



**PUBLIC SUMMARY  
4<sup>th</sup> SURVEILLANCE AUDIT (4<sup>th</sup> CYCLE) ON  
SEGALIUD LOKAN FOREST MANAGEMENT UNIT  
FOR FOREST MANAGEMENT CERTIFICATION**

**Certificate Number: FMC-NF 00001  
Date of First Certification: 3 Dec 2009  
Audit Date: 7 - 10 November 2022  
Date of Public Summary: 2 June 2023**

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## EXECUTIVE SUMMARY

The Surveillance audit for forest management certification on the (KTS Plantation) – Segaliud Lokan FMU was conducted from 7th– 10th November 2022. This was an audit conducted following the previous audit which was conducted on 13-16 December 2021 on the overall forest management system and practices of the FMU against the requirements of the Malaysian Criteria and Indicators for Sustainable Forest Management, MC&I SFM (MTCS ST 1002:2021) using the verifiers stipulated for Peninsular/Sabah/Sarawak, Malaysia.

The audit was conducted with the full cooperation of the Segaliud Lokan FMU by a three -member team comprising Mohd Annas Amin Haji Omar (Lead Auditor), Dr Mohd Nazre Saleh (Auditor) and Azrul Ikhsan Mohamed (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 50 20' N to 50 40' N and Longitudes 1170 25' E to 1170 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 4 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 (8) Minor NCR 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 3 audit.

The FMU had submitted a proposed corrective action plans to address the NCRs a raised during the Surveillance 4 audit by mail on 31 December 2022 which has been accepted by the audit team leader. The last evidence of corrective action taken for Major NCR was received on 20 February 2023 and has been accepted and closed on 21 February 2023.

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 4 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  
Fax # : 089 271600

### 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 License 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 (*Neolamarckia 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 (*Anthracoceros 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.

#### **1.4 Date First Certified**

3 Dec. 2009

#### **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 46,375m<sup>3</sup>/year (or 18.55m<sup>3</sup>/ha) on average for the 25-year cutting cycle (2019-2028). The harvest for 2022 was targeted at 3,700 ha with a production volume of 40,410 m<sup>3</sup>. 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**

7– 10 November 2022 (12 man-days)

#### **2.2 Audit Team**

1. Mohd Annas Amin Bin Haji Omar (Lead Auditor)
2. Dr Mohd Nazre Saleh
3. Azrul Ikhsan Mohamed

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 October 2022 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 Surveillance audit. Details of the consultation with the stakeholders are showed in the audit plan as well as in the Surveillance audit report in Principles 2, 3 and 4.

## 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 (MTCS ST 1002:2021) using the verifiers stipulated for Peninsular/Sarawak/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 SFM (MTCS ST 1002:2021)

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 SFM (MTCS ST 1002:2021) 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 4 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 4.3.3] and eight (8) Minor Non-Conformance Report (NCRs) [Indicator 4.4.1, 6.1.3, 6.2.4, 6.5.1, 6.6.2, 7.3.1, 8.3.1, 9.4.1] were raised on the Segaliud Lokan FMU against the requirements of the MC&I SFM (MTCS ST 1002:2021). The FMU had submitted a proposed corrective action plans to address the NCRs a raised during the Surveillance 4 audit by mail on 31 December 2022 which has been accepted by the audit team leader. The last evidence of

corrective action taken for Major NCR was received on 20 February 2023 and has been accepted and closed on 21 February 2023.

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

Principle	Strengths	Weaknesses
<b>Principle 1 Compliance with Laws and Principles</b>	<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 presented during audit.</p> <p>Forest managers had demonstrated awareness of international agreements. Copies of these documents, such as the International Labour Organisation (ILO) Conventions, United Nations Framework Convention on Climate Change (UNFCCC), and Convention of International Trade of Endangered Species (CITES) were available in the Lokan office.</p> <p>There were no conflicts between laws and regulations, and the <i>MC&amp;I (Natural Forest)</i> 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 (<i>License Agreement for Timber, Tree Plantation and Wood Processing Plant for KTS Plantation Sdn Bhd (1993-2089)</i>). Joint patrolling between the two agencies effectively curbed and reduced encroachment. The FMU was zoned for more effective monitoring including hotspots for hunting and <i>gaharu</i> poaching.</p> <p>A policy statement on <i>Forest &amp; Environmental Management Policy</i> signed</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 <i>Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2009-2018</i>, were displayed in the FMU website.</p>	
<p><b>Principle 2 Tenure and Use Rights and Responsibilities</b></p>	<p>Forest use rights of the land or forest resources within the relevant federal, state and local laws in the FMU were available. The <i>License Agreement, JP(SLK) 125/93 (CO) dated 1st May 1993</i> 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 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>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><b>Principle 3 Indigenous People's Rights</b></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. There was no record of conflicts and grievances presented during audit.</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 <i>Evaluation of High Conservation Value Forest (HCVF) in Segaliud Lokan Forest Reserve" (2019 Revision)</i> and <i>Compliance Report 2018 (#KTSP/SFD/CR/Vol 1) for identifying sites of cultural, ecological or</i></p>	



Principle	Strengths	Weaknesses
	<p>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 mirabili</i> and <i>Nepenthes hybrid</i> were discovered during the scientific expedition conducted in August 2018. Appropriate 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>	
<b>Principle 4 Community Relations and Workers' Rights</b>	<p>The FMU provided training for their staff as documented in <i>Training Reports</i>. Local communities were given employment/contract preference by the FMU as emphasized in <i>The Third Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2019-2028</i>. 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. A Safety Officer who completed health and safety training organized by NIOSH in 2013 was appointed. 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>The FMU provided training for their staff as documented in <i>Training Reports</i>. Local communities were given employment/contract preference by the FMU as emphasized in <i>The Third Forest Management Plan Segaliud Lokan Forest Reserve, FMU 19 (b), 2019-2028</i>. 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</p>	<p>Some non-compliances were however identified during the audit. Document review on the agreement (Kontrak Surat Tawaran) for Super Kim Contractor did not specifically include Public Holiday and the remuneration rate for employees. Payment vouchers (for June 2022) for some employees, were not in accordance with the Sabah Labour Ordinance. Thus, <b>MINOR NCR KN01/2019 was upgraded to MAJOR NCR AZR01/2022 for Indicator 4.3.3.</b></p> <p>Some heads of communities interviewed during stakeholder consultation mentioned that they did not have access to the information on the SIA results conducted in 2022. Also, based on documentation review one village did not receive any social monitoring program. <b>A MINOR NCR AZR02/2022 for Indicator 4.4.1</b> was thus raised.</p>

Principle	Strengths	Weaknesses
	<p>occupational safety and health, through briefing conducted for them. A Safety Officer who completed health and safety training organized by NIOSH in 2013 was appointed. 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 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. The EIA studies had however indicated that there were no indigenous and local communities living within the FMU. 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>Documents of legal provisions and measures within relevant federal and state legal frameworks regarding prevention of loss or damage affecting the local peoples' legal or customary rights, property, resources, or their livelihoods as stipulated in the indicator were available at the office at Segaliud-Lokan Base Camp for audit. The appropriate mechanisms to assist the local community claim fair and equitable compensation if negatively impacted by forest operations were in place. No case</p>	

Principle	Strengths	Weaknesses
	<p>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>	
<b>Principle 5 Benefits From the Forest</b>	<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 '<i>The Third Forest Management Plan (2019-2028) Segaliud-Lokan Forest Reserve, FMU 19B</i>'. Further, the FMU 'Annual Work Plan 2021' was verified during the audit together with the '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. Forest inventory was conducted through PSPs (as stated in FMP). A total of 106 plots were established from 1998-2015, the Silviculture Management Inventory (SMI) of the timber resource inventory conducted in June 2016-2017, focused on timber production. For the year 2019-2028 the AAC is calculated at 46,375m<sup>3</sup>/year and an 'Annual Work Plan' was carried out for 2022 the harvest targeted at 3700 ha with a production volume of 40,410 m<sup>3</sup>.</p> <p>For standard operating procedures in harvesting operations, the <i>RIL Operation Guide Book</i> was used. KTS Plantation used the <i>Code of Practice for Forest Harvesting in Sabah, Malaysia, 2009</i> to minimize waste during harvesting and on-site processing and avoid damage to forest resources. In addition, the FMU obtained approval for its <i>Comprehensive Harvesting Plans (CHP)</i> 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</p>	

Principle	Strengths	Weaknesses
	<p>stand and forest plantations (ITP). The production mix of timber species were also provided for through planted <i>Laran</i> and mixed dipterocarps. <i>Gaharu</i> 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. Some CHP documents (Compt. 13,17,20) were seen and verified 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.</p> <p>The AAC for the Segaliud Lokan FMU was established at the estimated total of 46,375m<sup>3</sup> 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><b>Principle 6 Environmental Impact</b></p>	<p>The Segaliud Lokan FMU has conducted a new Environmental Impact Assessment (EIA) and the document was approved by the Sabah Environment Protection Department on 15 March 2022 [JPAS/PP/SDK/600-1/01/3/71(44)]. Entitled <i>The proposed harvesting and Rehabilitation Activities of 26,393 ha in the Segaliud Lokan Forest Reserve (FMU 19B) District of Kinabatangan, Tongod and Beluran, Sabah</i> [Ref.: NOBES/20/207/CG] the report was presented and verified during the audit.</p> <p>Relevant guidelines such as WWF guideline for HCV and management strategy as stated in the new FMP were verified during the audit. Similarly, management guidelines to establish representative conservation and protection areas, were also sighted. In implementing conservation and management activities,</p>	<p>The mitigation measures identified for environmental impacts and included in the new EIA 2022 report was not incorporated and updated into the FMP. Therefore, a <b>Minor NCR MNS01/2022 was raised against indicator 6.1.3.</b></p> <p>Despite efforts to control illegal activities in the FMU an animal trap was found during audit in Compt. 3 adjacent to the Seraya Plantation close to the KTS license boundary. A <b>Minor NCR MNS01/2022 was therefore raised against Indicator 6.2.4.</b></p> <p>A site visit at the riparian area of Sg. Waterfall (Compt. 26) revealed direct siltation into the river due to the absence of sumps or catch drains. Due to failure in complying to RIL</p>

Principle	Strengths	Weaknesses
	<p>Segaliud Lokan FMU was cooperated with research and academic institutions. Forest workers and local communities were aware of the RET species and relevant posters and notices were placed in strategic locations.</p> <p>PSPs are used to assess post-harvest natural regeneration and determine the need for supplementation or rehabilitated. For enrichment planting both fast-growing pioneer species (such as <i>Binatang</i>) and slow growth species such as <i>Kapur</i> were used. Sample of reports namely <i>The Post-Harvest Damage Assessment for Compt. 18</i> (30/07/2022, Compt. 20) were verified. Demarcation and protection within the harvesting areas were also checked.</p> <p>The were no changes in the FMP which stipulated an area of 10,346 ha be set aside as protected forests in addition to steep areas with gradient above 25 degrees and riparian buffer belts. However, the 2022 EIA document stipulated a total of 26,393 ha set as aside for protection including areas of steep slope, salt lick and riparian along the Sg. Lokan - Sg. Rawog.</p> <p>Implementation of reduced/low impact logging to minimise damage to the environment was planned in CHP map with approval from the SFD prior to the logging operation. RIL implementation, in road layout and buffer strips were verified (Compt. 13,18,20). Fire control guidelines, <i>Forest Fire Management Plan (2019-2029)</i> were sighted.</p> <p>Policy on environmentally friendly non-chemical methods of pest management titled <i>Forest &amp; Environmental Management Policy</i> was available during audit. Management only used fertilizer for early stage of plant material development in the nursery with occasional use of pesticide. Interviews with workers showed their awareness with the procedures on the use of chemicals. The FMU continuously conducted training in the year 2022 related to the use of chemicals.</p> <p>All scheduled wastes were managed and disposed of by the FMU according to DOE requirements through the e-SWIS system. A handler was appointed for the purpose.</p> <p>There was no application of biological control agents in the FMU.</p>	<p>procedure a Minor <b>NCR MNS03/2022 was raised against Indicator 6.5.1.</b></p> <p>A site visit to the oil storage in KTS Plantation Workshop, found that the Material Safety Data Sheet (MSDS) for BS Brake fluid DOT 3, Shell Rimula R3, and STIHL 2 Stoke Oil was not placed close to each location where the particular chemical was used. A <b>MINOR NCR AZR 03/2022 was thus raised against Indicator 6.6.2.</b></p>

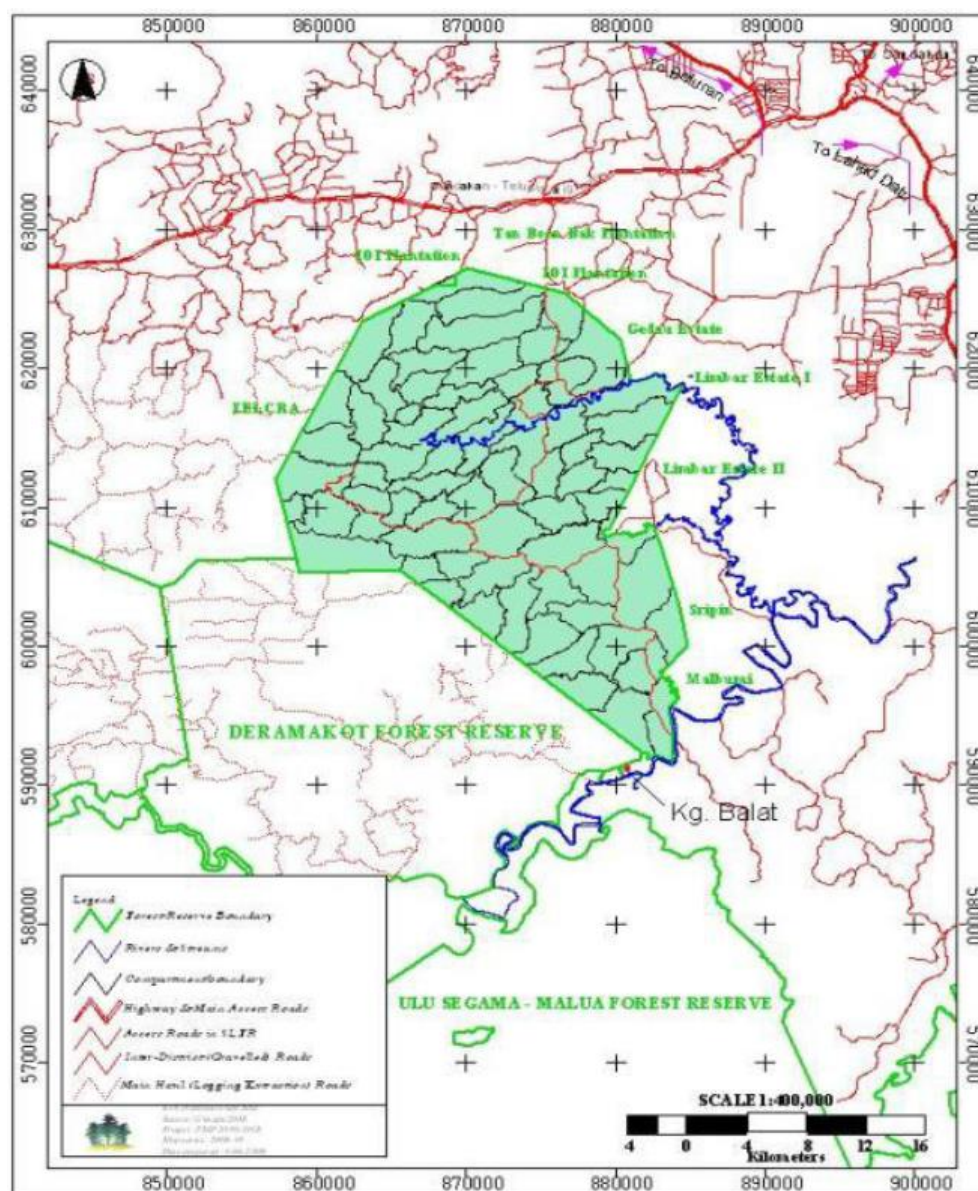
Principle	Strengths	Weaknesses
	<p>There was no change in forest area in 2022 in the FMU from the total of 57,247 ha. Only 2,138 ha was converted into plantations during the early years of FMU establishment and amounted to less than 5% of the total area.</p> <p>Criteria 6.11 and 6.12 are not applicable.</p>	
<b>Principle 7 Management Plan</b>	<p>The <i>Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b), 2019-2028</i> was presented during the audit. The inclusion of particulars as listed from (a) to (i) in this criterion was verified. The FMP had continued to commit the company towards sustainable forest management with maintenance of ecological integrity through the prescription of Reduced Impact Logging (RIL).</p> <p>The FMU has produced the new Third FMP for 2019- 2028. Periodic review of the management plan will be implemented periodically. The new FMP has included item a-i as 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 five courses and activities, centred on forest management, for 2022 was sighted. The programmer included among others, RIL, management policy, HCV awareness, chemical handling, and waste management.</p> <p>The public summary of the management plan can be viewed from the FMU's web page at <a href="http://www.segaliudlokan.com/executive-summary-forest-management-plan/">http://www.segaliudlokan.com/executive-summary-forest-management-plan/</a></p>	<p>Based on documentation review and interview with Super Kim Contractor Foreman the audit found that organization chart and job description for the contractor were not available. A <b>Minor NCR ANS01/2022 was thus raised against indicator 7.3.1,</b></p>
<b>Principle 8 Monitoring and Assessment</b>	<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. Quarterly monitoring Environmental Compliance Report (ECR) of environmental features was also specified by the Environment Protection Department as approval conditions of the EIA. The FMU through its established Community Forestry Committee (CFC) had</p>	<p>Non-compliances were found during site visit in Compartment 26. One felled log had two different RIL numbers, one each at both ends. Further, scaling activity was not conducted at block site, and log numbers were not engraved on both ends of the log as required in the SOP of the SFD. A <b>Minor NCR ANS02/2022 was therefore raised against Indicator 8.3.1</b></p>

Principle	Strengths	Weaknesses
	<p>also conducted several meetings with neighbouring villages (stakeholders) to assess social impacts due to forestry operations. Reduced Impact Logging (RIL) Implementation audit for the FMU was carried out in June 2017. The Occupational Health and Safety (OSH) monitoring reports were also sighted.</p> <p>The relevant information as listed in Criterion 8.2 (a) to (e) were collated by the FMU. These included PSP data on growth and regeneration status, changes in flora and fauna (Compartment 11&amp;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 26 and relevant documents were checked at the log pond. The documents verified. A standard operating procedure on tree tagging/tree marking was made available at the FMU and the content of the SOP was found adequate. The Comprehensive Harvesting Plan was verified for Compartment 27. The relevant documents for identifying logs leaving the area can be seen in Daily Felling and Extraction Form or Comprehensive Tree Harvesting Report. The reports were verified for SKT B (B1 &amp; B7), and found accurate with the on-site verification records.</p> <p>The <i>Third Forest Management Plan Segaliud-Lokan Forest Reserve, FMU 19 (b), 2019-2028</i> presented during this audit had incorporated results of monitoring as per indicator 8.2.1 (a)-(e).</p> <p>A summary of the results of monitoring indicators as listed in Criterion 8.2 was made available to the public at <a href="http://www.segaliudlokan.com/monitoring/">http://www.segaliudlokan.com/monitoring/</a>.</p>	
<b>Principle 9 Maintenance of High Conservation Values</b>	<p>The FMU had conducted an evaluation entitled <i>Evaluation of the High Conservation Value Forest (HCVF) in the Segaliud-Lokan Forest Reserve</i> based on a methodology published by WWF Malaysia. Four HCV areas in Segaliud Lokan FMU established were (1) <i>Nepenthes ampullaria</i> (pitcher plant) area in Compt. 49, (2) Salltick in Compt. 56, (3) Steep area with abundant and large commercial trees in Compt. 58 and (4) Toluh waterfall in Compt. 26.</p> <p>There was no consultation with stakeholders made on HCVFs since the last audit. The</p>	<p>The annual monitoring program was conducted for 2022. However, two HCVs, namely the pitcher plant, <i>Nepenthes ampullaria</i> (Compt. 49) and the Steep Area in Compt. 56 were not reported in their 2022 HCV Monitoring Report. A <b>Minor NCR MNS02/2022 was thus raised against indicator 9.4.1</b></p>

Principle	Strengths	Weaknesses
	<p>management however participated in the Human-Elephant Co-existence (HEC) Committee together with the Sabah Wildlife Department. The list of stakeholders for HCVF consultation was sighted.</p> <p>There were no changes in management prescriptions for HCV Forest as detailed out in <i>The Third Forest Management Plan (2019-2028) Segaliud-Lokan Forest Reserve, FMU 19B</i>. The specific measures to maintain and enhance the conservation attributes of HCVF sites identified in the <i>HCVF assessment for Segaliud-Lokan Forest Reserve 2019 revision</i>, had been updated on the website <a href="http://www.segaliudlokan.com/hcvf/">http://www.segaliudlokan.com/hcvf/</a>.</p> <p>No changes in the SOP for the HCV management were found since last SA1 and the FMU had incorporated all findings and activities in the latest FMP. Annual monitoring program for the year 2022 was conducted for two HCV areas namely, Toluh Waterfall Compt. 26 (dated on 18 October 2022) and Saltlicks in Compt. 56, Compt. 59 &amp; Compt. Results of HCV monitoring activities will be included in the next FMP revision.</p>	



### Map of Segaliud Lokan FMU



## Details of the Auditors and their Qualification

Name of Audit Team	Role	Qualification and Experience
Mohd Annas Amin Bin Haji Omar	Lead Auditor/ Forester	<p>Academic Qualification: <i>Diploma In Forestry, Upm</i> <i>B. Sc. In Forestry, Upm</i></p> <p>Work Experience: Six Years as Assistant Forest Officer at Perak State Forestry Department From 2013-2018. Main Responsibility Is Assisting District Forest Officers in Administrative Work, Forest Development and Forest Operations.</p> <p>Conduct Forest Enforcement Team Activities Such as The Prevention of Illegal Logging. Appointed As Raid Officer in Raid Eradicating Illegal Refinery in Kinta Manjung Forest District. Also Appointed as Investigation Officer in A Case Involved Ayer Chepam Forest Reserve and Cased Prosecuted in Court.</p> <p>Training / Research Areas: Attended And Pass the Following Training Programmes:</p> <ul style="list-style-type: none"> <li>• Auditor Training Course On MC&amp;I Sustainable Forest Management 18/08/2020 - 18/08/2020</li> <li>• Smeta- Sedex Members Ethical Trade Audit (Awareness &amp; Auditor Course) 20/10/2021 - 21/10/2021</li> <li>• MTCS Auditor Training Course 09/07/2018 - 12/07/2018</li> <li>• Auditor Integrated Management Systems (Ims) Iso 9001, Iso 14001 &amp; Ohsas 18001/Iso 45001 13/08/2018 - 18/08/2018</li> <li>• Coc Auditor Training 19/12/2018 - 20/12/2018</li> <li>• RSPO P&amp;C 5-Day Lead Auditor Course 09/03/2020 - 13/03/2020</li> <li>• Training On Indigenous People 04/10/2021 - 04/10/2021</li> <li>• FMC Workshop 23/11/2021 - 24/11/2021</li> <li>• Audit Report Writing &amp; NCR 25/06/2018 - 25/06/2018</li> <li>• MTCS Auditor Training Course 09/07/2018 - 12/07/2018</li> <li>• Lead Auditor Integrated Management Systems (Ims) Iso 9001, Iso 14001 &amp; Ohsas 18001/Iso 45001 13/08/2018 - 18/08/2018</li> <li>• Coc Auditor Training 19/12/2018 - 20/12/2018</li> <li>• Culture Transformation Program 04/04/2019 - 04/04/2019</li> <li>• Workshop for MSPO SC 22/08/2019 - 22/08/2019</li> <li>• Calibration Workshop for Rspo Workshop P&amp;C (Session 2) 28/01/2020 - 28/01/2020</li> <li>• SIA Workshop 30/01/2020 - 30/01/2020</li> <li>• Training EMS for FMC Auditor 12/02/2020 - 12/02/2020</li> <li>• Training Ohsas for Fmc Auditor 11/02/2020 - 11/02/2020</li> <li>• RSPO P&amp;C 5-Day Lead Auditor Course 09/03/2020 - 13/03/2020</li> <li>• ISO/iec 17021 12/06/2020 - 12/06/2020</li> <li>• Principles Of Conformity Assesment 12/06/2020 -</li> </ul>

		<ul style="list-style-type: none"> <li>12/06/2020</li> <li>• RSPO Pc Workshop 22/12/2020 - 23/12/2020</li> <li>• Training On Indigenous People 04/10/2021 - 04/10/2021</li> <li>• FMC Workshop 23/11/2021 - 24/11/2021</li> <li>• Program Siri Bicara Integriti Bagi Anggota Kerja Kumpulan Sirim Dan Anak-Anak Syarikatnya 20.9 20/09/2021 - 20/09/2021</li> <li>• MSPO Workshop 2022 06/07/2022 - 07/07/2022</li> <li>• General Workshop For Mscd 29/08/2022 - 29/08/2022</li> <li>• Legal Awareness Osha Act 2020 30/08/2022 - 30/08/2022</li> <li>• RSPO P&amp;C Calibration Workshop [Session - 2] 22/09/2022 - 22/09/2022</li> <li>• RSPO P&amp;C Calibration Workshop (Session - 2) 22/09/2022 - 22/09/2022</li> <li>• RSPO P&amp;C 5-Day Lead Auditor Course 09/03/2020 - 09/03/2020</li> <li>• Training On Indigenous People 04/10/2021 - 04/10/2021</li> <li>• FMC Workshop 23/11/2021 - 23/11/2021</li> </ul>
Dr Nazre Saleh	Auditor/ Forester/ Botanist	<p>Academic Qualification:</p> <p>Diploma in Forestry, UPM</p> <p>B. Sc. Conservation Biology &amp; Ecology (UKM)</p> <p>MSc. Botany (UKM)</p> <p>PhD. Botany (Edinburgh)</p> <p>Work Experience:</p> <p>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"> <li>• Auditor Training Course on MC&amp; I (Natural Forest) and MC&amp;I (Forest Plantation V2) (SIRIM QAS Sdn. Bhd), 9th-10th July 2015.</li> <li>• EMS 14001: 2004 Lead Auditor Course organized by SIRIM Training Services Sdn Bhd, 18th – 22nd July 2016.</li> <li>• Forest Management Certification (FMC) Workshop, SIRIM Bhd, 6th –7th December 2016</li> <li>• Training on Auditing Techniques (SIRIM QAS Int. Sdn. Bhd),</li> </ul>

		26th January 2016.
AZRUL IKHSAN MOHAMED	Auditor Forester /	<p>Academic Qualification:</p> <p>Diploma in Agriculture, Universiti Putra Malaysia Kampus Bintulu</p> <p>Bachelor of Science with Honours (Plant Resource Science and Management), Universiti Malaysia Sarawak.</p> <p>Work Experience:</p> <p>Five years of Experience in the field of Forestry, 2 Years of Forest Plantation as Assistant Plantation Manager in Forestry Assets SDN BHD in the year from 2015 to 2017, and 4 Years in Natural Forest as Forest Manager in RELIWOOD SDN BHD in the year 2018 – 2021. Main responsibility is Assisting and Manage in the administrative work, forest development, and forest operations based on the MC&amp;I SFM standard. Work closely with relevant stakeholders on the development of the Forest such as Enrichment planting, HCV collaboration, Improvement of the Reduced impact logging, and developing procedures.</p> <p>Training / Research Areas:</p> <ul style="list-style-type: none"> <li>• Auditor Training Course on Forest Management Certification Under the Malaysian Timber Certification Scheme (MTCS) – (13th – 15th October 2021)</li> <li>• SIRIM LEAD AUDITOR COURSE INTEGRATED MANAGEMENT SYSTEMS (IMS) ISO 9001, ISO 14001 &amp; ISO 45001 (LIMS02) – (25th – 29th October 2021)</li> </ul>

**Comment by Stakeholders and Responses from Audit Team**

No.	Stakeholder	Comments/Issues Raised	Response by Audit Team
		No comments	

## Surveillance Audit Plan

DAY	TIME	PROGRAM		
		AUDITOR 1 (Mohd.Annas)	AUDITOR 2 (Dr. Nazre)	AUDITOR 3 (Azrul)
<b>Day 0</b> 6/11/2022 (Sunday)		Annas, Dr Nazre & Azrul - Travel from KLIA – SDK (KUL-SDK AK5194 ETD 1620, ETA 1915)  All auditors overnight in Sabah Hotel		
<b>Day 1</b> 7/11.2022 (Monday)	7.00 am-9.00 am	All auditors travel to Segaliud – Lokan Base camp		
	10.00 am – 11.30 am	<ul style="list-style-type: none"> <li>Opening Meeting with representatives of FMU</li> <li>Briefing session by Forest Manager of the FMU on progress of forest activities</li> <li>Q&amp;A Session</li> <li>Evaluation of changes to the management of the FMU</li> <li>Check on progress of planned activities aimed at enhancing the operation system to achieve improvement in overall performance</li> <li>Check on complaints, stakeholder comments and follow-up actions with Government agencies and NGOs</li> <li>Check on verification for closing NCRs raised during the previous audit</li> <li>Evaluate on procedures for internal audit</li> <li>Evaluate on management review system</li> <li>Interview with workers representative</li> </ul>		
	12.00 pm- 1.30 pm			
	2.00 – 5.30 pm	Documentation and records review <ul style="list-style-type: none"> <li>Principle 1 – Compliance with Laws and Principles</li> <li>Principle 7 – Management Plan</li> <li>Principle 5– Benefits from the forest</li> </ul>	Documentation and records review <ul style="list-style-type: none"> <li>Principle 6 – Environmental Impact</li> <li>Principle 8 – Monitoring and Assessment</li> <li>Principle 9– Maintenance of High Conservation Value Forests</li> </ul>	Documentation and records review <ul style="list-style-type: none"> <li>Principle 2 – Tenure and Use Rights and Responsibilities</li> <li>Principle 3 – Indigenous Peoples' Right</li> <li>Principle 4 - Community Relations and Worker's Right</li> </ul>
		<ul style="list-style-type: none"> <li>Review of Day 1 Findings by Audit Team Leader</li> </ul>		

Day 2 8/11/2022 (Tuesday)	8.00 am – 5.00 pm	Site visit <ul style="list-style-type: none"><li>• Inspection of active harvesting area</li><li>• C26 (FR5A,5B</li><li>• Pre harvest</li><li>• Restoration planting sites</li><li>• High Production Corridor C18</li><li>• Post Harvesting C18 (SKT B14,A34)</li></ul>	Site visit <ul style="list-style-type: none"><li>• Inspection of Licence External Boundaries C21 &amp; C26</li><li>• Interview with workers (local and foreign workers).</li><li>• HCVF-WATERFALL</li><li>• PRE HARVEST C13 SKTA33</li><li>• PSP C18</li><li>• PSP C26</li><li>• Protection area / riparian buffer SG WATERFALL</li></ul>	Site visit & consultations <ul style="list-style-type: none"><li>• Inspection of active harvesting area</li><li>• Pre harvest</li><li>• Protection area / riparian buffer</li><li>• Restoration planting sites High Production Corridor</li><li>• Post Harvesting</li><li>• Consultation with workers</li></ul>
		• Review of Day 2 Findings by Audit Team Leader		
Day 3 9/11/2022 (Wednesday)	8.00 am – 12.00 pm	Consultation with community. <ul style="list-style-type: none"><li>• Kg Sg Lokan</li><li>• CoC STUMPING SITE</li></ul>	<ul style="list-style-type: none"><li>• Inspection of active area.C26 (SKT C22)</li><li>• Nursery</li><li>• POST HARVEST C13 SKT A33)</li></ul>	Consultation with community. <ul style="list-style-type: none"><li>• Kg Ulu Muanad</li><li>• workshop</li></ul>
	2.00 pm -5.00 pm	Continue on Documentation and Record Review.		
	• Review of Day 3 Findings by Audit Team Leader			
Day 4 10/11/2022 (Thursday)	8.00 am – 10.00am	• Documentation and records review		
	10.00 – 12.00 am	• Preparation of audit report and finding		
	12.30 – 2.00 pm	• 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. (D”northstar Hotel)		
11/11/2022 (Friday)	10.30 am	All Auditors travel to Sandakan Airport and travel back to Kuala Lumpur (SDK-KUL MH 2711. ETD 13.55, ETA 16.45)		

## Audit Findings and Corrective Action Taken (Current year, 2022)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
Major  NCR: AZR 01/2022	<p><b>Requirement: Indicator 4.3.3</b> - The right of workers to employment benefits and social protection is assured under applicable laws and/or regulations.</p> <p><b>Finding:</b> 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><b>Objective evidence:</b></p> <ol style="list-style-type: none"> <li>1. Document review on the agreement (Kontrak Surat Tawaran) for Super Kim Contractor found that the Public Holiday and the remuneration rate was not specifically mentioned in the agreement for the employee.</li> <li>2. Review on the payment voucher for the month of June 2022 for employees, Concordio Tunjusay, Hambali Suyuti, and Salman Bin Darwis, found that the payment of wages that was paid on the 8<sup>th</sup> July 2022 was not in accordance with the Sabah Labour Ordinance (Cap 67), Section 108 – Payment of Wages.</li> </ol> <p><b>MINOR KN01/2021 was upgraded to MAJOR NCR AZR01/2022</b></p>	<p><b>Result of investigation and determination of root cause:</b></p> <ol style="list-style-type: none"> <li>1. The agreement for newly appointed contractor are still being prepared according to Labour Ordinance (Sabah Cap 67), Kaedah Kaedah Buruh (Sabah) (Kandungan Kontrak) 2008.</li> <li>2. Lack of awareness on Labour Ordinance (Sabah Cap 67), Section 108 – Payment of Wages.</li> </ol> <p><b>Correction and corrective action plan including completion date:</b></p> <ol style="list-style-type: none"> <li>1. To revise contractor's employment contract.</li> <li>2. To brief contractor on Labour Ordinance (Sabah Cap 67), Section 108 – Payment of Wages.</li> <li>3. To implement wages payment according to Sabah Labour Ordinance (Cap 67), Section 108 - Payment of Wages.</li> </ol> <p>Completion date:10/02/2023</p>	<p>The FMU have send the evidence on 20 February 2023:</p> <p>Evidences below was verified and accepted on 20 February 2023</p> <p>The newly appointed contractor have update their employment contract based on on Labour Ordinance (Sabah Cap 67), Section 108 – Payment of Wages.</p> <p>The remuneration rates was stated on the employment contract and review payslip was paid accordance with the Sabah Labour Ordinance (Cap 67), Section 108 – Payment of Wages.</p> <p>The sample on the workers employment contract as below:</p> <ol style="list-style-type: none"> <li>1. Jalamaludin bin Isa</li> <li>2. Alex Kabe</li> <li>3. Anas Lajuma</li> </ol> <p>Training on Sabah Labour Sabah Labour Ordinance (Cap 67), Section 108 – Payment of Wages.was conducted on 16 January 2023 to Super Kim Management. Record on training and the attendance list was verified by the auditor.</p> <p>Status: <b>Closed</b></p>



<p>Minor</p> <p>NCR: AZR 02/2022</p>	<p><b>Requirement: Indicator 4.4.1</b> – 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><b>Finding:</b> Affected communities by the forest operations did not have access to the information on the results of the social impact evaluations that was done for the period of 2022.</p> <p><b>Objective evidence:</b></p> <ol style="list-style-type: none"> <li>1. Based on documentation review 'Report of Consultation' found that the social monitoring program is yet to be carried out at Kg. Buang Sayang.</li> <li>2. Consultations with head of villages Kg. Sg. Lokan and Kg. Ulu Muanad confirmed that social-monitoring report is yet to be shared with the communities.</li> </ol>	<p><b>Result of investigation and determination of root cause:</b></p> <ol style="list-style-type: none"> <li>1. Representative from Kg. Buang Sayang was not available during the actual date of consultation.</li> <li>2. Existing procedure on community consultation does not explicitly include details on social monitoring program.</li> </ol> <p><b>Correction and corrective action plan including completion date:</b></p> <ol style="list-style-type: none"> <li>1. To conduct consultation with Kg. Buang Sayang representative.</li> <li>2. To revise procedures on community consultation by including social monitoring program.</li> </ol> <p>Completion date:24/11/2022</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>
<p>Minor</p> <p>NCR</p> <p>MNS 02/2022</p>	<p><b>Requirement: Indicator 6.1.3</b> - Forest management plans shall incorporate measures to mitigate the environmental impacts identified in the assessments.</p> <p><b>Finding:</b> Document of Third Management Plan 2019-2028 does not incorporated measures to mitigate the environmental impacts identified in the</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Update on the newest EIA was planned during mid review.</p> <p><b>Correction and corrective action plan including completion date:</b></p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>

	<p>new EIA 2022 document</p> <p><b>Objective evidence:</b> Description on 'Mitigation of Environmental Impacts' in 3rd FMP [pg. 227] still referred to 2012 EIA documentation</p>	<p>1. To check any additional requirement from the newest EIA (2022)</p> <p>2. To review and thereafter produce addendum accordingly.</p> <p>Completion date: 30/01/2023</p>	
<p>Minor NCR</p> <p>MNS 01/2022</p>	<p><b>Requirement: Indicator 6.2.4</b> - Hunting, fishing, trapping and collecting activities shall be controlled and unauthorised activities prohibited in the FMU.</p> <p><b>Finding:</b> Trapping and collecting activities of wildlife should be controlled and unauthorised activities are prohibited in the FMU</p> <p><b>Objective evidence:</b> An animal trap was found in Compt. 3 of Segaliud Lokan PRF adjacent to the Seraya Plantation close to the KTS license boundary during the inspection done on 9th Nov. 2022</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Insufficient manpower to conduct adequate patrolling at license boundary.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>To appoint additional manpower for forest resources protection monitoring.</p> <p>Completion date: 30/01/2023</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>
<p>Minor NCR</p> <p>MNS 03/2022</p>	<p><b>Requirement: Indicator 6.5.1</b> - Availability and implementation of harvesting procedures to protect the soil from compaction by harvesting machinery and erosion during harvesting operations. (NF)</p> <p><b>Finding:</b> Implementation of procedures to protect the soil from erosion during harvesting operations was not properly done based on RIL Operation</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Lack of awareness on RIL Operation Guidebook 3rd edition 2009, chapter 2.2.4 Drainage (pg. 33) on the subjects of construction of catchdrains and table drain.</p> <p><b>Correction and corrective action plan including completion date:</b></p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>

	<p>Guidebook 3<sup>rd</sup> edition 2009, chapter 2.2.4 Drainage (pg. 33) on the subjects of construction of catchdrains and table drain.</p> <p><b>Objective evidence:</b> Site visit in Compt. 26 of Segaliud Lokan PRF, bridge B1 for riparian area of Sg. Waterfall found that the siltation and trace of water runoff run directly into to Sg. Waterfall because no sumps or catchdrains constructed near the river.</p>	<p>To conduct training on RIL Operation Guidebook 3rd edition 2009, chapter 2.2.4 Drainage (pg. 33) on the subjects of construction of catchdrains and table drain.</p> <p>Completion date: 30/01/2023</p> <p>Training:13/01/2023</p>	
<p>Minor NCR</p> <p>AZR 03/2022</p>	<p><b>Requirement: Indicator 6.6.2</b> - Availability and implementation of guidelines and/or procedures on the use of chemicals in the forest approved by relevant regulatory authorities.</p> <p>Evidence: Material Safety Data Sheet by chemicals manufacturer was not made available during the audit based on the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations, Regulations 24 – Provision of Chemical Safety Data.</p> <p><b>Objective evidence:</b> During the site visit at Oil Storage at KTS Plantation Workshop, it was found that the Material Safety Data Sheet (MSDS) for BS Brake fluid DOT 3, Shell Rimula R3, and STIHL 2 Stoke Oil was not made available close to each location where the particular chemical is used.</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Lack of awareness on the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations, Regulations 24 – Provision of Chemical Safety Data requirements.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>1.To conduct refreshment training on the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations, Regulations 24 – Provision of Chemical Safety Data requirements.</p> <p>2.To provide Material Safety Data Sheet in each location where the particular chemical is used.</p> <p>Completion date:30/01/2023</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>

<p>Minor NCR</p> <p>ANS01/2022</p>	<p><b>Requirement Indicator 7.3.1</b> - Forest managers shall clearly define and assign specific roles to and responsibilities of the forest worker to ensure effective implementation of the forest management plan.</p> <p><b>Finding:</b> Specific roles and responsibilities of the forest worker not available to ensure effective implementation of the forest management plan.</p> <p><b>Objective evidence:</b> Based on documentation review and interview with Super Kim Contractor Foreman found that organization chart and job description for Super Kim Contractor were not available.</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>As Super Kim is a newly appointed contractor, their organizational chart and jobs description are still being prepared.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>To prepare Organizational chart with Job Description for Super Kim Contractor.</p> <p>Completion date:30/01/2023</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>
<p>Minor NCR</p> <p>ANS02/2022</p>	<p><b>Requirement Indicator 8.3.1</b> - 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 <b>APPENDIX B</b>.</p> <p><b>Finding:</b> The management does not follow the Chain of Custody Standard Operating Procedures.</p> <p><b>Objective evidence:</b></p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Lack of awareness on Chain of Custody Standard Operating Procedures.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>To conduct training on Chain of Custody Standard Operating Procedures.</p> <p>Training will be conducted on:13/01/2023</p> <p>Completion date:30/01/2023</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>

	<p>Site Inspection at the active harvesting area in Compartment 26 of Segaliud Lokan PRF found that one felled log having two different RIL numbers written with colored crayon, RIL number (F692/F700) on one end and, RIL number (F688/ F702) on another end.</p> <p>Site inspection of active harvesting area at Compartment 26 of Segaliud Lokan PRF found that the required scaling activity, namely engraving was not done at block site, and the log numbers were not engraved on both end of log as per requirement of SOP of Sabah Forestry Department.</p>		
<p>Minor NCR</p> <p>MNS 04/2022</p>	<p><b>Requirement Indicator 9.4.1</b> – Forest managers shall conduct, appropriate to scale and intensity of forest management operations, annual monitoring to assess the effectiveness of the measures in the management of the HCV areas in the FMU.</p> <p><b>Finding:</b> Forest managers failed to conduct annual monitoring programs for all the HCV areas to assess the effectiveness of the management for the HCV in the FMU</p> <p><b>Objective evidence:</b> From a total of four (4) HCV areas that was recognized by the forest management, two HCVs, namely pitcher plant of <i>Nepenthes ampullaria</i> (Compt. 49) and Steep Area of Compt. 56 were not reported in their '2022 HCV Monitoring Report'</p>	<p><b>Result of investigation and determination of root cause:</b> Road to HCV site was not accessible.</p> <p><b>Correction and corrective action plan including completion date:</b> 1. To carry out road maintenance. 2. To conduct HCV monitoring accordingly. Completion date: 30/01/2023</p>	<p>Corrective action plan was accepted by audit team on 31 December 2022</p> <p><b>Status: The effectiveness of implementation will be verified during next audit.</b></p>

## Previous Audit Findings and Corrective Action Taken (Previous year, 2021)

Indicator	Detail Non-conformances	Corrective Action Taken	Verification by Assessor
<b>Major</b>  <b>NCR:</b> <b>RJ01/2021</b>	<p><b>Indicator 4.2.5</b> - Demarcation of hazardous areas and provision of guidelines for storage and handling of hazardous materials.</p> <p><b>Finding</b> : 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><b>Objective evidence</b> : Site inspection to Workshop, Scheduled waste &amp; 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"> <li>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: Labelling and Relabeling under Occupational Safety and Health Act 1994 (Act 514).</li> </ol>	<p><b>Result of investigation and determination of root cause:</b></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><b>Correction and corrective action plan including completion date:</b></p> <ol style="list-style-type: none"> <li>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).</li> <li>To labelled SW305 drum with date of first generated.</li> <li>To label SW 312 using SW312 label with date of first generated.</li> <li>To disposed SW 404 clinical waste according to Environmental Quality (Schedule waste) Regulation 2005</li> <li>To install Safety First and Mudah Terbakar signages at scheduled waste and lubricant store</li> </ol>	<ol style="list-style-type: none"> <li>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):</li> </ol> <p>Refreshment training was conducted to Store-helper and Store-helper trainee on 7 February 2022. Refer Appendix 1.</p> <ol style="list-style-type: none"> <li>To labelled SW305 drum with date of first generated.</li> </ol> <p>All SW305 drum are labelled with date of first generated. <b>Refer Appendix 2.</b></p> <ol style="list-style-type: none"> <li>To label SW 312 using SW312 label with date of first generated. <ol style="list-style-type: none"> <li>Old label of SW305 and SW410 on SW312 has been removed.</li> <li>SW312 drum are labelled with date of first generated. <b>Refer Appendix 3.</b></li> </ol> </li> <li>To disposed SW 404 clinical waste according to Environmental Quality (Schedule waste) Regulation 2005.</li> </ol> <p>Pending for contract renewal Registered</p>

	<p><u>Under Environmental Quality (Schedule waste) Regulation 2005</u></p> <ol style="list-style-type: none"> <li>2 drums of SW 305 were not labelled with the date of first generated.</li> <li>One (1) drum of SW 312 has been label as SW 305 and SW 410 and without the date of first generated.</li> <li>SW 404 (Clinical waste) generated since 5/10/2020 has not been dispose after 180 days.</li> <li>The signboard of “Safety first” and “ Mudah Terbakar” were not install at Schedule waste and Lubricant store.</li> </ol> <p>The <b>Minor NCR RJ01/2019</b> upgraded to <b>Major NCR RJ01/2021</b></p>		<p>Contractor (Sedafiat). <b>Refer Appendix 4.</b></p> <p><b>5.</b> 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. <b>Refer Appendix 5</b></p> <p><b>Status: Closed</b></p>
<p><b>Minor NCR: ANS01/2021</b></p>	<p><b>Requirement: Indicator 1.5.2</b> - FMU shall be protected from encroachment, illegal harvesting, hunting, and settlement, and other unauthorised activities</p> <p><b>Finding:</b> Compartment Boundary not fully demarcated on the ground.</p> <p><b>Objective evidence:</b> 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><b>Result of investigation and determination of root cause:</b></p> <p>Marking interval not explicitly mention in the manual.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>To enhance compartment boundary demarcation manual 2. To implement compartment boundary demarcation accordingly</p>	<p>During this surveillance audit, Site inspection on Compartment Boundary between Compartment 21 and Compartment 26 found that the Compartment Boundary was demarcated. Thus a Minor NCR ANS01/2021 was satisfactorily closed.</p> <p><b>Status: Closed.</b></p>

<p><b>Minor</b></p> <p><b>NCR:</b> <b>KN01/2021</b></p>	<p><b>Requirement: Indicator 4.3.3</b> - The right of workers to employment benefits and social protection is assured under applicable laws and/or regulations.</p> <p><b>Finding:</b> 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><b>Objective evidence:</b></p> <ol style="list-style-type: none"> <li>1. Audit found no employment contract for workers ID:189561 (Romi Binti Mude), and ID:188713 (Nelis Mado)</li> <li>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 were not clearly stated in the employment contract for year 2009/2011</li> </ol>	<p><b>Result of investigation and determination of root cause:</b></p> <ol style="list-style-type: none"> <li>1. Not effective filing system</li> <li>2. Incomplete evaluation of Labour Ordinance (Sabah Cap 67) requirements</li> </ol> <p><b>Correction and corrective action plan including completion date:</b></p> <ol style="list-style-type: none"> <li>1. Improve documentation/filing system</li> <li>2. To evaluate requirements of Labour Ordinance (Sabah Cap 67)</li> <li>3. To update employment contract according to Labour Ordinance (Sabah Cap 67) requirements</li> </ol>	<p>During this surveillance audit 4, it was found on the following:</p> <ol style="list-style-type: none"> <li>1. Document review on the agreement (Kontrak Surat Tawaran) for Super Kim Contractor found that the Public Holiday and the remuneration rate was not specifically mentioned in the agreement for the employee.</li> <li>2. Review on the payment voucher for the month of June 2022 for employees, Concordio Tunjusay, Hambali Suyuti, and Salman Bin Darwis, found that the payment of wages that was paid on the 8th July 2022 was not in accordance with the Sabah Labour Ordinance (Cap 67), Section 108 – Payment of Wages.</li> </ol> <p>Status: MINOR NCR KN01/2019 was upgraded to MAJOR NCR AZR01/2022.</p>
<p><b>Minor</b></p> <p><b>NCR:</b> <b>ANS02/2021</b></p>	<p><b>Indicator 6.6.2</b> - Availability and implementation of guidelines and/or procedures on the use of chemicals in the forest approved by relevant regulatory authorities.</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Restriction due to Pandemic</p>	<p>Previous audit finding on the Indicator 6.6.2, for the revision "Report of Chemical Health Risk Assessment" was corrected with the new assessment that was made based on the 'Chemical Health Risk Assessment Report [Ref.: HQ/15/ASS/00/10-2022/004] dated on 25th</p>



	<p><b>Finding:</b> The Chemical Health Risk Assessment not reviewed.</p> <p><b>Objective evidence:</b></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&amp;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><b>Correction and corrective action plan including completion date:</b></p> <p>To review Chemical Health Risk Assessment</p>	<p>October 2022' and JKPP 8 Registration [ref. JKPP 8/99568/2021] registered on 12/01/2022 with no incidents. Therefore, the Minor NCR ANS02/2021 was satisfactorily closed.</p> <p><b>Status:</b> Closed</p>
<p><b>Minor NCR:</b> <b>ANS03/2021</b></p>	<p><b>Indicator 8.1.3</b> - 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 <b>APPENDIX A</b>.</p> <p><b>Finding</b> : Annual internal audit not conducted.</p> <p><b>Objective evidence</b> : An Internal Audit for MC&amp;I SFM was not conducted since 2020.</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Internal audit for year 2021 was scheduled on third week of December.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <p>To carry out internal audit accordingly</p>	<p>During this surveillance audit the Segaliud Lokan FMU was revised in SOP for Pair-Permanent Sample Plot [KTSP/SOP/446/15] revision 04 [dated on 19 August 2021] page 10 to include the SOP on the measurement the DBH for tree with large buttress. Therefore an OFI for Indicator 8.1.1. was satisfactorily closed.</p> <p><b>Status:</b> Closed</p>

<p><b>Minor NCR:</b> <b>ANS04/2021</b></p>	<p><b>Indicator 8.3.1</b> - 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 <b>APPENDIX B</b>.</p> <p><b>Finding</b> : No specific claims to communicate the origin of products are specified in APPENDIX B.</p> <p><b>Objective evidence</b> : Based on inspection at Lokan Stumping, found that Disposal Permit for round logs No. 66495,669497 and 669499 dated 29<sup>th</sup> November 2021 no specific claims of 100% PEFC Certified.</p>	<p><b>Result of investigation and determination of root cause:</b></p> <p>Incomplete evaluation of requirement of MC&amp;I SFM standard on specific claims of 100% PEFC Certified.</p> <p><b>Correction and corrective action plan including completion date:</b></p> <ol style="list-style-type: none"> <li>1. To evaluate requirement of MC&amp;I SFM standard on specific claims of 100% PEFC Certified.</li> <li>2. To implement accordingly</li> </ol>	<p>During this surveillance audit, the FMU has specific claim of 100% PEFC Certified on their Invoice to Client and Delivery order to Client. Therefore a Minor NCR ANS04/2021 was satisfactorily closed</p> <p><b>Status:</b> Closed</p>
<p><b>OFI</b> <b>No. 1</b></p>	<p><b>Indicator 5.3.1</b> – <u>Implementation of guidelines for reduced/low impact logging to 34 minimize damage to residual stand, and log extraction operations to 34 minimize product 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><b>Not required</b></p>	<p>Site inspection to active harvesting area in compartment 26, at SKT-B19, showed that the harvestable trees has been tagged, sample of stumps inspected on the ground, Stumps no; B725, 67 cm dbh, spp. Majau, B 726, 69 cm dbh, spp. White Seraya, B 833, 89 cm dbh, spp. Red Seraya, and B 731, 68 cm dbh, spp. White Seraya. Site inspection was also conducted to Compartment 18 post- harvest area. The tree stumps verified were, B 284, 64cm dbh, spp. White Seraya, B 285, 79 cm, spp. Urat Mata, B286, 60 cm dbh, spp. Yellow Seraya. Those trees harvested has been cross checked with the ‘The Comprehensive Tree Harvesting Report/Laporan terperinci Penuaian Kayu’ and the recording were in line with the trees on the</p>

			<p>ground. It was evidence that harvesting had been carried out in accordance to the RIL Operation Guide Book: Code of Practices for Forest Harvesting in Sabah 1999 of the Sabah State Forestry Department and the comprehensive harvesting plan. Based on document review on The “Comprehensive Tree Harvesting Report/Laporan Terperinci Penuaian Kayu” for Compartment 26 has include column for “species” as to facilitate crosschecking of species in the field. Therefore, an OFI for Indicator 5.3.1 was satisfactorily closed</p>
<p><b>OFI No.2</b></p>	<p><b>Indicator 8.1.1</b> :<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.</u></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><b>Not Required</b></p>	<p>During this surveillance audit the Segaliud Lokan FMU was revised in SOP for Pair-Permanent Sample Plot [KTSP/SOP/446/15] revision 04 [dated on 19 August 2021] page 10 to include the SOP on the measurement the DBH for tree with large buttress. Therefore an OFI for Indicator 8.1.1. was satisfactorily closed.</p>