



**PUBLIC SUMMARY
SURVEILLANCE 2 AUDIT (2nd CYCLE) ON
BORNION TIMBER FOREST PLANTATION MANAGEMENT UNIT (FPMU 11)
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FMC-FP 00113
Date of First Certification: 13 January 2017
Audit Date: 8th – 9th April 2022
Date of Public Summary: 10th October 2023**

Certification Body:

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EXECUTIVE SUMMARY

The Surveillance 2 audit for forest management certification on the Bornion Timber Sdn. Bhd. – FPMU 11 was conducted from 8th -9th April 2022. The Surveillance 1 Audit was conducted from 29-31 March 2021.

The 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 SFM, using the verifiers stipulated for Sabah, Malaysia.

The audit was conducted by a three-member audit team comprising Mohd. Annas Amin Hj. Omar (Lead Auditor), Hj. Roslee Jamaludin (Auditor), and Angelica Sinimis Suimin (Auditor).

The scope of the audit was limited to the forest management system and practices of the Plantation Forest area within the Bornion Timber Sdn. Bhd. FPMU – 11 with total area of 25,536.71 hectares. The audit involved the verification of documentations, field visits and inspections. There were also consultations held with the local communities inside the FPMU certified area which had been identified in the Social Impact Assessment report.

The audit team had also verified the previous findings and action taken by the FPMU during Surveillance 1 Audit on 29th- 31st March 2021 for one (1) Minor non-conformity, and six (6) OFI. Inspection of the corrective actions on the ground was done during this Surveillance 2 Audit (2022), and Minor NCRs were satisfactorily closed.

In general, the findings of the Surveillance 2 Audit indicated that the Bornion Timber Sdn. Bhd.- FPMU 11 has complied with most of the requirements of the MC&I SFM despite the issuance one (1) Major Non-Conformance Report (NCRs) and four (4) Minor Non-Compliance Report (NCR), and one (1) OFI on the FPMU against the requirements of the MC&I SFM. The FPMU had submitted corrective action plans and evidence of implementation to address the four (4) Minor and one (1) Major NCRs raised during the Surveillance 2 Audit which were accepted by the audit team.

Based on the satisfactory acceptance of the corrective action plans and evidence of implementation to the minor and major NCRs, the Audit Team recommends Bornion Timber Sdn Bhd – FPMU 11 continue to be certified against MC&I SFM.

1. INTRODUCTION

1.1 Name of FPMU

Bornion Timber Forest Plantation Management Unit

1.2 Contact Person and Address

Name : Adam Ryan Goh Jun Xin
Designation : Manager – Forest & Plantation Management
Address : Mile 46, Jalan offroad Sook – Tulid, 89008 Keningau Sabah
Phone # : 088 240111/ 011 17599778
Fax # : 088 240112

1.3 General Background on the Bornion Timber FPMU

The Bornion Timber Sdn. Bhd. (BTSB) had signed a Sustainable Forest Management License Agreement 03/97 (SFMLA 03/97) with the Sabah State Government on 10th September 1997 to establish and maintain 98,984.60 ha of Forest Management Unit (FMU 11) located in Sg. Milian Forest Reserve (Block A) and Part of the Sapulut Forest Reserve (Block B) in Sook District, Keningau, Sabah, for a period of 100 years. The FMU 11 was split into two separate management units of Natural Forest and Forest Plantations. The Forest Plantation Management Unit (FPMU) covers an area of 58,512.77 ha and the Natural Forest Management Unit (FMU), 40,645.5 ha of the total FMU 11 area, respectively.

However, the certified Forest Plantation Management Unit (FPMU) managed by Bornion Timber Sdn. Bhd. covers an area of 25,536.71 ha, which is part of the 58,512.77 ha of FPMU 11 areas. It is located at longitudes approximately 116° 15' E to 116° 50' E and latitudes 4° 40' N to 5° 30' N. The certified forest plantation area only covers limited areas as in Table 1 below. Other compartments that were not listed in the table were not certified due to land conversion undertaken after year 2010 in compliance of indicator 6.10.1 in MC&I SFM.

The forest types in the FPMU area prior to 1997 consisted mainly of Lowland Mixed Dipterocarp Forest, Upland Mixed Dipterocarp Forest, Upland Mixed Dipterocarp Forest and Kerangas Forest with small areas of Limestone Forest and Heath Forest. Repeated re-entry in the past had resulted in low stocking and this was aggravated by fire that damaged 13,500 ha following the severe drought in 1998. In addition, 5% to 15% of the area were affected by shifting cultivation.

The plantation was initiated in 2007 with planting of rubber trees (*Hevea brasiliensis*). To date, the main product extracted from the FPMU is latex. Latex and Latex Cup Lump are presently produced in the FPMU while logging for timber is deferred until stand maturity. The planned Latex and Rubber Cup Clump extraction in the planning period 2012 to 2021 was addressed in the 2nd Forest Management Plan-Plantation Development Plan (PDP) (2012 -2021) for FMU 11 (Revised November 2018). The planned harvesting for rubber timber products, beginning year 2029, was similarly addressed. Currently, the forest operations involved maintenance activities such as slashing, spraying and manuring.

Table 1. Areas covered in the audit

Forest Plantation Management Unit	Audit Scope	Area
Bornion Timber - FMU11	Main Office of Bornion Timber Sdn Bhd	3rd Floor, Lot 16-18, Block K, Jalan Ikan Juara Satu, Sadong Jaya, Karamunsing, 88000 Kota Kinabalu, Sabah, Malaysia

Bornion Timber - FMU11	Ulu Sg. Milian Forest Reserve	Compartment: 2, 4, 5A, 10A, 11A, 8, 9, 12, 13, 14, 50, 49, 51, *52, 53, 54, 56, *57, *58, 59, 60, 61, 62, 85, 86, 87, 88, 89, 44, 45, 64, 65, 66, 77, 78, 79, 80, 81, 82, 123, 125, 127, 128, 142, 143, 144, 145, 146, 147, 148, 149, 152, 153, 154, 155, and 162. *Acacia (800.20ha)
	Pingas Camp	Compartment 144
	Base Camp	Compartment 58, Mile 46, Jalan off-road Sook – Tulid, 89008 Keningau Sabah
	Sapulut Forest Reserve	Compartment: 177, 181, 182 and 189
	Settlement within FPMU	Kg. Wawasan – in Compartment 59
	Village adjacent/near to the FPMU	Kg. Batu Lunguyan, Kg. Kilo, Kg. Pinipi, Kg. Kuit, Kg. Lanas Station, Kg. Alab Lanas, Kg. Matiku, Kg. Kagasa, Kg. Paginatan, and new Kg Alab Duluk (since 2021)

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

1.4 Date First Certified 13 Jan 2017

1.5 Location of the FPMU

The Bornion Timber – FPMU 11 is located approximately between longitudes 116° 15' E to 116° 50' E and latitudes 4° 40' N to 5° 30' N.

1.6 Forest Management System

The Bornion Timber – FPMU 11 had followed the principles of sustainable forest plantation management and the requirements of the Licence Agreement of the State government. The new FMP, 3rd Forest Management Plan-Plantation Development Plan (PDP) (2022 -2031) for FMU11). A public summary of the forest plantation management plan was available at the website www.bornion.com

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

Since the first timber harvest won't be due till 2029 (FPMP – Plantation Development Plan), the annual harvesting schedule, including volume extracted will be determined later.

1.8 Environmental and Socioeconomic Context

The Special Environmental Impact Assessment (SEIA) SFMLA3/97, FMU 11 assessment covered potential impacts on ERT species such as Sambar Deer, civet cats, mouse deer and primates. The FPMU practiced sustainable management on the plantation environment through compliance with the MC&I standards.

Recommended mitigation measures for flora and fauna protection was suggested in the SEIA report such as in Chapter 5.3 [Environmental Management Standards]

The FPMU also does not use any community land belonged to indigenous communities outside the FPMU. The management of such indigenous land outside the FPMU is by the communities. Since the

FPMU does not use this type of land, the issues of delegation of control with free prior informed consent (FPIC) from indigenous communities did not arise.

The MSCFC meetings were an appropriate mechanism for conflict resolution between local communities and FPMU management.

Bornion FPMU does not use the traditional forest-related knowledge and practices of indigenous people in the use of forest species or management systems in forest plantation operations.

The FPMU also generated 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 2029. The plantation will mainly produce rubber logs which feed into the local woodbased industry. Latex is produced as interim product for the rubber industry.

2. AUDIT PROCESS

2.1 Audit Dates

8th - 9th April 2022 (6 man-days)

2.2 Audit Team

Mohd. Annas Amin HJ. Omar (Lead Auditor)

Hj.Roslee Jamaludin (Forester)

Angelica Sinimis Suimin (Sociologist)

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

2.3 Standard Used

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

2.4 Stakeholder Consultations

A stakeholder notification was issued in March 2022 for a period of one month inviting relevant stakeholders to give comments on the FPMU. There was NO comment received from the stakeholders on Bornion Timber – FPMU 11 during the period, as in **Attachment 3**. The audit team had conducted an onsite consultation with the relevant stakeholders during this Surveillance 2 audit. Details of the consultation with the stakeholders are showed in the audit plan as well as in the audit report in Principles 2, 3 and 4.

2.5 Audit Process

The audit was conducted primarily to evaluate the level of continued compliance of the Bornion Timber FPMU current documentation and field practices in forest management with the standard of performances (SOPs) listed in the MC&I SFM, using the verifiers stipulated for Sabah.

For each Indicator, the auditors had conducted either a documentation review, consultation with the relevant personnel of the FMU, local community 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 FMU's overall compliance with the indicator and decided whether to issue a major or minor NCR or an OFI which is defined as follows:

(i) a major NCR is a non-compliance with the requirements of the MC&I SFM;

(ii) a minor NCR is a deviation or a lapse in complying with the requirements of the MC&I SFM; and

(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 SFM but without sufficient objective evidence to support a non-conformance.

Consultations were held with local communities living adjacent to Bornion Timber FPMU namely Kg. Kilo Lanas, Kg. Lunguyan, Kg. Alab Lanas, Kg. Alab Dolok, Kg. Wawasan, Kg. Lawas Stesen, and Kg. Kipiliu. The audit team had also held meeting with the workers.

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

Bornion Timber Sdn. Bhd FPMU had sent a corrective action plan to the audit team to address the minor NCRs which the audit team had reviewed and accepted. The audit team had prepared an interim surveillance audit report and sent it to Bornion Timber for comments. A second draft of the audit report which had incorporated the comments received from the Bornion Timber was then prepared.

3. SUMMARY OF AUDIT FINDINGS

Based on the findings of this surveillance 2 audit, it was found that the Bornion Timber had continued to manage Bornion Timber FPMU in compliance with most of the requirements of the MC&I SFM. This surveillance audit had resulted in the issuance of 1 Major, 3 Minor NCRs. The details on the NCRs raised are shown in **Attachment 5**.

The audit team had reviewed, verified, and accepted the corrective action plans by the Bornion Timber to address the Major and Minor NCRs raised during this surveillance audit, and the Major NCR was closed. However, corrective actions plan for Minor NCR shall be verified by the audit team during the next audit.

The audit team had also verified the corrective actions taken by the Bornion Timber to address the 1 Minor NCR and 6 OFIs which were raised during the previous audit. The responses made by the audit team leader on these corrective actions and on the final status of the NCRs are as in **Attachment 6**.

On indigenous peoples' rights, mechanisms had been put in place by the FMU to resolve conflicts and grievances between the FPMU and local communities. Issues on indigenous people's lands and tenure rights are discussed in the MSCFC meetings and unofficial village consultation. This was evidenced by the assessment discussion with villagers in Kg Pinipi and Kg Wawasan who brought about the issue of the presence of their ancestral graveyards within the FPMU during the MSCFC meetings. The minutes of the recent meeting was on the 10th March 2022.

With regards to Criterion 6.10, there was no new conversion of the PRF to forest plantations or other non-forest land uses during the intervening period since the last audit. The forest plantation in the Bornion Timber Sdn. Bhd FPMU has therefore remained the same at 25,537 ha since the previous audit.

As the major NCR raised during this surveillance 2 audit had been closed out, the audit team had therefore recommended that the Certificate for Forest Management for Bornion Timber FMU be maintained.

The summary of the findings of the Surveillance 2 audit on the Bornion Timber FPMU against the requirements of the MC&I Forest Plantation.v2 are as follows:

Principle	Strengths	Weaknesses
Principle 1 Compliance With Laws and Principles	<p>The FPMU maintained a legal register with records of all relevant national and local laws and regulations and policies related to forest plantation management. Copies of all relevant laws, policies and regulations stipulated in the MC&I SFM fundamental for the FPMU management were available in the meeting room, base Camp office.</p> <p>Current list of all legally prescribed fees, royalties, taxes, and other charges was available and presented to the auditors at the BTSB camp office.</p> <p>Records of all payments made by FPMU were kept. Evidences of latest fees paid to Sabah Forestry Department (Sook District) A Bank Guarantee (Maybank Islamic Berhad BG No: 99160BGU6292884) (FD15/2021) was put up by FPMU as Performance Bond against the license SFMLA: 03/97 (validity: 21.05.2020– 20.5.2022).</p> <p>All binding international agreements documents were available in the meeting room of BTSB base camp. The Forest Operation Manager and his deputy were aware of the international agreements such as the ILO Conventions and all other forestry-related binding agreements.</p> <p>Documentation of any conflicts between laws and regulation and MC&I SFM standard dated March 2022 was prepared by the FMU. However, there was no such conflict raised at BTSB.</p> <p>Several signage of 'No Hunting' erected at strategic location had been sighted. Summary Inspection Report for Patrol and Enforcement till March 2022 were verified during the audit. The patrol includes night patrol to deter illegal hunting and patrolling of identified hot spot areas (nearby orang kampong area and state land area including fire potential risk area), and roadblock.</p> <p>The statement of commitment to MC&I SFM standard was included in the Forest Management Plan (2022-2031). Policies or statements were communicated throughout the organization through briefing and training. The statement of</p>	<p>There were no Negative Finding</p>

Principle	Strengths	Weaknesses
	commitment of BTSB to forest management certification was available publicly through the website http://www.bornion.com	
Principle 2 Tenure and Use Rights and Responsibilities	<p>Bornion Timber Sdn. Bhd. was given the approval to manage the Ulu Sungai Milian Forest Reserve (Block A) and part of Sapulut Forest Reserve (Block B) for a hundred years (1997-2097) as evidenced in the Sustainable Forest Management License Agreement 03/97 (SFMLA 03/97) dated 10th September 1997.</p> <p>In Ulu Sg Milian FR (Block A), there are 11 villages located within and in the vicinity of the FPMU. However, only 1 village (Kg Wawasan) is located within the Licensed area (Compt 59). In Sapulut FR (Block B), there are 11 villages located adjacent to the western border of the FR.</p> <p>Evidence showed that forest plantation managers collaborate with holders of duly recognised legal or customary tenure or use rights. The forest manager respect community rights and wish to resolve the issue through discussion. This is confirmed during assessment discussion with villagers in Kg Alab Lanas.</p> <p>Local use rights of forest resources (i.e., in the form of water catchment area and graveyard) within the MTCS certified area is recognized, identified, and reported.</p> <p>The appropriate mechanisms to resolve disputes over tenure claims and use rights are guided by a document entitled 'Community Conflict Resolution (BTBS-SOP-CP-01).</p>	There were no Negative Finding
Principle 3 Indigenous People's Rights	<p>There is no legal NCR land located in the FPMU and did not use any community land belonged to indigenous communities outside the FPMU. Since the FPMU does not use this type of land, the issues of delegation of control with free prior informed consent (FPIC) from indigenous communities did not arise.</p> <p>Appropriate mechanisms to resolve any conflicts and grievances between local communities and BTBS were available.</p> <p>The Bornion FPMU did not threaten or diminish, either directly or indirectly the resources or tenure rights of indigenous peoples. This was confirmed during assessment discussions with villagers.</p>	There were no Negative Finding

Principle	Strengths	Weaknesses
	<p>Procedures within current administrative processes for identifying and protecting special sites at Bornion FPMU are contained in the Standard Operating Procedure on 'Survey and Identification of HCVF and Other Protected Areas (BTSB-SOP-CP-01), 2015'. The procedures are used in the identifying the community's graveyard and water catchment area within the FPMU.</p> <p>Bornion FPMU does not use the traditional forest-related knowledge and practices of indigenous people in the use of forest species or management systems in forest plantation operations. However, appropriate mechanisms and fair and equitable compensation for the commercial utilisation of traditional forest-related knowledge and practices of indigenous peoples are available.</p>	
Principle 4 Community Relations and Worker's Rights	<p>Management has conducted various training related to forest management and logging operation for their staff and workers.</p> <p>The FPMU had given preference to qualified people in communities living within, or adjacent to the FPMU for employment and contract works. In the rubber plantation, 55% of the tappers were from Kg. Alab Lanas at compartment 13.</p> <p>Interview with workers confirmed that, they were issued appropriate PPE for their respective tasks which included safety helmets, gloves and boots etc.</p> <p>The schedule waste was disposed by the certified contractor, Legenda Bumimas Sdn. Bhd.</p> <p>Appropriate mechanisms were available and employed to resolve grievances involving loss or damage affecting the local people's legal or customary rights, property, resources, or their livelihoods, caused by forest plantation management operations as in the SOP entitled 'Community Claim and Compensation.</p>	<ol style="list-style-type: none"> 1. The Labour Dept. Sabah has a memo Ref. No.(600-1/2/14/17(11/KGU/2020-050) to allow deduction of wages not more than 50% of the workers' salary. Inspection of salary slips of workers (listed below) indicated that deductions were more than 50% of their salary: <ol style="list-style-type: none"> i. 100100156 2. Basic Salary of one (1) worker was reduced from the minimum wage, in the salary slip due to salary deduction for unpaid leave. <ol style="list-style-type: none"> i. 100010138 <p>Therefore, a Major NCR AS01/ 2022 for Indicator 4.3.3 was raised.</p> <ol style="list-style-type: none"> 1. In the BTSB SIA (2018) and 3rd Plantation Development Plan (PDP) 2022-2031 for FMU 11, has not included the people and groups directly affected by the forest operations. 2. Report review indicated that Kg.Lanas station has access rights to their ancestral graveyards located within the compartment 14. However the village was not included in the BTSB SIA (2018) and PDP 2022-2031.

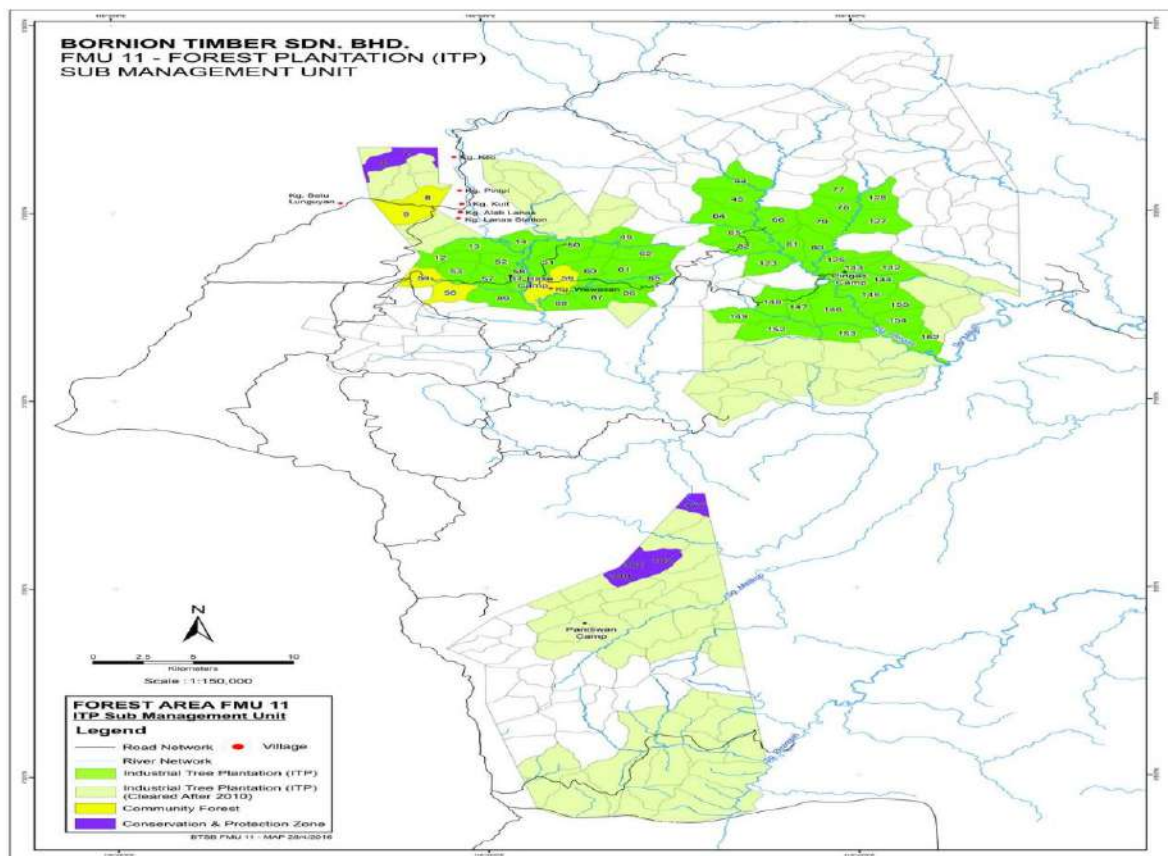
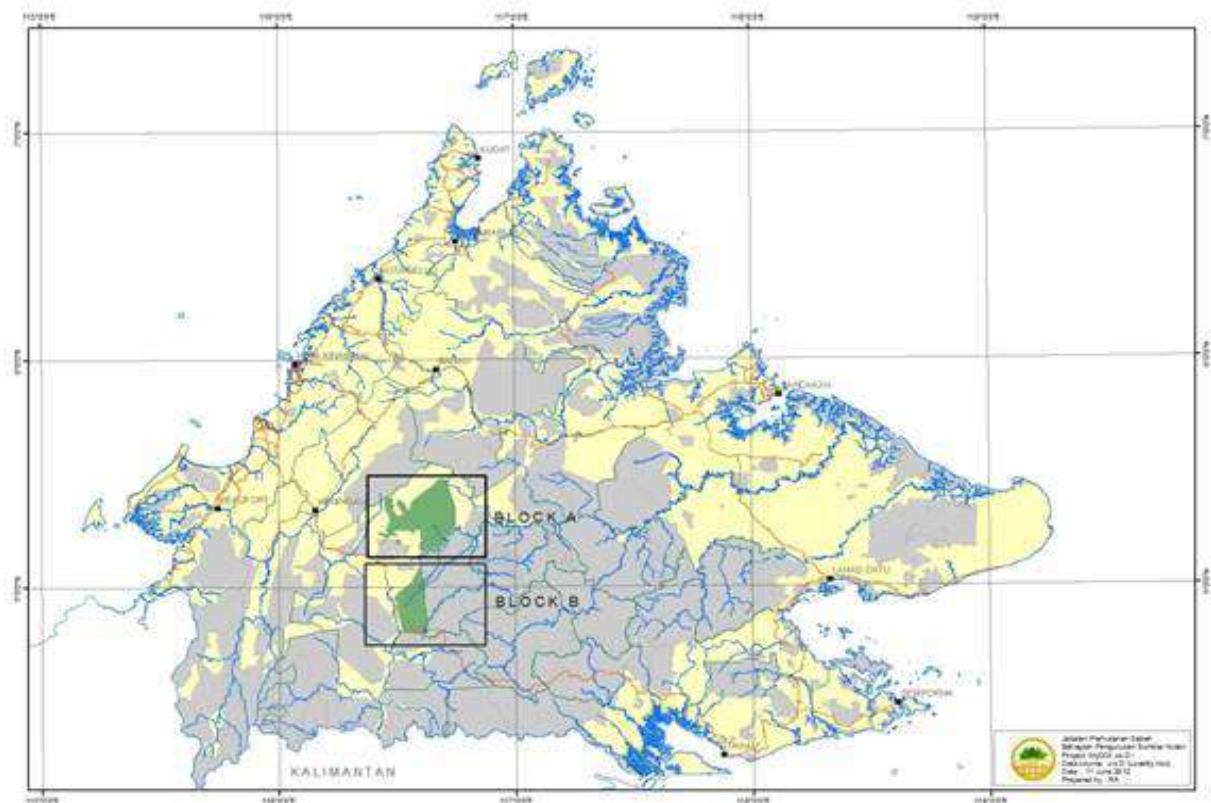
Principle	Strengths	Weaknesses
		Therefore, a Minor NCR AS02/2022 for Indicator 4.4.1 was raised.
Principle 5 Benefits From the Forest	<p>Investments and reinvestments had continued in forest management, including aspects of forest administration, research, human resource development, protection, economy, conservation, environment and social.</p> <p>Approval for planting Rubber trees in the FPMU was given by the Sabah Forestry Department.</p> <p>The main product extracted from the FPMU at present is latex. Latex is a minor forest produce extracted.</p> <p>The FPMU is operating for the production and harvesting of rubber logs and timber products with the interim tapping and collection of latex and rubber cup clumps.</p> <p>The rate of harvest shall be in accordance with the prescribed rotation length as in the Forest Plantation Management Plan</p>	There were no Negative Finding
Principle 6 Environmental Impact	<p>'Special Environmental Impact Assessment for Areas Under SFMLA 03/97 of FMU 11' for YI/2022 (Date of inspection: 18 March 2022) was conducted for Bornion Timber Sdn. Bhd. The assessment covered potential impacts on ERT species such as Sambar Deer, civet cats, mouse deer and primates.</p> <p>SOP for identifying and protecting of endangered, rare, and threatened species of flora and fauna, including features of special biological features such as seed trees, nesting and feeding areas, in the FPMU is described in 'BTSB-SOP-CP-03 SOP Identification and Protection of RTE Species and Their Habitats'.</p> <p>Bornion Timber – FPMU 11 has cooperated with relevant stakeholders such as UMS, WWF and local communities.</p> <p>Hunting, fishing and collecting activities were controlled by displayed poster of protected and totally protected species at relevant places such as quarters and office. Access to plantation area was monitored by patrol and enforcement</p>	There were no Negative Finding

Principle	Strengths	Weaknesses
	<p>team. Briefing on RTE to staff, contractors and local communities was conducted accordingly.</p> <p>The FPMU has established Standard Operating Procedure (SOP) to demarcate and protect natural forests, and measures to enhance natural regeneration, the conservation of genetic, species and ecosystem diversity for the FPMU, and to avoid loss of top soil nutrient, soil erosion and compaction from inappropriate use of mechanical and chemical techniques.</p> <p>Harvesting is designed taking into consideration the need for the conservation of biological corridors and buffer zones for features of special biological interest for flora and fauna.</p> <p>Forest Fire Management Plan titled '2nd Forest Fire Management Plan 2022-2031' was sent to Chief Conservator of Forest Sabah Forestry Department for approval., dated 24th Feb. 2022.</p> <p>Schedule Waste has been disposed in an appropriately legal manner as evidence by the consignment note presented during the audit. The scheduled waste at camp has been disposed by registered contractor Legenda Bumimas Sdn Bhd.</p> <p>Biological control agents have not been used in the management.</p> <p>The FPMU has conducted an assessment of forest plantation established with selected species through monitoring of permanent sample plots to detect unusual mortality, disease, or insect outbreaks and invasive plants introduction (if applicable) to avoid adverse ecological impacts no outbreaks</p> <p>The FPMU has no plan to convert forest area into plantation.</p>	
Principle 7 Management Plan	<p>The new FMP, 3rd Forest Management Plan-Plantation Development Plan (PDP) (2022 -2031) for FMU11 was made available during the audit. The FMP was approved by Forest Department Sabah, on 21st March 2022.</p> <p>Periodic review as prescribed in the Forest Plantation Management Plan will be conducted at every five years.</p> <p>Forest managers has clearly defined and assigned specific roles and</p>	<p>Review of the 3rd Forest Management Plan: Plantation Development Plan (2022-2031) for FMU 11. Bornion Timber Sdn.Bhd. found the following information not included in the PDP:</p> <p>Description of stakeholder's consultation (Paragraph J in Criterion 7.1).</p> <p>Therefore, a Minor NCR RJ01/2022</p>

Principle	Strengths	Weaknesses
	<p>responsibilities of the forest worker to ensure effective implementation of the forest management plan.</p> <p>Training and human resource development is recognized by the FPMU management as means for skill advancement to ensure successful implementation of the PDP. The FPMU has provided training facilities both local and outside venues for identified BTSB personnel to undergo skill training.</p> <p>A public summary of the primary elements on the forest plantation management plan implemented, are available in the 3rd Forest Management Plan-Plantation Development Plan (PDP) (2022 -2031) for FMU11, and was made available at the website www.bornion.com</p>	<p>for Indicator 7.1.1 was raised.</p>
<p>Principle 8 Monitoring and Assessment</p>	<p>The FPMU management has established a network of 27 PSPs in the Rubber plantation 20 PSPs of acacia crassiparva under the Continuous Growth Monitoring System with the intention of establishing more PSPs in the future.</p> <p>The data from PSPs enable regular estimation and updating of BTSB's timber stocks and size classes through development of a Growth and Yield Table for <i>Hevea brasiliensis</i>, updated timber data will be used to forecasts the harvestable timber resource and yield projection during the planning period.</p> <p>Relevant information necessary to monitor on the various items in Criterion 8.2 has been gathered by FPMU: They are (a) yield of forest products (no logging), (b) growth rates and regeneration, (c) composition and observed changes in flora and fauna, (d) Environmental and social impacts, and (e) management costs, productivity, and efficiency.</p> <p>Even though there was no logging operation been conducted during the audit, an SOP for Chain of Custody (COC) [BTSB-SOP-LP-03](Revision 2) updated on 5th April 2021 was made available and verified. The SOP outlined the flow of the COC process so that the origin of the logs could easily be determined.</p> <p>Forest plantation managers had and will incorporate the results and findings of the</p>	<ol style="list-style-type: none"> 1. Review of Internal audit report conducted on 22-26 November 2021 found, that the following information were not included: <ol style="list-style-type: none"> (i) Frequency of internal audit (ii) Methods and responsibilities (iii) Audit criteria and audit scope (iv) Issuance of non-compliance report (v) Closure of non-compliance report (vi) Timeframe of reporting of internal audit report 2. Management Review conducted on 30th November 2021, found that, the review did not include the requirement as listed in Appendix A: <ol style="list-style-type: none"> a. An annual management review shall be conducted and include at least the following; <ol style="list-style-type: none"> i) the status of action from previous management reviews; ii) changes in external and internal issues that are relevant to the management system; iii) information on the organization's performance, including trends in: non conformities and corrective actions, monitoring and measurement result and

Principle	Strengths	Weaknesses
	<p>monitoring activities into the implementation and revision of the forest plantation management plan from time to time.</p> <p>A summary of the results of monitoring indicators, including those listed in Criterion 8.2, was made publicly available through BTSB website (www.bornion.com).</p>	<p>audit result.</p> <p>iv) opportunities for continual improvement.</p> <p>b. The output of the management review shall include decision related to continual improvement opportunities and any need for changes to the management system.</p> <p>c. Documented information as evidence of the result of management reviews shall be retained.</p> <p>The OFI raised during previous audit upgraded to Minor NCR RJ02/2022 for Indicator 8.1.3.</p>
<p>Principle 9 Maintenance of High Conservation Value (HCV)</p>	<p>The FPMU has assessed High Conservation Values present in the plantation in 2011 based on the WWF Toolkit for Malaysia.</p> <p>In 2015, the HCVF concept was further reviewed and refined by Consultants from Universiti Malaysia Sabah (UMS). “The High Conservation Value Forest (HCVF) of FMU 11 Forest Plantation (revised July 2019)” maps showing HCV sites was available.</p> <p>List of relevant stakeholders consulted regarding HCV area was made available to auditors. The list includes NGO, Government Agencies, Universities, and local communities.</p> <p>Measures to demarcate, maintain and/or enhance the HCVF attributes are documented in the 3rd Forest Management Plan-Plantation Development Plan (PDP) (2022 -2031) for FMU11 and “High Conservation Value Forest (HCVF) of FMU11” Forest Plantation (Revised July 2019).</p> <p>Monitoring records of HCVF are shown and evidenced by the HCV Monitoring Progress (ITP) which covered the monitoring of all the HCV, and the latest date was on December 2021 and for 2022 for HCV 6- Old graveyard (27/3/2022)</p>	<p>There were no Negative Finding</p>

Map of Bornion Timber (FPMU 11)



Experiences and Qualifications of Audit Team Members

Names of Audit Team	Role	Qualification and Experience
Mohd Annas Amin Hj Omar	Audit Team Leader / 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 Perak Forestry. Also appointed to be Investigative Officer in Investigations into a case involved Forest Reserve and Cased Prosecuted in Court.</p> <p>Training/Research Areas: 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 Ogos 2018) RSPO Lead Auditor Training (9-13 March 2020)</p>
Haji Roslee Jamaludin	Auditor / Forester	<p>Academic Qualification: B.Sc. of Forestry (Forest Management), University Putra Malaysia. Diploma in Forestry, Mara Institute of Technology, Malaysia.</p> <p>Work Experience: A retiree of Forest Conservator from Forestry Department of Peninsular Malaysia, with 36 years of experience in forest management, operation and administration. Has been working in various position since appointment in 1977, which includes Assistant Forest Management officer in Kuantan, Forestry Department of Pahang, Assistant District Forest Officer in Kuala Lipis Pahang and Segamat, Johor. Forest Plantation Officer in Johor and Terengganu, Forestry Officer for the State of Malacca. Assistant Director for Forest Harvesting and Industries in Selangor, District Forest Officer in Dungun Terengganu, Assistant Director for Forest Management in Negeri Sembilan and the State Director of Forestry Penang before retirement in April 2015. Has involved in several Working Committee form by the Forestry Department of Peninsular Malaysia to further improve the existing procedures, such as, Forestry Manual, Forest Road Guidelines, Forestry Rules, other 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>Training / Research Areas: Had Attended and Passed the following Training programmes: Auditor Training Course on Malaysian Criteria and Indicators for Forest Management Certification [MC&I (Natural Forest)] & [MC&I</p>

		<p>(Plantations] organised by MTCC, 9 – 10 July 2015</p> <p>EMS 14001: 2004 Lead Assessor Training Course organised by SIRIM Training Services Sdn Bhd, 23 Nov. – 27 Nov. 2015.</p> <p>Briefing on RSPO Principle & Criteria (HCV) organised by SIRIM QAS (Food, Agri & Forestry Section) 21 August 2015.</p> <p>Workshop on Auditing Technique for FMC (2) organised by SIRIM QAS (Food, Agri & Forestry Section) 26 Jan 2016.</p> <p>FMC Workshop 28th -29th November 2017</p> <p>FMC Workshop for 2018 organised by SIRIM (Food,Agr. &Forestry) 22 November 2018</p> <p>COC Workshop 2018 organised by SIRIM 26 November 2018</p> <p>Auditor Training Course on PEFC Chain of Custody Certification organized by MTCC on 19th -20th December 2018.</p> <p>MSPO Training Course 16-17 Feb 2019 organised by SIRIM</p> <p>COC Workshop 27/6/2019 FAF SIRIM QAS</p> <p>FMC 25-26/6/2019 organised by FAF SIRIM QAS</p>
Angelica Suminis Suimin	Auditor/ (Social)	<p>Academic Qualification: She has a Bachelor of Arts in Social Science and MSc in Environmental Management and Social Development. Has a certificate in Paralegal Studies and Diploma in Emergency Medical Technician (UK) and Human Resources Management (UM).</p> <p>Work Experience: A competent One to One Competency Based and Education Trainer from De Taffe University, Australia. Independent Auditor under SIRIM QAS Malaysia and Technical Expert for FSC audit under SCS Global services. Has worked as Rural Sociologist under the World Bank project under the Japanese Trust Fund for Community Forestry Project in Sabah for 3 years. She has over 30 years of working experience and was working in the Forestry Related Industries both in Sabah and Sarawak for 28 years in different capacities (e.g independent Researcher, Rural Sociologist, Sr.Training and Administrator, Human Resources Executive, Emergency Medical Technician, Training Officer, CSR Manager, Chief Operation Officer for Avantha Foundation Malaysia).</p> <p>Attended training programmes:</p> <ol style="list-style-type: none"> 1. MTCC Forest certification Standards for Forest Management and Plantations, 2013, Sirim QAS 2. FSC Forest Certification standards from Forest Management and Control Wood, 2015; Nepcon 3. LEAD ASSESSOR COURSE ISO 14001(EXEMPLAR GLOBAL CERTIFIED LEMS01), 2016; Sirim QAS 4. DIPLOMACY TRAINING (Human Rights, Indigenous People, the Private Sector and Development), 2017; Faculty of law, Uni New South Wales 5. MC&I Natural Forests and Plantation v.2 standards, 2017 – MTCC

Comments Received from Stakeholders and Responses by Audit Team Leader

No.	Stakeholder	Comments/Issues Raised	Response by Audit Team
		No stakeholder comment received	

Surveillance 2 Audit Plan

DAY	TIME	PROGRAM		
		Auditor 1 (Annas)	Auditor 2 (Haji Roslee)	Auditor 3 (Angelica)
Day 1 8 April 2022 (Friday)	9.00 – 10.30 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 progress of planned activities aimed at enhancing the operation system to achieve improvement in overall performance Check on complaints and follow-up actions Evaluate on internal audit and management review Verification of NCRs raised during the previous audit. 		
	10.30 am – 5.00 pm	<ul style="list-style-type: none"> Documentation review <ul style="list-style-type: none"> Principle 1 – Compliance with Laws and Principles Principle 5 – Benefits from the forest Principle 6 – Environmental Impact Forest harvesting Maintenance activities Permanent sample plot: 	<ul style="list-style-type: none"> Documentation review <ul style="list-style-type: none"> Principle 7 – Management Plan Principle 8 – Monitoring and Assessment Principle 9 – Maintenance of High Conservation on Value Forests Forest Harvesting License boundary FPMU Boundary Riparian Buffer 	<ul style="list-style-type: none"> Documentation review <ul style="list-style-type: none"> Principle 2 – Tenure and Use Rights and Responsibilities Principle 3 – Indigenous Peoples' Right Principle 4 – Community Relations and Workers' Right Consultation with local communities: <ul style="list-style-type: none"> Kg. Kilo Lanas Kg. Batu Lunguyan Kg. Alab Lanas Kg. Alab Dolok Kg. Wawasan Kg. Lanas Stesen
	5.00 – 5.30 pm	<ul style="list-style-type: none"> Review of Day 1 Findings by Audit Team Leader 		
Day 2 9 April 2022 (Saturday)	8.00 am – 5.00 pm	Site visits: <ul style="list-style-type: none"> Pingas Camp - Workshop PSP ITP - Cpt 86 	Site visits: <ul style="list-style-type: none"> Acacia Trial Harvesting -Cpt 58 Hutan Simpan Ulu Sg. Milian Fire Tower -Cpt 118 Hutan Simpan Ulu Sg. Milian Fire Equipment Storage 	Site visits: <ul style="list-style-type: none"> Kg. Kipaliu License Boundary -Cpt 8 (encroachment)
	2.00 – 5.00 pm	<ul style="list-style-type: none"> Closing meeting\ Travel back to Kota kinabalu Stay at Marriot Hotel 		
Day 0 10 April 2022 (Sunday)		Travel from Kota Kinabalu to Kuala Lumpur (MH2621; 1135-1410)		

Details on NCRs and OFIs Raised During Surveillance 2 Audit and Corrective Actions Taken (2022)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
MAJOR NCR: AS01/ 2022	<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: The right of workers to employment benefits and social protection under Labour Ordinance Cap. 67 were not complied</p> <p>Objective evidence:</p> <ol style="list-style-type: none"> The Labour Dept. Sabah has a memo Ref. No.(600-1/2/14/17(11/KGU/2020-050) to allow deduction of wages not more than 50% of the workers' salary. Inspection of salary slips of workers (listed below) indicated that deductions were more than 50% of their salary: <ol style="list-style-type: none"> 100100156 Basic Salary of one (1) worker was reduced from the minimum wage, in the salary slip due to salary deduction for unpaid leave. <ol style="list-style-type: none"> 100010138 	<p>Result of investigation and determination of root cause:</p> <ul style="list-style-type: none"> Workers were approached regarding the consent of wages deduction for any incurred debt in the company and was agreed upon. The percentage calculated was based on gross salary instead of basic salary over total deduction. Workers salary computer system audit deducted unpaid leave of workers from basic salary <p>Correction and corrective action plan including completion date:</p> <ul style="list-style-type: none"> Conduct briefing for staff regarding monthly wage deduction (by May 2022) Issue memos to canteen and store to be aware of workers debts (by May 2022) Monitoring if workers deduction of wages (April to June 2022) Update workers salary computer system (by June 2022) 	<p>Evidence received on 5 July 2022 was verified and accepted on 6 July 2022 as below:</p> <p><i>Memo BTSE/HR/IM/22-72 Pengambilan Barang Mengikut Had Limit Hutang Pekerja was verified</i></p> <p><i>Taklimat berkenaan potongan gaji pekerja tidak melebihi 50% and attendance list record was verified</i></p> <p>Sample Pay Slip Salary for April, May and June 2022 for 2 workers Id Number S100100156 & S100110138 were sighted and deduction of wages not more than 50%</p> <p>Status closed</p>
MINOR NCR AS02/2022	<p>Requirement: Indicator 4.4.1 Forest managers shall evaluate, through consultations, social impact of forest operations directly affecting communities, and the people and groups directly affected by the forest operations shall have access to information on the results of the social impact evaluations.</p>	<p>Result of investigation and determination of root cause:</p> <p>SIA was updated in 2018, whereby details of Kg Lanas Station having access rights to their ancestral graveyards was omitted.</p>	<p>Corrective action plan for the non-compliance was accepted on 29 April 2022.</p> <p>Status: Effectiveness of the implementation of corrective action plan will be verified during</p>

	<p>Finding: Social Impact Assessment was not comprehensive to include the people and groups directly affected by the forest operations</p> <p>Objective evidence:</p> <ol style="list-style-type: none"> 1. In the BTSB SIA (2018) and 3rd Plantation Development Plan (PDP) 2022-2031 for FMU 11, has not included the people and groups directly affected by the forest operations. 2. Report review indicated that Kg.Lanas station has access rights to their ancestral graveyards located within the compartment 14. However, the village was not included in the BTSB SIA (2018) and PDP 2022-2031. 	<p>Correction and corrective action plan including completion date:</p> <p>To revise SIA and review stakeholders list to include people and groups directly affected by forest operations through the following activities.</p> <p>Incorporate into PDP (April to November 2022)</p>	<p>next audit.</p>
<p>MINOR</p> <p>NCR</p> <p>RJ01/2022</p>	<p>Requirement : Indicator 7.1.1 - Availability and implementation of forest management plan including consideration of risks and opportunities concerning compliance with the requirements of the standard</p> <p>Finding : The supporting documents were not sufficient to cover Forest Management Plan</p> <p>Objective evidence :</p> <p>Review of the 3rd Forest Management Plan: Plantation Development Plan(2022-2031) for FMU 11. Bornion Timber Sdn.Bhd. found the following information not included in the PDP:</p> <p>a. Description of stakeholder's consultation (Paragraph J in Criterion 7.1)</p>	<p>Result of investigation and determination of root cause:</p> <p>Description of stakeholders consultation was omitted in the PDP</p> <p>Correction and corrective action plan including completion date:</p> <p>To included an addendum to the PDP on the topic Description of stakeholders consultation (by November 2022)</p>	<p>Corrective action plan for the non-compliance was accepted on 29 April 2022</p> <p>Status: Effectiveness of the implementation of corrective action plan will be verified during next audit.</p>

<p>MINOR</p> <p>NCR</p> <p>RJ02/2022</p>	<p>Requirement : 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 stipulated in <u>APPENDIX A</u>.</p> <p>Finding: Annual Internal audit and management review conducted not as stipulated in Appendix A.</p> <p>Objective evidence :</p> <ol style="list-style-type: none"> 1. Review of Internal audit report conducted on 22-26 November 2021 found, that the following information were not included: <ul style="list-style-type: none"> (i) Frequency of internal audit (ii) Methods and responsibilities (iii) Audit criteria and audit scope (iv) Issuance of non-compliance report (v) Closure of non-compliance report (vi) Timeframe of reporting of internal audit report 2. Management Review conducted on 30th November 2021, found that, the review did not include the requirement as listed in Appendix A: <ol style="list-style-type: none"> a. An annual management review shall be conducted and include at least the following; <ol style="list-style-type: none"> i) the status of action from previous management reviews,; ii) changes in external and internal issues that are relevant to the management system; iii) information on the organization's performance, including trends in : 	<p>Result of investigation and determination of root cause:</p> <p>Internal audit and management review were conducted in a manner of which lacked certain aspects as required in the MC&I SFM Standards.</p> <p>Correction and corrective action plan including completion date:</p> <p>To conduct a more detailed and through management review with top management as according to MC&I SFM Standards(by November 2022)</p> <p>To include information of items I to vi to the next internal audit report (by November 2022)</p>	<p>Corrective action plan for the non-compliance was accepted on 29 April 2022</p> <p>Status: Effectiveness of the implementation of corrective action plan will be verified during next audit.</p>
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	<p>non conformities and corrective actions, monitoring and measurement result and audit result.</p> <p>iv)opportunities for continual improvement.</p> <p>b. The output of the management review shall include decision related to continual improvement opportunities and any need for changes to the management system.</p> <p>c. Documented information as evidence of the result of management reviews shall be retained.</p> <p>The OFI raised during previous audit upgraded to Minor NCR RJ02/2022</p>		
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Corrective Actions Taken and Final Status on NCRs and OFIs Raised During Previous Audit (2021)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
MINOR NCR: KN01/ 2021	<p>Requirement: Indicator 5.6.1 - Rate of harvest shall be in accordance with the prescribed rotation length as in the Forest Plantation Management Plan.</p> <p>Finding: The cutting cycle for the plantations have not been adhered.</p> <p>Objective evidence: Audit found that the plantations of <i>Acacia crassicaarpa</i> within FPMU 11 in Compartments 52, 57, and 58 have surpass 1 year. The <i>Acacia crassicaarpa</i> were now 17 years old and the mortality rate was raised to 31%. Delayed harvesting will have economic implications as well affects sustainability.</p>	<p>Result of investigation and determination of root cause:</p> <ul style="list-style-type: none"> Due to the economic downturn of the global timber market caused by the current pandemic, acacia harvesting was not viable at the time due to the low market demand and low market value causing harvesting operation to be differed. <p>Correction and corrective action plan including completion date:</p> <ul style="list-style-type: none"> To revise Plantation Development Plan on acacia plantation where necessary (September). Status of acacia harvesting to be included in Management Review agenda 	<p>During this Surveillance Audit (2022) found that the trial harvesting operation on plantation of <i>Acacia Crassicaarpa</i> in Compartment 58 was done on December 2021 based on Approval letter JPHTN/SO 700-2/1/1 Jilid 32/62 Thus, Minor NCR KN01/2021 against Indicator 5.6.1 was satisfactorily closed.</p> <p>Status: Closed</p>
OFI	<p>Indicator 1.4.1 - (MC&I SFM) Availability of <u>documentation of any conflicts between laws, regulations and these Principles and Criteria.</u></p> <p>Documentation of any conflicts between laws and regulation and MC&I SFM standard yet to be prepared by the FMU.</p>	Not required	<p>Documentation of any conflicts between laws and regulation and MC&I SFM standard dated March 2022 was prepared by the FMU. Thus, OFI was raised against Indicator 1.4.1 was satisfactorily closed.</p> <p>Status: Closed</p>
	<p>Indicator 1.6.1 - (MC&I SFM) Availability of <u>policies or statements of commitment to forest management practices consistent with these Principles and Criteria.</u></p> <p>The statement of commitment to MC&I</p>	Not required	<p>The statement of commitment to forest management certification titled 'Commitment to Sustainable Forestry and the Malaysian Criteria and Indicators for Sustainable Management Certification (MC&I SFM) dated 12 April 2022 by COO</p>

	<p>standard in the Forest Management Plan (2012-2021) yet to be replaced to new standard MC&I SFM.</p>		<p>was available and displayed on the base camp office notice board. The statement was also available in Para D, Page 16 in the FPMP (3rd Forest Management Plan-Plantation Development Plan [2022-2031] for FMU 11. The statement of commitment to MC&I SFM standard was included in the Forest Management Plan (2022-2031) Thus, OFI was raised for Indicator 1.6.1 was satisfactorily closed.</p> <p>Status: Closed</p>
	<p><u>Indicator 1.6.2 - (MC&I SFM) Policies or statements are communicated throughout the organisation and its contractors and are made available to the public.</u></p> <ul style="list-style-type: none"> • The FMU has yet to brief all staff, licensee and contractors on latest statement of commitment of MC&I SFM standard. • The website of FPMU is still referring to MC&I (Forest Plantation). 	Not required	<p>The statement of commitment of BTSB to forest management certification was available publicly through the website http://www.bornion.com. the FMU has brief all staff, licensee and contractors on latest statement of commitment of MC&I SFM standard on 25 March 2022, 29 March 2022, 30 March 2022 and 2 April 2022. In addition, the website of FPMU was updated referring to MC&I (SFM). Thus, OFI was raised against Indicator 1.6.2 was satisfactorily closed.</p> <p>Status: Closed</p>
	<p><u>Indicator 2.2.2 - With respect to activities that may affect such rights, forest managers shall recognise, respect and collaborate with holders of duly recognised legal or customary tenure or use rights within relevant federal, state and local laws.</u></p> <p>Milian-Sapulut Community Forestry Committee (MSCFC) had meeting on 26 November 2019. However, since last state election in 2019, the leader of communities (Ketua Kampung) was changed. The new appointed Ketua Kampung</p>	Not required	<p>Records showed that BTSB had series of consultations through community meeting from 10 March 2022 for Sook, 11 March 2022 for Nabawan and 17 March 2022 for Tongod areas. Thus, an OFI was raised against Indicator 2.2.2 in the previous audit. Explanation carried out in Sook (attended by 6 community representatives, Govt representatives and from Bornion) on the 10 March 2022 and Nabawan (attended by 5 community representatives, govt representatives and</p>

	<p>was on 22 February 2021. FPMU were unable to consult new Ketua Kampung due to recent MCO in Keningau. Consultation with Ketua Kg Batu Lunguyan, Ketua Kampung Alab Lanas and Ketua Kampung Kuit during the audit found the understanding of MSCFC function to each new Ketua Kampung were not sufficient. Immediate CCR meeting should commenced after MCO's since no further meeting or discussion held with local communities (CCR meeting)</p>		<p>2 BTBSB on the 11 March 2022 respectively closed the OFI.</p> <p>Status: Closed</p>
	<p><u>Indicator 7.1.1 - (MC&I SFM) Availability and implementation of forest management plan including consideration of risks and opportunities concerning compliance with the requirements of the standard.</u></p> <p>The risk and opportunities, and implementation were not available in the forest management plan.</p>	Not required	<p>The risk and opportunities and implementation have been made available in the new FMP (2022-2031). Therefore, OFI satisfactorily closed.</p> <p>Status: Closed</p>
	<p><u>Indicator 8.1.3 – (MC&I SFM) 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 stipulated in APPENDIX A.</u></p> <p>The management review and annual internal audit was not conducted according to the requirement of the standard.</p>	Not required	<p>Review of Internal audit report conducted on 22-26 November 2021 and Management Review conducted on 30th November 2021, found that the information did not include the requirement as listed in Appendix A as in Indicator 8.1.3. Therefore, OFI raised for Indicator 8.1.3 during previous audit, was upgraded to Minor NCR RJ02/2022 for Indicator 8.1.3.</p>

End of Report