the revised Third Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2019-2028 which was presented during this audit. The new FMP had included item a-i as required in indicator 7.1.1. New scientific and technical information were generated through cooperative research (FMU, UMS and SFD) in forest conservation valuation, HCVF assessment, silviculture improvement, and tourism potential. The updates included harvesting plans, growth analysis and harvest rates, and HCV as well as forest conservation strategies.</p> <p>The training program with twelve courses and activities, centered on forest</p>	

Principle	Strengths	Weaknesses
	<p>management, for 2021 was sighted. The programmer included among others, management policy, HCV awareness, workplace safety, waste management, chemical handling, PSP training, RIL refresher, MC&I briefing and NCR issuance. The public summary of the management plan can be viewed from the FMU's web page at http://www.segaliudlokan.com/executive-summary-forest-management-plan/</p>	
<p>Principle 8 Monitoring and Assessment</p>	<p>The Segaliud-Lokan FMU had complied with the regulatory monitoring procedures in accordance with relevant federal and state guidelines of the Forestry Department and other relevant agencies. Internal and external monitoring programmes were conducted. The former for example, included SMI, Pair-PSP for growth assessment, EMSC Internal Audit and HCVF Monitoring. Examples of external monitoring included TLAS Audit and RIL Audit by forestry consultants and the FD. Other monitoring activities included the ECR of environmental features, community meetings with the Community Forestry Committee (CFC) and SIA undertaken by consultants. Other monitoring reports sighted included RIL audit (2017) by consultants, HCVF monitoring (2017, 2018), OSH monthly monitoring (July-August, 2018) and joint FMU-FD security patrols (2019).</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 for 2018-2020 (22.0K, 32.6K and 26.0K M3 respectively), PSP data on growth and regeneration status, changes in flora and fauna (Compartment 11&25 for flora), environment and social impact of harvesting, and forest management (cost, productivity and efficiency).</p> <p>Site inspection at the stumping site was made in Compartment 27 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 was</p>	<p>The SOP for diameter measurement in Pair-PSP, for trees with buttresses, need to be standardized to remove ambiguity to workers. An OFI for Indicator 8.1.1 was raised for future improvement.</p> <p>The FMU has only conducted internal audit for the environmental management system (MS14001:2015) standard for 2020. The MC&I SFM standard requirements were not as yet covered for 2021. Its internal audit was also not conducted since 2020. For this oversight a Minor NCR ANS03/2021 for Indicator 8.1.3 was raised.</p> <p>Based on site inspection at the Lokan Stumping, the audit found that Disposal Permit for round logs examined (No. 66495, 669497 and 669499) there were no specific claims of 100% PEFC Certified. Therefore, a Minor NCR ANS04/2021 for Indicator 8.3.1 was raised.</p>

Principle	Strengths	Weaknesses
	<p>sighted. 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 B (B1 & B7). Log records tallied between stumping sites and log record book at the log pond.</p> <p>The Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b), 2019-2028 presented during this audit had incorporated results of monitoring as per indicator 8.2.1 (a)-(e). 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>Principle 9 Maintenance of High Conservation Values</p>	<p>An assessment to identify HCVs in the FMU was presented in the report Evaluation of High Conservation Value Forest (HCVF) in Segaliud-Lokan Forest Reserve. Four HCV areas in Segaliud Lokan FMU established were (1) Nepenthes ampullaria (pitcher plant) area in Compt. 49, (2) Saltlick in Compt. 56, (3) Steep area with abundant and large commercial trees in Compt. 58 and (4) Toluh waterfall in Compt. 26.</p> <p>The was no consultation with stakeholders made on HCVFs since the last audit. This was partially due to the pandemic movement restriction imposed in 2020. The stakeholders' comments were however incorporated in the The Third Forest Management Plan (2019-2028) Segaliud-Lokan Forest Reserve, FMU 19B. The last consultation was in 2019, made in CFC meetings with local communities. The list of HCVF consultants were presented during audit and verified.</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 Evaluation of High Conservation Value Forest (HCVF) Segaluid Lokan Forest Reserve (FMU 19B) November 2016.</p> <p>The HCV Forest management prescriptions are detailed out in The Third Forest</p>	

Principle	Strengths	Weaknesses
	<p>Management Plan (2019-2028) Segaliud-Lokan Forest Reserve, FMU 19B. Their implementation was verified during site visits to Compartment 56 (salt lick) and 26 (Toluh waterfall). Enhancement and conservation measures of HCVF sites identified in the HCVF assessment for Segaliud-Lokan Forest Reserve 2019 revision, were updated on the website http://www.segaliudlokan.com/hcvf/.</p>	

Map of Segaliud Lokan FMU



Experiences and Qualifications of Audit Team Members

Audit Team	Role/Area of MC&I Requirement	Qualification and Experience
Hj Roslee Jamaludin	Assessment Team Leader / Forester	<p>Academic Qualification:</p> <p>B.Sc. of Forestry (Forest Management), University Putra Malaysia.</p> <p>Diploma of Forestry, Mara Institute of Technology, Malaysia.</p> <p>Work Experience:</p> <p>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 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. • Forest Management Certification (FMC) Workshop 2017 organised by SIRIM (Food, Agr. & Forestry Section) 08 – 09 May 2017 • 'Forest Management Certification (FMC) Workshop' for 2017 organised by SIRIM (Food, Agr. & Forestry Section) 28 & 29

		<p>November 2017.</p> <ul style="list-style-type: none"> • FMC Workshop for 2018 organised by SIRIM (Food,Agr. &Forestry) 22 November 2018 • COC Workshop 2018 organised by SIRIM 26 November 2018 • Auditor Training Course on PEFC Chain of Custody Certification organized by MTCC on 19th -20th December 2018.
Dr.Nazre Saleh	Assessment Team Member/Forester	<p>Academic Qualification: Diploma in Forestry, UPM B. Sc. Conservation Biology & Ecology (UKM) MSc. Botany (UKM) PhD. Botany (Edinburgh)</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.
Mohd Annas Amin bin Haji Omar	Assessment Team Member/Forester	<p>Academic Qualification: Diploma in Forestry, UPM B. Sc. In Forestry, UPM</p>

		<p>Work Experience: Six year as Assistant Forest Officer at Perak Forestry State Department in the year from 2013-2018. Main responsibility is Assisting District Forest Officers in administrative work, forest development and forest operations. Conduct forest Enforcement Team Activities such as The Prevention of illegal logging. Appointed to be Raid Officer in Raid Eradicating Illegal Refinery in Kinta Manjung Forest District. Also appointed to be Investigative Officer in Investigations into a case involved Ayer Chepam Forest Reserve and Cased Prosecuted in Court.</p> <p>Attended and pass the following training programmes:</p> <ul style="list-style-type: none"> •Program of MTCS Training Course (MC&I) in Kuantan (9-12 July 2018) •Lead Auditor ISO 9001, ISO 14001 & ISO 45001 Exemplar Global Certified (13-18 August 2018)
<p>Khairul Najwan Ahmad Jahari</p>	<p>Assessment Team Member/Forester</p>	<p>Academic Qualification: B.Sc of Forestry (Forest Management), Universiti Putra Malaysia.</p> <p>Work Experience: Appointed as contract Research Officer in the Natural Forest Division, Forest Research Institute of Malaysia (FRIM), since 2001. Conduct and coordinate research on 8th Malaysian Plan Project. 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 and Forestry Section (FAF), SIRIM QAS International, since 2009. Involved in conducting assessments 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>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 (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>

Comment by Stakeholders and Responses from Audit Team

No.	Stakeholder	Comments/Issues Raised	Response by Audit Team
		There was no comment received	

Surveillance 3 Audit plan (2021)

DAY	TIME	PROGRAM			
		AUDITOR 1 (Hj.Roslee)	AUDITOR 2 (Mohd.Annas)	AUDITOR 3 (Najwan)	AUDITOR 4 (Dr. Nazre)
Day 0 12/12/21 (Sunday)		Hj.Roslee, Annas, Najwan - Travel from Miri to Kota Kinabalu (MYA - BKI MH3226 ETD 12.25 , ETA 13.10 & MH 3048 ETD 18.10 , ETA 18.45) overnight Kota Kinabalu. Dr. Nazre travel from KLIA – SDK (KUL-SDK MH7428 ETD 13:30, ETA 16:20) overnight in Sandakan. (Livingston Hotel- Booking No. 99195)			
Day 1 13/12/21 (Monday)	8.30 am- 11.30 am 12.00 pm- 1.30 pm 2.00 pm – 5.30 pm	Hj. Roslee, Annas, Najwan travel BKI-SDK (MH2042 ETD 07:15, ETA 07:55). All auditors travel to Segaliud – Lokan Base camp.			
		Documentation and records review • Principle 1 – Compliance with Laws and Principles • Principle 7 – Management Plan • Principle 4 - Community Relations and Worker’s Right (Indicator 4.2.5)	Documentation and records review • Principle 6 – Environmental Impact • Principle 8 – Monitoring and Assessment	Documentation and records review • Principle 2 – Tenure and Use Rights and Responsibilities • Principle 3 – Indigenous Peoples’ Right • Principle 4 - Community Relations and Worker’s Right	Documentation and records review • Principle 5– Benefits from the forest • Principle 9– Maintenance of High Conservation Value Forests
		• Review of Day 1 Findings by Audit Team Leader			

Day 2 14/12/21 (Tuesday)	8.00 am – 5.00 pm	Site visit <ul style="list-style-type: none"> • Inspection of active harvesting area (Compt. 20)-SKT A20 • Post harvest-Compt.17 	Site visit <ul style="list-style-type: none"> • Inspection of active area. (Compt. 20- F-2) • Pre-Harvest (Compt. 23) 	Site visit & consultations <ul style="list-style-type: none"> • District Forest Officer (DFO) Sandakan • Labour Department, Sandakan, • Wildlife Department Sandakan • KTS Office in Sandakan 	Site Visit <ul style="list-style-type: none"> • Rehabilitation (HPC)- Copmt.17 and 20. • PSP-Compt. 17 and Compt.8 • Inspection of Licence External Boundary.
	<ul style="list-style-type: none"> • Review of Day 2 Findings by Audit Team Leader 				
Day 3 15/12/21 (Wednesday)	8.00 am – 12.00 pm	<ul style="list-style-type: none"> • Workshop • Clinic • Interview with workers.(Base camp) 	<ul style="list-style-type: none"> • Inspection of Licence External Boundaries • Nursery • CoC- Stumping (Compt.3) 	<ul style="list-style-type: none"> • Consultation with community.-Kg. Ulu Muanad • MWC consultation. 	<ul style="list-style-type: none"> • HCvFs area – compt. 26 (Toluh waterfall) • Salt lick- Compt. 59.
	2.00 pm - 5.00 pm	Continue on Documentation and Record Review.			
<ul style="list-style-type: none"> • Review of Day 3 Findings by Audit Team Leader 					
Day 4 16/12/21 (Thursday)	8.00 am – 10.00am	<ul style="list-style-type: none"> • Documentation and records review 			
	10.00 – 12.00 am	<ul style="list-style-type: none"> • Preparation of audit report and finding 			
12.30 – 2.00 pm	<ul style="list-style-type: none"> • Closing Meeting and presentation of findings of audit and discussion on follow-up activities 				
2.30pm	All auditors Travel to Sandakan and overnight in Sandakan. (Livingston Hotel-Ref. No. 99194)				
17/12/21 (Friday)	10.30 am	All Auditors travel to Sandakan Airport and travel back to Kuala Lumpur (SDK-KUL MH 2711. ETD 13.50, ETA 16.35)			

Audit Findings and Corrective Action Taken (2021)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<p>Major</p> <p>NCR: RJ01/202 1</p>	<p>Indicator 4.2.5 - Demarcation of hazardous areas and provision of guidelines for storage and handling of hazardous materials.</p> <p>Finding : Storage and handling of hazardous material not adhered to Environmental Quality (Schedule waste) Regulation 2005 and Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514).</p> <p>Objective evidence : Site inspection to Workshop, Scheduled waste & Lubricant store and Clinic found that;</p> <p><u>Under Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514).</u></p> <ol style="list-style-type: none"> 26 mineral water bottles were filled with brake and power steering fluid in Lubricant store and one (1) bottle in workshop were not labelled as a requirement in Part VI: 	<p>Result of investigation and determination of root cause:</p> <p>Lack of awareness on Environmental Quality (Schedule waste) Regulation 2005 and Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514).</p> <p>Correction and corrective action plan including completion date:</p> <ol style="list-style-type: none"> To conduct refreshment training on Environmental Quality (Schedule waste) Regulation 2005 and Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514). To labelled SW305 drum with date of first generated. To label SW 312 using SW312 label with date of first generated. To disposed SW 404 clinical waste according to Environmental Quality (Schedule waste) Regulation 2005 To install Safety First and Mudah Terbakar signages at scheduled waste and lubricant store 	<ol style="list-style-type: none"> To conduct refreshment training on Environmental Quality (Schedule waste) Regulation 2005 and Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514): Refreshment training was conducted to Store-helper and Store-helper trainee on 7 February 2022. Refer Appendix 1. To labelled SW305 drum with date of first generated. All SW305 drum are labelled with date of first generated. Refer Appendix 2. To label SW 312 using SW312 label with date of first generated. a. Old label of SW305 and SW410 on SW312 has been removed. b. SW312 drum are labelled with date of first generated. Refer Appendix 3. To disposed SW 404 clinical waste according to Environmental Quality (Schedule waste) Regulation 2005. Pending for contract renewal Registered Contractor (Sedafiat). Refer Appendix 4.

	<p>Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514).</p> <p><u>Under Environmental Quality (Schedule waste) Regulation 2005</u></p> <ol style="list-style-type: none"> 1. 2 drums of SW 305 were not labelled with the date of first generated. 2. One (1) drum of SW 312 has been label as SW 305 and SW 410 and without the date of first generated. 3. SW 404 (Clinical waste) generated since 5/10/2020 has not been dispose after 180 days. 4. The signboard of "Safety first" and " Mudah Terbakar" were not install at Schedule waste and Lubricant store. <p>The Minor NCR RJ01/2019 upgraded to Major NCR RJ01/2021</p>		<p>5. To install Safety First and Mudah Terbakar signages at scheduled waste and lubricant store.</p> <p>Safety first and Mudah Terbakar signages has been installed at Schedule Waste and Lubricant store. Refer Appendix 5</p> <p>Status: Closed</p>
<p>Minor NCR: ANS01/2021</p>	<p>Requirement: Indicator 1.5.2 - FMU shall be protected from encroachment, illegal harvesting, hunting, and settlement, and other unauthorised activities</p> <p>Finding: Compartment Boundary not fully demarcated on the ground.</p>	<p>Result of investigation and determination of root cause:</p> <p>Marking interval not explicitly mention in the manual.</p> <p>Correction and corrective action plan including completion date:</p>	<p>Corrective action was accepted by audit team.</p>

	<p>Objective evidence: During site Inspection on Pre-Harvesting activities at Compartment 23 found the Compartment Boundary was not demarcated between Compartment 23 and Compartment 20.</p>	<p>To enhance compartment boundary demarcation manual 2. To implement compartment boundary demarcation accordingly</p>	<p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>
<p>Minor NCR: KN01/202 1</p>	<p>Requirement: Indicator 4.3.3 - The right of workers to employment benefits and social protection is assured under applicable laws and/or regulations.</p> <p>Finding: Record of employment for employees were not sufficient as required in Labour Ordinance (Sabah Cap 67), Kaedah Kaedah Buruh (Sabah) (Kandungan Kontrak) 2008.</p> <p>Objective evidence:</p> <ol style="list-style-type: none"> 1. Audit found no employment contract for workers ID:189561 (Romi Binti Mude), and ID:188713 (Nelis Mado) 2. Review on workers employment contract signed on 2009/2011 for workers ID:187548 (Dowalina Solleh), ID:188732 (Mark Steve Sangku), and ID: 188713 (Nelis Mado) found the number of days of work, working hours, holidays, annual leave, and sick leave 	<p>Result of investigation and determination of root cause:</p> <ol style="list-style-type: none"> 1. Not effective filing system 2. Incomplete evaluation of Labour Ordinance (Sabah Cap 67) requirements <p>Correction and corrective action plan including completion date:</p> <ol style="list-style-type: none"> 1. Improve documentation/filing system 2. To evaluate requirements of Labour Ordinance (Sabah Cap 67) 3. To update employment contract according to Labour Ordinance (Sabah Cap 67) requirements 	<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>

	were not clearly stated in the employment contract for year 2009/2011		
Minor NCR: ANS02/2021	<p>Indicator 6.6.2 - Availability and implementation of guidelines and/or procedures on the use of chemicals in the forest approved by relevant regulatory authorities.</p> <p>Finding: The Chemical Health Risk Assessment not reviewed.</p> <p>Objective evidence:</p> <p>Based on documentation review on “Report of Chemical Health Risk Assessment” found that, the assessment was more than five years have elapsed since the last assessment (5&6 October 2016). There was no evidence that the review been conducted as required under Regulation 10 of Occupational Safety And Health (Use and Standard of Exposure of Chemicals Hazardous To Health) Regulation 2000.</p>	<p>Result of investigation and determination of root cause:</p> <p>Restriction due to Pandemic</p> <p>Correction and corrective action plan including completion date:</p> <p>To review Chemical Health Risk Assessment</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>
Minor NCR: ANS03/2021	<p>Indicator 8.1.3 - Forest managers shall undertake annual internal audit and management review of forest management for continual improvement. The conduct of internal audit, management review and continual improvement is</p>	<p>Result of investigation and determination of root cause:</p> <p>Internal audit for year 2021 was scheduled on third week of December.</p> <p>Correction and corrective action plan</p>	<p>Corrective action was accepted by audit team.</p>

	<p>stipulated in APPENDIX A.</p> <p>Finding : Annual internal audit not conducted.</p> <p>Objective evidence : An Internal Audit for MC&I SFM was not conducted since 2020.</p>	<p>including completion date:</p> <p>To carry out internal audit accordingly</p>	<p>Status: Implementation and effectiveness of the corrective action plan will be verified during next audit.</p>
<p>Minor NCR: ANS04/20 21</p>	<p>Indicator 8.3.1 - Forest managers shall provide relevant documents to ensure that all forest products leaving the certified area can be identified (including volumes and types) so that their origin can be determined. Specific claims to communicate the origin of products are specified in APPENDIX B.</p> <p>Finding : No specific claims to communicate the origin of products are specified in APPENDIX B.</p> <p>Objective evidence : Based on inspection at Lokan Stumping, found that Disposal Permit for round logs No. 66495,669497 and 669499 dated 29th November 2021 no specific claims of 100% PEFC Certified.</p>	<p>Result of investigation and determination of root cause:</p> <p>Incomplete evaluation of requirement of MC&I SFM standard on specific claims of 100% PEFC Certified.</p> <p>Correction and corrective action plan including completion date:</p> <ol style="list-style-type: none"> 1. To evaluate requirement of MC&I SFM standard on specific claims of 100% PEFC Certified. 2. To implement accordingly 	<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>OFI No. 1</p>	<p>Indicator 5.3.1 – <u>Implementation of guidelines for reduced/low impact logging to minimize damage to residual stand, and log extraction operations to minimize product</u></p>	<p>Not required</p>	<p>Will be verified in the next audit</p>

	<p><u>wastage. (NF).</u></p> <p>The “Comprehensive Tree Harvesting Report/Laporan Terperinci Penuaian Kayu” could be improved to include column for “species” as to facilitate cross checking of species in the field.</p>		
<p>OFI No.2</p>	<p><u>Indicator 8.1.1</u> ;Forest plantation managers shall implement a 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>SOP Pair-Permanent Sample Plot [KTSP/SOP/446/15] on DBH measurement need to be improve to make it clear for the field workers to follow. As of now the workers measure the dbh for tree with large buttresses is about 12 inch above the buttresses.</p>	<p>Not Required</p>	<p>Will be verified in the next audit</p>

Previous Audit Findings and Corrective Action Taken (2019)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Major NCR: IAM01/ 2019	<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: Record of employment and insurance for contractors's employees not available.</p> <p>Review of employment record for Contractor's workers (Tiong & Sons) found that no evidence of the following:</p> <ol style="list-style-type: none"> 1. Employment contract containing terms of service 2. Insurance coverage 3. Salary slips 4. Certificate of identity 5. Copies of work permit/passport 	<p>Root cause:</p> <p>All record of employment and insurance not provided by contractor.</p> <p>Corrective action plan:</p> <ul style="list-style-type: none"> • To request and maintain the records of employment and insurance from contractor. 	<p>The FMU has submitted the following document for :</p> <ul style="list-style-type: none"> • Employment contract containing terms of service • Insurance coverage (Socso) • Salary slip • Certificate of Identity • Copies of work permit and passport <p>Status: Closed</p>

<p>Minor NCR: IAM02/ 2019</p>	<p>Requirement: Indicator 2.3.1 - Availability of appropriate mechanisms to resolve disputes over tenure and use rights.</p> <p>Finding: Stakeholder has not been informed of the FMU decision on request/conflict resolution.</p> <p>Objective evidence:</p> <p>During consultation with community members of Kg Balat found that, the community had not been informed of Segaliud Lokan FMU management decision regarding the latter's request for donation of boat to ferry school children across Sg Kinabatangan (raised during previous CFC meeting)</p>	<p>Root cause:</p> <p>Conflict resolution mechanism not being implemented.</p> <p>Corrective action plan:</p> <p>To implement the conflict resolution mechanism.</p>	<p>A meeting has been conducted on 21st February 2020. Review on "Minit Mesyuarat Komiti Perhutanan Hutan Simpan Deramakot 19A Siri 1/2020" found Segaliud Lokan FMU had explained the issues on the donation of boat to ferry school children across Sg Kinabatangan to the all-committee members. The meeting was chaired by Deramakot District Forest Officer and the representative from both Kg. Balat and KTS Plantation attended the meeting.</p> <p>Status: Closed</p>
<p>Minor NCR: RJ01/ 2019</p>	<p>Requirement: Indicator 4.2.5 - Demarcation of hazardous areas and provision of guidelines for storage and handling of hazardous materials</p> <p>Finding: Guidelines for storage and handling of hazardous material not followed</p>	<p>Root cause:</p> <p>Lack of awareness on the guidelines for storage and handling of hazardous material.</p> <p>Corrective action plan:</p> <ol style="list-style-type: none"> 1. To conduct briefing on guidelines for storage and handling of hazardous material. 2. To provide labelling for schedule waste 	<p>Storage and handling of hazardous material not adhered to Environmental Quality (Schedule waste) Regulation 2005 and Part VI: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514). The corrective action plan taken during last audit findings were not satisfactorily implemented. Recurrent of the non-compliance.</p>

	<p>Objective evidence: During site inspection at Tiong & Sons workshop (Contractor for the FMU) and Clinic it was found that:</p> <ol style="list-style-type: none"> 1. 15 mineral water bottles were filled with lubricant oil and were not labelled. 2. The Schedule SW 305 and SW 410, SW 404 were not labelled with the date of first generated. 	<p>generated at contractor camp and clinic.</p> <ol style="list-style-type: none"> 3. To include inventory system for contractor 	<p>Status: This Minor NCR RJ01/2019 has been Upgraded to Major NCR RJ 01/2021</p>
<p>Minor NCR: IAM03/ 2019</p>	<p>Requirement: Indicator 4.3.4. Availability of appropriate procedures to address grievances raised by workers and/or their organisations and for conflict resolution.</p> <p>Finding: Evidence of resolved grievances not available</p> <p>Objective evidence:</p> <p>Review of workers grievance record/form (for house repair request) found that no acknowledgement (from repairer and complainant) on the completion of repair (conflict resolution) that had been implemented.</p>	<p>Root cause:</p> <p>Current grievance form do not include section for resolution acknowledgement</p> <p>Corrective action plan:</p> <p>To revise the grievance Form by including the section for acknowledgement.</p>	<p>Review of the usage of the form found it was implemented for complaint dated 14 June 2021, 7 June 2021, 15 April 2021 and 17 May 2021. These were confirmed during the consultation with the workers during the audit. Furthermore, grievances training was conducted on 1 Sept 2021 to the workers.</p> <p>Status: Closed</p>

OFI #1	<p>Requirement: Indicator 7.3.1 <u>Availability of facilities and programs for training of forest workers for proper implementation of the forest management plan</u></p> <p>i) Training plan for 2019 has covered relevant operations except for Awareness of MC & I briefing and PSP establishment training.</p>	Not required	Training plan for 2021 has covered relevant operations for Awareness of MC&I SFM briefing and PSP training. Therefore, previous OFI for Indicator 7.3.1 was satisfactorily closed.
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