



Social Impact Assessment for Developed Areas: *Sabah Forest Industries (SFI), Malaysia*

Sabah Forest Industries

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Sabah Forest Industries

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DEFINITIONS

Term	Definition (for this project)
Affected Area	The land area affected by project operations – whether through allocation and re-definition of land status and boundaries, land acquisition, resettlement or restriction of access to use or livelihood sources.
Asset Inventory	A complete count, measurement and description of all structures and crops that will be acquired.
Census	A field survey carried out to identify and determine the number of Project Affected Persons (PAPs), family details, their assets, and potential impacts; in accordance to the procedures, satisfactory to the relevant government authorities to account for all affected persons.
Cut-off date	A day on and beyond which any person who occupies land or assets, or constructs assets on land, required for project use, will not be eligible for compensation.
Communal land	A piece of land that is communally owned and used, and does not have individual rights. The communal rights typically vest within a community or a village.
Compensation	Payment in cash or payment in kind (PIK) of the replacement value of the acquired property and/ or impacted assets.
Physically Displaced Persons	Persons who have formal legal rights to the land they occupy within the Affected Area, or who do not have formal legal rights to the land but have a claim to land within the Affected Area that is recognized or recognizable under the national laws.
Economic Displacement	Loss of assets or access to assets that leads to loss of income sources or other means of livelihood.
Entitlements	Entitlements with respect to a particular eligibility category are the compensation and other forms of assistance provided to impacted persons in the respective eligibility category.
Grievance Procedure	The processes established under law, local regulations administrative decision or a company's internal requirements to enable impacted persons to redress issues related to project impacts.
Host Communities	Communities receiving resettled people from an involuntary resettlement process. The resettlement site is located within or near a community, which is therefore identified as a host community.
Involuntary Land Acquisition	The process whereby a person is compelled to alienate all or part of the land he/she owns or possesses, to the ownership and possession of that agency, for public purpose in return for a consideration.
Involuntary Resettlement	Involuntary taking of land or impact on land or assets, resulting in direct or indirect economic and social impacts, whether or not the PAP must physically relocate, caused by: • Loss of benefits from use of such land; • Relocation or loss of shelter; • Loss of, impact on, assets or access to assets; and • Loss of income sources or means of livelihood, whether or not the project affected person has moved to another location.

Term	Definition (for this project)
Land Acquisition	Taking of or alienation of land, buildings or other assets thereon for the purpose of the project.
Market Rate	Highest rate over the last five years based on commercial terms.
Market Value	Most probable selling price or the value most often sought by buyers and sellers. It assumes buyers and sellers have reasonable knowledge, act competitively and rationally are motivated by self interests to maximize satisfaction and both act independently and without collusion, fraud or misrepresentation.
Project Affected Person (s) (PAPs)	A person that loses assets and/or usage rights and/or income generation capacities (e.g. land, structure, crops, businesses) because these assets/rights/capacities are located in the land to be acquired or used, for needs of the project. Not all PAPs are displaced due to the Project, but all are potentially affected in the maintenance of their livelihoods.
Livelihood Restoration Assistance	Provision of development assistance in addition to compensation such as land preparation, credit facilities, training, or job opportunities, needed to enable PAPs to maintain their living standards, income earning capacity and production levels.
Relocation	Physical moving of PAPs from their pre-project residence or place for work or business premises.
Relocation Assistance	Assistance with relocation to new resettlement area, inclusive of transportation costs.
Replacement value	The amount that will be paid to replace the value for the land and all assets on it, without any deductions for depreciation.
Resettlement	All the measures taken to mitigate any and all adverse impacts of the Project on PAP's property and/or livelihoods, including compensation, relocation (where relevant), and rehabilitation.
Resettlement Action Plan (RAP)	Resettlement action plans prepared for specific project components. These will include details of all classes of PAPs and how resettlement and livelihood restoration will be implemented.
Resettlement Planning Framework (RPF)	The present safeguard instrument (document) which is the overall Planning Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons for the Project implementation. The Planning Framework describes the process and methods for carrying out resettlement under the Project, including compensation, relocation and rehabilitation of PAPs.
Vulnerable Groups	People who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage or social status, may be more adversely affected by resettlement than others; and who may have limited ability to claim or take advantage of resettlement assistance and related development benefits. These typically include: • elderly persons, disabled persons, migrants, widows, orphans, HIV/AIDs affected/infected individuals and/or people suffering from serious illness; • Chronically food insecure households, particularly female headed households, and extreme destitute population, including the landless.

ACRONYMS

ADMTPA	Air Dry Metric Tonnes Per Annum
BILT	Ballarpur Industries Limited
CDP	Community Development Plan
CSR	Corporate Social Responsibility
EFR	External Factors Review
ERM	Environmental Resources Management India Pvt Ltd.
FGD	Focus Group Discussion
FMP	Forest Management Plan
FPIC	Free Prior Informed Consent
FSC	Forest Stewardship Council
GT	Giga Tonnes
Ha	Hectare
HCVF	High Conservation Value Forest
HH	Households
ICP	Informed Consultation and Participation
IFC	International Finance Corporation
ILO	International Labour Organization
IP	Indigenous Peoples
ITC	Integrated Timber Complex
ITP	Industrial Timber Plantation
LA	Land Application
MTH	Mixed Tropical Hardwood
NCR	Native Customary Rights
NFM	Natural Forest Management
NGO	Non-Government Organisation
NT	Native Title
PACOS	Partners of Community Organisations in Sabah
PnP	Pulp & Paper
PS	Performance Standards
RAP	Resettlement Action Plan
SFD	State Forest Department
SFI	Sabah Forest Industries
SIA	Social Impact Assessment
ToR	Terms of Reference
VLC	Verified Legal Compliance
YDPA	Yang di-Pertuan Agong

1.1 INTRODUCTION

Environmental Resources Management (ERM) has been commissioned by M/s Sabah Forest Industries (SFI) (hereinafter referred to as the “client” or “SFI”) to undertake a retrospective Social Impact Assessment (SIA) and preparation of Framework for free, prior & informed consent (FPIC) compliant to IFC Performance Standards (PS) Requirements for the Converted Areas of the SFI Concession.

1.1.1 Project Background

Ballarpur Industries Ltd. (“BILT”, the “Company”), established in 1945, the flagship company of the Avantha Group is the largest producer of writing and printing (“W&P”) paper in India. Apart from other manufacturing units, BILT has plantations at Sabah, Malaysia including 1 manufacturing units.

Sabah Forest Industries (SFI) is one of Malaysia’s largest commercial timber growers and wood processors. The Company was established in 1982 as a wholly-owned government entity as Malaysia’s first integrated pulp and paper mill. On 16th Oct 1990, SFI was issued a Timber License (No. SK 7/90) by the state of Sabah for an area of 258,524 ha of Alienated Land (state land-non forest land) for timber extraction, value addition and plantation, to ensure optimum continuous yield. In the same year, SFI was also granted Timber License for 29,961 ha of Forest Land. The total concession area stood at 288,485 ha. On 27th January, 1994, SFI was privatized by the Sabah Government based on a Sale-Purchase agreement through which its equity was sold to the Lion Group of Companies. Pursuant to provisions of clause 14.2 of the Sale-Purchase agreement, the Government, divided the area covered by the Timber Licenses into three sub-parts, namely:

- Industrial Tree Plantation (ITP) Areas vide JP (KSG)107/96(CO);
- Tree Plantation areas under Titled Land vide No.195317803 and No.195317821; and
- Natural Forest Management (NFM) areas under License JP (KSG) 108/96.

The ITP License area is the primary part of the concession area from where majority of the raw material is sourced. The sourced wood is a combination of plantation woods and Mixed Tropical Hardwood (MTH). The area has been divided into 70 compartments for administrative convenience and falls within three districts of Sipitang, Beaufort and Tenom. It is also further divided on the basis of land-use into two principal zones: Conservation and Production.

The company operated under the Lion Group for a period of 13 years and was sold to Ballarpur Industries Limited (BILT) in 2007. At the time of BILT taking over, SFI had approximately 130,000 ha plantable area of ITP. Out of this,

approximately 88,000 ha, were under logged over area having a productivity of almost 4 GT/ha/annum. Another 42,000 ha was covered under Acacia/Eucalyptus plantation with productivity of approximately 17 GT/ha/annum.

The pulp and paper unit has always been the primary business unit with contributions of almost 98% to the company's total business. The pulp mill capacity was 120,000 Air Dried Metric Tonnes Per Annum (ADMTPA). In 2012, the pulp mill expansion resulted in raising the capacity of the mill from 120,000 ADMTPA to 240,000ADMTPA. Half of the generated pulp is manufactured into writing and printing paper for domestic and international markets while the other half is exported as market pulp predominantly to Iran, Syria, Yemen, South Africa, Jordan, and Saudi Arabia. Apart from the Pulp and Paper unit, SFI also processed commercial wood at its Integrated Timber Complex (ITC) consisting of a saw mill and a plywood mill which was commissioned in 1999.

Presently, SFI employs 2,542 persons (30th April 2014) across the three divisions (Plantation, Pulp and Paper Mill, ITC) and for support services. These include local Malaysian staff, expats and foreign workers (which predominantly include Indonesian and Nepalese workers engaged in plantation or ITC operations). Apart from these, approximately 27 contractors and 1,218 workers are engaged to support activities such as timber harvesting, plantation activities, log yard transportation, waste disposal, material loading/unloading etc.

1.1.2 Key Operations under Plantation

ITP operations primarily comprise of three activities, Harvesting or Logging, Transportation and Plantation. The operation is a closed cycle and the activities keep repeating year on year. The following box provides a broad understanding of each of these activities.

Box 1.1 Key Operations of the Plantation Division

Stage 1: Harvesting Operations

The harvesting or logging operations primarily comprises of three (3) activities; felling, extraction and processing.

- Felling comprises of severing the tree from the stump. It is carried out manually or mechanically (usually by the use of chainsaw).
- Logging can also be carried out by pulling the tree from the forest area (or 'stump') to a landing which is referred to as extraction. It is carried out mechanically by cable logging.
- Once the tree is extracted to the landing, it is further processed before loading out onto the truck. This typically involves taking the branches off (delimbing),

topping the tree, and then cutting the stem into logs ('bucking') according to a certain set of mill specifications.

Stage2: Transportation of Logs Once the trees have been processed into logs, a loader will help sort, stack and then load out onto logging trucks. Most loaders are trailer or truck mounted. The logs are then transported to the PnP mill or the ITC complex.

Stage 3: Plantation

Once an area has been harvested and the logs have been removed, the residual vegetation from the area is cleared and the land is prepared for plantation of saplings.

- Approximately, 300 samplings are planted in a single day and on an average 1250-1600 saplings are planted per hectare.
- Watering of plantations, spraying of pesticides, weedicides and monitoring is carried out manually by labour.

The complete cycle from harvesting to plantation is based on pre designed Comprehensive Harvesting and Plantation plans for the particular year. Furthermore, a Plantation Development Plan is also prepared for every 10 years.

SFI's concession area has regional/ estate offices in Lakutan, Padas, Ketanon, Tomani and Basio. The operations are carried out from sixteen (16) SFI camps and thirty two (32) contractor camps. Each of these camps, harvesting and plantation areas are connected by approximately 700 kms of roadways within the concession area. SFI has provided for labour accommodation facilities for the Nepalese and Indonesian workers at each of the estate offices within the concession area.

1.1.3 Objective and Scope of Work

The objective and scope of the assignment as per the ToR was as follows:

- review and prepare a synthesis of all social-impact-related work and baseline studies conducted to date in the converted areas;
- identify gaps against key elements of a SIA consistent with Good International Industry Practice and relevant IFC PS;
- assess processes followed for assessment of impacts, their mitigation including management of residual impacts for converted areas;
- based on results from above mentioned activities, develop a plan for the Project to demonstrate Informed Consultation and Participation (ICP) from affected people and IP's for converted areas (refer to Key Principles section for details); and
- provide a framework for impact mitigation and FPI Consent in yet to be opened areas (new areas) going forward.

Note: It is important to note that the Retrospective SIA is limited to Plantation Concession areas and does not include the mill or timber complex or any other related activity.

The retrospective SIA report has been prepared keeping in context the Terms of Reference issued and subsequent discussion with the client for better understanding of the scope of the work and the associated timeline for completing the work. The scope and approach and methodology for the project however underwent iteration following assessment of the ground situation and subsequent discussion and consensus with the client.

Developed Areas: The developed areas in the context of the present report refer to the part of the concession areas which had either been developed by BILT or previously Lion Group since 1994. The areas presently worked by BILT are mostly the areas that had been previously developed by Lion Group; however there are certain areas which are newly developed by BILT. Presently the area worked on by BILT is almost 53,000 hectares. This phase of the SIA study targets only these developed areas covering a area of approximately 53,000 ha.

Table 1.1 *Phases of the Assignment*

Phase	Component
Phase I: (Developed Areas)	Undertake a retrospective Social Impact Assessment for “Developed Areas’ of the concession including a mitigation and livelihood restoration measures for affected families/communities for residual impacts, along with appropriate engagement procedures to obtain and demonstrate informed consultation and where appropriate, informed consent for the converted areas;
Phase II: (New Areas)	For the “New Areas” (to be developed in future), prepare a robust SIA/R&R and Free Prior Informed Consent (FPIC) Framework clearly delineating the process requirements, and laying down clear metrics for entitlements and indicators of FPIC attainment, settlement of claims, and/or mitigation of dependencies.

This report pertains to Phase I of the assignment.

The retrospective SIA has been carried out within the reference framework of SFI’s internal sustainable development strategies and commitments, and, the following:

- Local and national regulations governing social issues, including land and IP in Malaysia and Sabah in particular;
- IFC Performance Standards 1-8; and
- United Nations Declaration on the Rights of Indigenous Peoples (2007) (Malaysia is a signatory to it, though it is non-binding).

1.2 *APPROACH AND METHODOLOGY*

Ideally, the SIA process would have covered both the old issues in developed areas, as well as future issues in the new areas. Given the time constraint, the assignment needed to be phased and prioritised. Phase 1 therefore targeted the retrospective SIA, focussing on old and legacy issues and impacts as well as residual impacts, while giving a framework for future SIAs.

For the “new areas” (to be developed in future), ERM as part of Phase-II will conduct additional consultations and site visits in those areas to strengthen the SIA/R&R and FPI Consent Framework, clearly delineating the process requirements, and laying down clear metrics for mitigations and indicators of FPIC attainment (as required).

This is not a typical SIA as a number of historic impacts are not a result of the SFI operations but as an outcome of regulatory changes by the government that converted community-held erstwhile State Lands into Forest Reserves and concessions, thus legally severing people’s traditional rights over land and resources. SFI is therefore not directly responsible for those impacts, but by operating the concession, has inherited the unresolved issues and claims. This SIA has assessed this issue in detail.

The SIA was expected to cover:

- Retrospective impact assessment of those parts of the concession areas that are already been converted (in the recent past by SFI as well as historically since the 1980s);
- A review of the ICP process adopted by SFI and check its adequacy to meet the principles of prior information and consultation;
- Going forward, recommend a framework for FPIC for the Indigenous People in the area; and
- Going forward, predict future impacts that will come up in areas that will be developed, based on what has happened till date. As future impacts will happen over the next 30 years, the approach was to prepare a framework that will guide impact assessment at every stage.

The following were also factored into the approach for the retrospective SIA:

- Claims over land within SFI, is an issue the Forest Department will need to settle in the concession area as it owns the land, and is the regulator for forest areas;
- SFI is a tenant operating the concession and has no mandate to settle any land claims. However as required by IFC PS 5 and good practice, any livelihood impacts as a result of SFI operations, will need to be addressed and mitigated by SFI;
- Many of the historic impacts are not adequately documented, if at all, and the SIA will have to be based on limited available records, anecdotal evidence and community consultations with elders who may have witnessed the impacts;
- This SIA is the beginning of a process of dealing with legacy issues in the SFI concession, and a strengthening of an ongoing engagement process through more transparent information sharing, disclosure and where relevant ICP/FPIC processes. These processes will continue over the life of the concession.

ERM undertook the following tasks as part of Phase I of the assignment:

Desk-based review, consultation with client prior to site visit	The desk based review was undertaken to understand the existing information which would shape the retrospective SIA.
Review of regulatory framework and its applicability for the project	ERM undertook a review of relevant policies and frameworks of Malaysia and Sabah in particular that are to do with land, Native Customary Rights, food security, safeguards for Indigenous Peoples, forest and natural resources, employment and livelihood programmes, health, education, infrastructure, Native Customary Rights in Forest Reserves etc.
Developing a historical baseline of the Concession	parallel review was undertaken for developing a historical baseline of the Government-led gazetting process to the extent feasible: to synthesize and analyse the range of actions (e.g. consultations; zoning; mapping; public disclosure; land and resource valuation and assessment) taken up by the Government dating back to 1982, in relation to gazetting of State and other land into the ITP/NFM concession and Kampong areas.
Socio Economic Baseline	Baseline (developed by PACOS in 2008 and 2012) for the developed area was reviewed and supplemented with detailed village consultations and meetings with different stakeholder groups and communities in 22 villages as well as a household survey (52 households) targeted at people who reported land issues in the SFI concession.
Stakeholder Assessment	ERM undertook detailed consultations with different stakeholder groups to be able to review, documented records and establish whether and how Informed Consultation and Participation (ICP) was sought. One level of stakeholder identification was already undertaken by SFI. Using that as starting point, ERM also undertook a stakeholder assessment which further strengthened the identification of the stakeholders, conducted detailed profiling of each key stakeholder group and summarised their concerns and expectations as well as developed an understanding of their stakes in SFI activities.
Impact Assessment	The impact assessment specifically focused on the following: - Assessing the impacts of past activities; both positive and negative (employment impacts, loss of access to land/natural resources, livelihoods etc) of SFI, as well as the adequacy of the existing impact mitigation strategies/measures, within the larger context of overall changes not directly attributable to SFI operations; - Assessment of residual impacts/concerns and pending issues; and - Assessment of the degree to which the communities within the area of influence of the project understand and support the project.

Social Impact Mitigation & Management Plan	Following from the identification of the impacts and review of the existing mitigation measures, to address the residual impacts, ERM has suggested additional mitigation measures to manage and address the identified impacts.

1.3

ADMINISTRATIVE FRAMEWORK

Malaysia is a federation of thirteen states and two federal territories. The system of governance is federal democracy and monarchy, with the monarchy being a constitutional elective monarchy. The State of Sabah is a representative democracy with universal suffrage for citizens above 21 years of age. The state is comprised of five divisions, and 25 districts. The Judicial system in Sabah, in keeping with that of Malaysia, is influenced by British Common Law. Apart from this system of civil justice, the state of Sabah also has a parallel system of native courts, which are involved in the cases that are with the indigenous community of the four main ethnic groups in the state, namely the Kadaya Brunei, Murut, Lundayeh and the Kadazan- Dusuns.

The following were reviewed to understand the administrative framework:

- State Administrative System of Sabah & Traditional System of Administration;
- Land Acquisition and Conservation Rules and Regulations;
- Safeguards For Indigenous/Native Population;
- Cultural Heritage Laws;
- Rules and regulations pertaining to forest resource access and management;
- Labour laws;
- International Finance Corporation Performance Standards;
- United Nations Declaration on the Rights of Indigenous Peoples (2007); and
- ILO Conventions.

1.4

HISTORICAL REVIEW OF THE CONCESSION: SFI

1.4.1

Land in Sabah

Sabah, one of the thirteen states in the Federation of Malaysia, incorporated in 1963 together with Singapore and Sarawak, was a former British colony. Land matters in Sabah are controlled by the state government, and claims to land ownership have to be approved and registered by the state. The land laws in Sabah are the legacy of laws introduced during the British colonial administration, which assumed custody of all land not owned or not continually cultivated by communities. State Land in Sabah is classified as Town and Country Land. Under the ordinance, Town Land refers to all the land included within the boundaries of a town and Country Land refers to all the land that falls outside the boundary of the town land. Furthermore, according to the Forest Enactment, 1968, any state land other than the land

reserved for public or special purpose by any written law, may be converted to a Forest Reserve.

Property rights fall into three categories:

- state property rights, which cover forest reserves;
- private property rights, which cover land that has been alienated by the state for development, as well as individual indigenous titles; and
- communal property rights, which cover indigenous reserves and the communal titles to customary land that communities apply for.

1.4.2 *Customary Native Rights*

The charter for the British North Borneo Company which established the first colonial power over Sabah mentions that careful regard shall always be had to the customs and laws of the class or tribes or nation especially with respect to the holding, possession, transfer and disposition of lands goods, and testate or intestate succession thereto, and marriage, divorce and legitimacy, and other rights of property and personal rights. The laws adopted or passed in subsequent colonial period reinforced this 'careful regard to native customs'.

1.4.3 *Review of the SFI Project History*

For ease of understanding the timeline associated with the project since inception of the SFI and gradually privatisation, change in ownership to the Lion Group and subsequently to BILT is mentioned in the following table.

Table 1.2 *Changes in SFI from 1982 onwards*

S.No.	Year	Key Developments
1	1982	Sabah Forest Industries Sdn. Bhd. (SFI) was incorporated on the 20 th of April 1982 as a wholly government owned and largest integrated Pulp and Paper Mill in Malaysia involved in reforestation, pulp manufacturing and paper production. Between 1983 and 1993 SFI harvested around 128,000 ha or 45% of the area covered by the Special Licence for sawlogs and peeler logs and later re-logged about 66,500 ha taking smaller logs.
2	1993-1994	In 1993 SFI was privatised and in 1994 was sold to the Lion Group of Companies who purchased 80% of the equity for about RM1.1 billion and the State Government agreed that SFI could operate under conditions no less favourable than those detailed in Special Licence SK 7/90.
3	1996	In 1996 the State Government divided the original area covered by Timber Licence SK7/90 into two portions and issued SFI with Timber Licence Agreement JP (KSG) 108/96 (CO) for "Portion A", covering 158,623 hectares for the purpose of carrying out Natural Forest Management (NFM). The management of this area is the subject of this Forest Management Plan (FMP).
4	2007	On 16 March 2007 the Lion Group sold its shareholding to Ballarpur Industries Limited (BILT), of India. This was done with the consent of both the Federal and State Governments and it was agreed that BILT could operate SFI in accordance with the conditions of the 1994 Sales and Purchase Agreement that were agreed to when SFI was privatised. At that time the State Government gave SFI the right to log a total

S.No.	Year	Key Developments
		of 4.25 million m3 during the first five years of the Timber Licence Agreement commencing from the 1st January 1996. They also allowed this quota to be carried forward until fully utilised. By agreeing to this they allowed SFI to harvest the NFM Area at a faster rate than would normally be allowed for under classical sustained yield models. This means that in the NFM Area all the merchantable timber for the first cutting cycle will have been removed by 2016 and the next cycle will not be able to start until 2038.

The Concession Area was (prior to 1982) classified as State Land. During this period the state government had issued temporary occupation licenses for logging and other timber linked activities. Consultations with the SFI management and staffs (working with SFI since 1985) suggest that when the administration was passed over to LIONs group the existing claims were supposed to be almost 3800 hectares (approximately).

1.5 SOCIAL BASELINE

1.5.1 Sabah's Profile

Sabah is the second largest state in Malaysia with a total population of 3,206,742 (Population and Housing Census in 2010) and an area of 73,902 km². Key demographic indicators for the state of Sabah and the districts of Sipitang, Tenom and Beaufort are provided below:

Table 1.3 Population Growth

Statistic/Year	Sabah	Beaufort	Sipitang	Tenom
2010 (Population and Housing Census)				
Population	3,206,742	64,340	34,862	55,553
Sex Ratio	941	964	986	943
Number of Households	533,374	11,727	17,312	26,963
Household Size	6.0	5.5	2.0	2.1

*Source: <http://www.townplanning.sabah.gov.my/iczm/Reports/Coastal%20Profile%20Sabah/ch08/08-SOCIO%20ECONOMIC%20BACKGROUND.html>; Population and Housing Census (2010)

In Sabah there are 39 major ethnic groups that include the Murut, Lundayeh, Bisaya, Brunei, Kadazan -Dusun, Iban, Chinese and Bugis. These together make up 61.22 % of the State's total population.

Sabah's economy recorded an annual average growth rate of 4.7% between 2008 and 2012 (Department of Statistics, Malaysia). Agricultural production has become increasingly based on oil palm plantations and logging, and to a lesser extent on rubber and other crops; however in many of the kampongs covered in the primary survey, rubber plantation is still the preferred cash crop with the better returns. In recent decades, forests have provided an important source of revenue for the state, contributing in excess of 50% of the state total from the 1970s through to the early 1990s. The plantation and commodities sector, comprising oil palm, rubber, timber, cocoa, pepper and tobacco has contributed significantly to Sabah's economic development for the past 30 years. The sector has become one of Malaysia's major exports earnings.

Sabah is one of the states in Malaysia with the highest incidence of poverty. According to the Seventh Malaysia Plan, household poverty is at 22.1% in Sabah. Compared with the other states of Malaysia, poverty and inequality are by far the most severe in Sabah, which has experienced modest growth rates in GDP compared to the national average, and in relation to its rapid population growth.

1.5.2 *Demographic Profile*

The total population across the three districts in the study area was approximately 154,755 according to the Population and Housing Census (2010). Beaufort is the most populous district, followed by Tenom and Sipitang. The average household size varies from 2.1 in Sipitang to 5.5 in Beaufort. The average household size is less than that of Sabah, which is at 6. The sex ratio indicated by the household survey is 928 females per 1000 males. Age wise distribution of surveyed population shows that people in the age group of 16 to 25 records maximum proportion. The dependency ratio for the study area is approximately 36.29%. This value is lower than that for the state of Sabah, which had a dependency ratio of 44% in 2011 as per the State Statistics Handbook (2012).

A majority of the population across the Kampongs are from the Murut ethnic group. The ethnic background of the people covered in households survey reflects that 71% of the surveyed people are from Murut community, 21% of the surveyed people belonging to Lyundayeh community. The stated religion of the surveyed population showed that 97% people are Christian and the remaining 3% are Muslims.

The Kampongs surveyed are characterised by a high level of literacy, especially among the younger generation, with most of the population having at least primary schooling. The education levels of women comparable to that of men.

1.5.3 *Land*

The availability of reserve land and proximity to natural resource areas such as forests and rivers were critical for the settlement of all Kampongs in the study area. Distance of the Kampong to the nearest river was observed to be less than 15 minutes walking distance. The immediate surroundings of the Kampong area are mostly farming land which could be either Native Title Land or State land. Forest area for the Kampong was mostly seen on the State land.

The predominant agricultural crops in the study area comprises of paddy cultivation and palm and rubber plantations with patches of coffee and bamboo, banana etc. Paddy is cultivated mostly on private land which could be either NT land or land division done by family members on available state land but not registered with the government.

The local community largely relies on individual Land Applications allotment of Native Titles for land tenure rights, although communal land rights are recognized in the form of Native Customary Rights and communal titles under the Sabah Land Ordinance (SLO). Land ownership is one of the most pertinent issues among the local community across all districts, with reported dissatisfaction that their land applications have not been processed by the government authorities even after years of being filed.

1.5.4 *Livelihood Profile*

The community primarily depends on cultivation and farm based activities. However there is reported to be shift amongst the younger generation towards service-based livelihoods, who are also increasingly ready to migrate to urban areas in the state, for jobs.

Consultations across Kampongs suggested that the livelihood pattern has undergone changes in the last three generations . Paddy cultivation has been there since beginning, but Rubber plantations more so, in the last 30-40 years, Palm oil followed rubber plantation. The youth are now more interested in out migration to Kota Kinabalu and Kuala Lumpur for employment and a more modern way of life. It is observed that the share of plantation has witnessed an increase of 13% since 1996. On the other hand, engagement in cultivation and agriculture has shown a decline by 7.4%. Private jobs and government jobs have seen an increase, with the share of these livelihoods increasing from 20.4% to 35.2% of the total livelihood share.

Forest Dependence

Forested land in Sabah (2011) was at 57.4% with permanent reserved forest at approximately 36,000 ha. This category of forest includes forest plantation, peat swamp and mangrove. For the indigenous communities in the study area, the forests they have traditionally lived in or near continue to be of significant to them in meeting their needs through hunting and gathering. While the traditional forms of shifting cultivation have declined, fishing and hunting are still practised, more for self-consumption, than commercially. In some areas communities also derive a modest income from non-timber forest products (NTFP) and minor forest products (MFP) such as durian, bamboo, rattan and other flora. The community also depends on the forest for sourcing raw materials such as rattan, bamboo, vines and dye for handicrafts. While handicrafts were earlier for personal use, since 2006, communities in Tenom and Sipitang are also developing these for commercial sale.

1.5.5 *Income and Expenditure*

Sabah statistical handbook (2012), reports that the average monthly income in the state grew from RM 3,102 in 2009 to RM 4,014 in 2012 showing a growth rate of 8.6%. In the project area, the highest concentration of households (52.8% of the HHs) is in the income range of 800 to 3000 RM per month. The major expenditure heads reported by the households include expenditures for

LPG, education, agricultural inputs, telecommunication, cultural expenses, fuel, medical expenses and transport.

Few Chinese households and Malay households are below the poverty line in Sabah. Poverty levels exceed 20% among virtually all of Sabah's indigenous ethnic groups, and are commonly above 30-40%. With an incidence of over 30%, the Murut groups are among the poorest communities in Sabah.

1.5.6 *Cultural and Heritage Resources*

Some of the significant cultural heritage sites identified in the study area are discussed below:

- In the Ulu Padas area today, several crocodile and snake mounds are still visible. There are sites serving as burial grounds for the villagers upstream of Ulu Padas;
- Several sites located within the SFI compartment served as burial grounds for the villagers from this village;
- Several archaeological sites at Kg. Maligan such as the carved stones are believed to have been carved by seven men using supernatural powers;
- In the Tenom district, it is reported that in Kg. Alutok, Kg. Kaang and Kg. Malutut that the remains of the carved stone called 'Batu Berukir' which is linked to the folk heroes known as seven brothers;
- In Kg. Tinura, villagers revere three stones called Batu Marak, Batu Gong and Batu Teriak which give them signs before any death occurred among the villagers and
- The archaeological site in Kg. Magunsop is a big cave from which the water flows into Sg. Magunsop.

1.5.7 *Infrastructure*

Water Supply and Sanitation

The water supply for domestic purposes in the Kampongs surveyed is through individual taps at the household level. The Kampongs are primarily dependent upon surface water bodies (streams and rivers) for the supply of water, through the usage of "gravity flow water supply systems". Hence, the water supply system is dependent upon rainfall. The Kampongs also have set up their own mechanisms for rain water harvesting that allow for water to be stored in tanks and made available for communal use.

Most of the Kampongs in the study area are reported to have access to sanitation facilities. A majority of households reported use of the "pour flush" latrine system. Community toilets are also available in the Kampongs. These are maintained by village-level institutions such as the church or the headman and JKK representatives. Open drainage systems and storm water drains were observed to be a characteristics feature of Kampongs. Toilet blocks and individual latrines have a soak pit.

Education

The primary and secondary schools in the area are mostly government or government-assisted schools. While most of the Kampongs surveyed have primary schools, the secondary schools cover a cluster of kampongs. The higher education in Sabah is comprised of universities, colleges and technical schools, which are mostly owned by the Government. However, as illustrated subsequently, most of these are located in the urban areas of Sandakan and Kota Kinabalu. The technical and vocational schools comprise of institutes providing training in the fields of agriculture, mechanical skills, information technology, arts and graphic design and engineering.

Transport and Connectivity

The districts of Tenom, Sipitang and Beaufort are connected to each other and the rest of Sabah through a diverse network of roads and rail. The districts have concrete all-weather/motorable roads connecting them to the urban areas of Kota Kinabalu, Sandakan, Ranau and Tuaran. Within the districts, the kampongs are connected through a network of concrete and dirt mud roads which connect to the main highway running across Sabah.

Rural Banking and Credit Facilities

The economy in the study areas of Beaufort, Tenom and Sipitang is predominantly based on the agricultural (cash-crop) and services sector. Each kampong is reported to have access to informal and formal credit facilities in the form of banks, self-help groups, community groups and relatives, friends and neighbours. The most preferred sources of credit amongst the community are through the self-help groups and community groups.

Village Level Organisations

A majority of the village-level organisations are linked to religious institutions. Livelihood groups include the Kadayan Association and the Lundayah Cultural Association that are involved in the sale of handicrafts. Some villages in the study area also had members from the PLKN which is a group of mutual aid. There is no major NGO activity in the area.

Community Health Profile

The medical and health facilities in Sabah and the study area are owned by the government. These include three General Hospitals in Sabah and 14 major district hospitals. The community's health seeking behaviour has been towards institutional medicine since the past two-three decades, especially the district hospitals in Sipitang, Beaufort and Tenom. Common year round maladies were identified as malaria, typhoid, and diarrhoea.

Communities working in oil palm and rubber plantations are exposed to fungicides, pesticides and weedicides that can lead to long-term health risks in

case of extended exposure. Within SFI's workforce and among the contractors, local women from Sabah as well as foreign female workers from Indonesia have been engaged for activities such as planting, land clearing and working in nurseries.

1.6

STAKEHOLDER IDENTIFICATION, ENGAGEMENT AND ANALYSIS

In the context of this study, a stakeholder has been defined as “a person, group, or organization that has a direct or indirect stake in a project/organization because it can affect or be affected by the Project/organization's actions, objectives, and policies”.

As a part of the retrospective SIA, ERM has also reviewed the existing stakeholder engagement mechanism that is in place at SFI and the way stakeholder engagement was done since inception and in due course of time, when privatisation happened and ownership passed on to Lion Group and subsequently to BILT.

For the purpose of the stakeholder analysis, a historical review and context building of the stakeholder engagement by SFI was undertaken. This was followed by the identification of the key stakeholders of the company and their categorization into primary or secondary stakeholders, mapping their profile and influence and gauging their priorities. The section on stakeholder analysis also the process of consultation and disclosure, as well as provides an understanding of the stakeholder consultations undertaken as part of the study and the key issues identified in the same. The section also provides recommendations for future stakeholder engagement along with the disclosure and consent mechanism for future project related activities.

Some of the key stakeholders identified for the project are as follows:

- Permanent Employees;
- External Companies including contractors, vendors, suppliers etc. ;
- Land Claimants;
- Individual/families affected by economic loss, loss of access to livelihood resource/community resource;
- Vulnerable groups (deemed landless due to conversion of state land to forest land for SFI concession, old aged/women/disabled/handicapped impacted back in 1996);
- Community chiefs and heads;
- Project Financiers- Lenders, Banks and Development Financial Institutions;
- Governmental Agencies and departments such as forest department, land and survey department and district office;
- Local judiciary including native courts, civil courts;
- Contractor Employees;
- General community living near the concession area;

- Non-Governmental Organizations include Partners of Community Organization (PACOS) Trust, Sabah Women Action Group (SAWO, PDK (Community based Rehabilitation Centre), World Wide Fund (WWF) etc.; and
- Media Institutions.

As part of the analysis, the stakeholders thus identified were mapped and analysed on the basis of their profile and nature of the stakes and understanding of each group's specific issues and broader concerns or expectations from the project and SFI's operations. On the basis of such an understanding, the stakeholders were categorised into High Influence/Priority, Medium Influence/ Priority and Low Influence/Priority.

The stakeholder engagement review identified the following issues:

- SFI (BILT) has made earnest efforts to engage with stakeholders wherever it has operated. It had to deal with a lack of trust and some hostility from the community when it first came into Sabah;
- The engagement has been led by the CSR team, and is therefore more focussed around CSR activities as a tool or mechanism to engage and deliver local development and livelihood options;
- The Operations teams have also engagement with the local communities to get an informal right of access to new areas. While there is evidence of consultation process, the company did not require a formal consent process;
- The documentation and records of these consultations have been inadequately maintained ;
- The existing GRM protocol needs to be included as part of training module for various categories of staffs and workers and needs to be properly disclosed to the community. The GRM protocol also needs to be further aspects as suggested above; and
- In some areas, the communities where ERM conducted consultations and surveys knew about SFI and their activities, though they felt the consultation process though improved since 2007-08, needs to be further strengthened. In other areas, the communities were well aware of SFI and felt they had access to people in the organisation to air grievances or give suggestions

1.7

RETROSPECTIVE ASSESSMENT OF IMPACTS

The retrospective impact assessment was carried out for all the areas of the concession that have been developed by the Lion Group as well as BILT, spanning a total area of about 53,000 ha in the total 288,485 ha expanse of SFI. The timeline for the retrospective impact assessment starts from 1982, when SFI was set up and started operations. It includes the subsequent change to private ownership under Lion Group from 1994 to 2006, and then to BILT in 2007 up to the present.

The retrospective impact assessment was undertaken with the understanding that, the ways in which the impacts from the project have been addressed since inception and have the potential of changing the magnitude of the impacts. Furthermore, since some impacts are part of the overall process of change over time, and are not specific to the project, as they are also observed in other areas of Sabah e.g., the change in the traditional ways of life, outmigration of the youth to urban areas etc. Also, some of the assessed impacts are understood to be a fall out of direct intervention, while in other instances the impacts are a result of the dynamic processes involving various factors.

Some impacts were intended and formed part of SFI operation strategies, e.g., Government declaration of the Forest Reserve aimed at reduction and control of independent logging across all forests to ensure conservation of natural resources, including fish and animal habitat from indiscriminate fishing and hunting to ensure sustainable usage. Also, some of the insecurity of tenure may have inhibited people from using their claimed area to the extent they would want to. There could be unwillingness to invest in face of uncertainties associated with land tenure or lack of information on excised areas.

The impact assessment is based on the above factors, the understanding of the history of the concession in Sabah, available documents on claims and grievances, issues raised during stakeholder consultations or flagged during the socio-economic baseline surveys conducted in the community.

The impact assessment is organised under seven key themes with sub themes where needed. This classification of the impacts has been done with a view to clearly delineate and discuss the old impacts that have already taken place and articulate the mitigation measures for residual impacts wherever such residual issues exist. The key themes are:

- Land access and ownership related impacts;
- Land based economic and livelihood related impacts;
- Impacts on ecosystem services;
- Cultural heritage related impacts;
- Connectivity related impacts;
- Impacts on settlement pattern; and
- Impacts relating to human capital.

These impacts are discussed and assessed on the following format:

- **Impact Description:** Impacts have been discussed within a historical context and other developments in the area that have further influenced the nature and significance of the impact. It also tries to track, how the impacts changed over time and role played by various stakeholders etc.in the process.

- **Areas of Concern:** Post the description of the impacts and understanding the impacts, the key areas of concern pertaining to the impacts have been identified. It also identifies the complexity involved with these impacts and potential issues surrounding addressal of these impacts.
- **Previous Impact Mitigation and Management Strategies:** For the impacts identified, the series of mitigation or preventive steps taken by SFI and other stakeholder across the life span of the concession till date (as ascertained from available and relevant information) is discussed.
- **Residual Impacts:** Residual impacts post mitigation have been covered. This includes new impacts that have surfaced owing to the changed circumstances (e.g. recent court judgements, or change in the legal status of land due to declaration of the Forest Reserve), have been considered to assess the residual impacts.

1.7.1 *Land access and ownership related impacts*

Impact Description

Land and NCR **related claims/issues were not recorded** till late 80s, as the land was state land and there was no boundary demarcation as such. The boundary demarcation starting late 1980s, resulting in growing understanding and concern on land ownership, which prompted Land Applications to be filed within the concession area (there is no concrete process to establish if they were genuine claims or not).

The Government took note of the boundary issue in the process of making SFI a private concession, and attempted to address it in the Timber License Agreement with the concessionaire, adding clauses to protect such claims, and providing for excision of such areas at a later date, when they were reported and validated. This may have been the reason why there was no recorded physical or economic displacement.

Two critical developments over a period of time had a crucial role in shaping the land issues in the concession area:

- To ensure protection of the natural resources in the concession area, NFM areas were identified and gradually reassigned. The re-assignment was to take the following into consideration:
 - o the issue of extant habitation;
 - o keeping the option of clustering habitation areas together to avoid impacts to Kampongs; and
 - o the issue of potential NCR claims, etc.
- In 1996 Sipitang Forest Reserve was declared and NCR claims continued to be staked in the Forest Reserve. Most recently, the Court of Appeal Judgement in the Ulu Tomani case pertaining to the NCR rights (Refer section on Judicial precedence in **Section 4**), states that NCR claims cannot be entertained in Forest Reserves. However there is possibility of future review because it has wide spread and far-reaching implications on other Forest Reserves.

While a number of Land Applications have been filed by the community for these lands, some as far back as in 1980's, in many of these cases the claimants are still waiting for a response or decision on the same. The lack of understanding of the boundary, as also the non-completion of the boundary survey to clearly demarcate the area has left a lot of uncertainties regarding livelihood use and security of tenure. The Concession area has claims made on the basis of:

- Native Titles;
- Land being used by the community the past or their continued use of the land for cultivation; and
- Dependence of the community on these lands as a source of fuel, food, Minor Forest Produce and land for cultivation prior to the grant of concession to SFI. In some instances, plantation activity has not been started by SFI and people are not aware of the boundary. In such cases, the starting of the plantation activity prompts those claims and leads to the reporting of new ones.

The understanding of the extent of these claims could be understood primarily from the below mentioned sources:

1. Details of Land Application made with the Land and Survey Department

A review of the land related claims pending in the SFI concession area with the Land and Survey Department, and procured by SFI, suggests that total area of land application claims (160) in two districts (Tenom Data is presently not available), is 943.74 ha (2,336 acres). Out of this 82 claims have been cancelled which accounts for 498.94 ha (1,235 acres), while decision has not been taken on 74 claims covering an area of 420.56 ha (1,041 acres). In 4 cases in Sipitang, the status update mentions NT (Native Title), accounting for 24.24 ha (60 acres).

Table 1.4 *Review of land applications made with Land and Survey Department for Sipitang and Beaufort District within SFI concession area*

District	No. of LAs		No. of LAs		No. of LAs		No. of LAs	
	No. of LAs	Acreage	Cancelled	Acreage	Existing	Acreage	NT	Acreage
Beaufort								
1984 - 1995	30	445	0	0	30	445	0	0
2 villages					100%	100%		
Sipitang								
1984-1995	130	1,891	82	1,235	44	596	4	60
13 villages			63%	65%	34%	32%	3%	3%
Total	160	2,336	82	1,235	74	1,041	4	60
Area (in ha)		943.74		498.94		420.56		24.24

Source: Land and Survey Department Data, 2014

Note: LA: Land Application; NT: Native Title

While in Beaufort District, Land Applications come from 2 villages (Kampongs), in Sipitang 13 villages have land applicants. In the first phase of the survey and consultations, ERM covered 50% of the villages in the list for Sipitang.

2. Issues register maintained by SFI

In a preliminary analysis of the issues register maintained by SFI since 2007, of a total of 162 land-related claims staked, 138 (85%) were located in already opened areas where BILT was operating and were in compartments with an external boundary with State Land.

Table 1.5 *Review of issues on record based on boundary demarcation*

Location of Issues	Issues on record	Proportion
BILT operations + External boundary	138	85.19%
BILT operations – No external Boundary	11	6.79%
External boundary- unopened areas	10	6.17%
Unopened areas, no external boundary	3	1.85%
	162	

Source: Analysis- SFI Issues register 2014

In this context, it is important to understand the duration since the land claims were reportedly first filed. Out of 51 responses, 23 reported to have made claims after the inception of SFI as a Government undertaking in 1982. It is evident that the increase in claims happened when the boundary survey started in late 80s and later when the Forest Reserve was declared.

Table 1.6 *Reported years since claims on land made by Respondents*

Stated land issues since Year	No of respondents
Up to 1950	8
1951-60	3
1961-70	9
1971-80	8
1981-90	12
1991-2000	9
After 2001	2
Total respondents	51

Source: ERM Survey, 2014

It is also to be noted that out of 51 respondents, 28 reported having claims on the land since 1950s. It is however not clear, if fresh land applications were made since that period. It is likely that some family members had used the land; however these lands continued to remain as state land. Should these claims been identified and applied for, the land in question would have ceased to remain as state land, which legally (as per SLO) would have been excised.

The claims recorded include land title for farm land, grave sites, water, damage to property, timber/tree, community forestry, access etc. The following table provides an understanding of the various claims recorded.

Table 1.7 *Summary of claims recorded with SFI (2007-2013)*

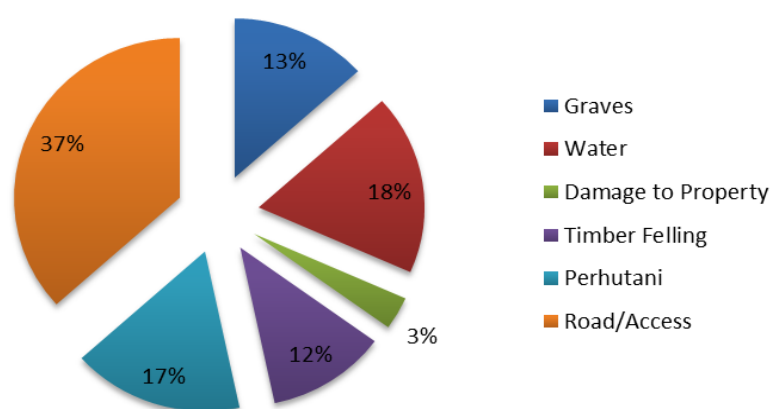
	Farm/ Land Based/ Boundary	Graves	Water related issues	Damage to Property	Timber Felling	Perhutani	Total
Ongoing	157	6	10	2	5	9	211
Closed	5	2	1	-	2	1	11

Source: SFI issues register 2014

Note: Need to be updated based on the proposed ground truthing exercise to be undertaken by SFI.

As can be seen from the above table, most of the issues (72.97%) pertain to farm land, presence of structures and conflicts on determining boundaries. Of these claims, only 2.25% of the claims have been closed, while the rest are still ongoing.

Figure 1.1 *Issues recorded by or reported to SFI viz. the local communities*



Source: SFI

Key Areas of Concern

- The key areas of concern with respect to land and NCRs is the understanding of SFI's 'boundary', the level of information available with the affected person regarding the excision of areas and its related implication on the status of tenure. The ability of persons to make long terms decisions is based on their assessment of the nature of tenure they have on that land used for livelihoods; and
- As there is a lack of clarity on these fundamental aspects like boundaries, the claims keep coming up; however in reality on the ground is that the status quo is being maintained and livelihood activities have not been disrupted. On the basis of that, SFI keeps a record of the issues on the ground in the plantation area and keeps State Forestry Department informed of the same.

The land issues (though legally not tenable in most of the cases reportedly) keep on increasing because of the following reasons:

- The livelihood of the families in most of the surveyed Kampong areas is primarily dependent on rubber plantation and to a great extent accounts

for sizeable quantum of land use; Palm oil plantation is another important source while paddy is grown primarily for self-consumption and not for sale;

- Due to the large family sizes in the community, partition of land amongst the successors will not give the next generation adequate land to sustain;
- Though there is provision of applying for more land from the Land and Survey Department; consultations suggest that the process is a very lengthy one - just surveying the land by the government department usually takes 10 years or more. The other option is to engage private surveyors which costs almost RM 5000 and hence too expensive. This in turn results in a situation where a substantial section of the younger adults or those who have applied for land in the last 20-30 years do not have access to land or do not have legal titles to the land they are using;
- Opportunistic intrusion in the SFI boundary or inadvertent intrusion owing to lack of understanding of Boundary is also reported.

Previous impact Mitigation & Management Strategies

As discussed previously, based on records, consultations and survey of the affected persons, most direct impacts on private properties and assets, as also livelihoods have been avoided, in the assessment period. The following needs to be noted:

- The Government had identified the Kampong areas and while notifying the area as forest reserve, these areas along with some community reserve land were excluded. Hence there was an early avoidance of impacts, though the process may have had flaws;
- It is understood that Native Titles will be respected and will be excised in due course of time as per law and administrative procedures. These are in process at several places in SFI;
- In cases where there are improvements or cultivation on land, the approach is to maintain the status quo, with information to the Forest Department, non- disturbance to the existing activity and no restriction on access; however with restriction on expansion to new plantation activity. The State Forestry Department keeps communication with the user in such cases, with the understanding that once the existing plantation cycle will be over, then the ownership will revert back to the Forest Department;
- There are still some areas on which the local community claims to have used traditionally. These claims (however follow up, or new claims may not be documented) have been registered with land and survey Department and in some cases Forest Department. In cases where people file land application with the Land and Survey Department, the same is forwarded to Forest Department, to see if the claims fall within the Forest reserve. In case it does fall, the same is communicated to the applicant. However the problem is that people believe they have ownership of land as soon as the land application is filed, which is not actually correct; and
- In the case of Tenom, where in Yr 2000, it was declared by the Government that 12,463 ha of land will be diverted, field verification of real claims is

still awaited and decision will inform the boundary demarcation in that area.

Case Study: Special cases like Perhutani

In cases where the claims pertain to issues of a sort of community forestry like in Kg. Bamban, Sipitang (403 acres / 163.07ha), and Kg. Tekula Besar (L19), Sipitang 107.6ha, compensation has been paid to the community (records of the same were made available for review) in exchange for their relinquishing all future claims to the planted trees in the area.

In these cases the community was hired to undertake plantation in the initial years as workers; however, reportedly the community made claims on the mature trees as these were planted by them. On refusal initially, the community started making claims to the land. After several rounds of stakeholder consultations and payment of compensation by SFI, the community has agreed to forsake claims on the land, which was not legally tenable in the first place but used more as a negotiation strategy by the community

Existing Residual impacts & Gap Assessment

- Mostly, communities may have ownership of plants with economic value within the project footprint area. As all structures and other tangible assets are avoided during preparation of the project lay-out, the loss of property and asset may only be expected from unintended damage to property during operations; and
- Consultations or some for stakeholder engagement is one form of mitigation measure. As the ownership changed to private party only in 1994, the consultations till 1994 starting with 1982, would have been undertaken by the Government. The level of consultations, reportedly during Lion Group period was not available on record, for assessment. Anecdotal evidence suggests that consultations by them were not systematic and according to plan, but need-based and ad-hoc. Consultations suggest that engagement has improved since BILT took over; however the response to the question of engagement on land issues suggests that there is still scope for further improvement on the engagement aspect.

Table 1.8 ***Reported instance of consultations undertaken with Respondents***

Consultation on land issue	Number of HHs
Respondents reporting 'No consultation'	23
Respondents reporting 'Yes, they were consulted'	28
No response	1
Total respondents	52

Source: ERM Survey, 2014

SFI's present focus is on consultations relating to their current operations and issues resulting from them, as also to do with alternative livelihoods programmes, where they run such initiatives.

The assessed gap of community consultations to do with the status of land and its permissible use, is not possible for SFI to address without a clear and agreed communication strategy with the State Departments..

1.7.2 *Land related Economic Loss and Livelihood related Impacts*

Impact Description

As stated previously there are several land issues within the SFI concession.

- Some of these Land Applications are pending further investigation and have not been responded to by the Land and Survey Department. In other cases the Land and Survey Department/Forestry Department have responded, cancelling the Land Application. [Ref Table 1.4 for status] Cases have been noted where people have continued to use the land for cultivation as before, in spite of the cancellation;
- In yet other cases, no applications have been officially staked through formal communication (letter, report etc.), nevertheless people continue to use the land for farming within the SFI concession area;
- There are instances, (particularly in Tenom) where the boundary demarcation has not been completed. Reportedly this is owing to resistance from the Kampong and also because of the pending status of a decision toward resettlement of families; this is based on the letter written by SFI management in 2000 to Government citing the declaration made by the Chief Minister for excision of 12463 ha for resettlement of families in Tenom. The Cabinet Decision is pending which will be based on the memo to be submitted post ground truthing (jointly by Land and Survey Department and Forestry Department). Lack of awareness about the boundary is also common in some other places where demarcation is not proper;
- Consultations with some of the communities also suggest that the claim to land, though devoid of any improvement on the land, includes their understanding of the land requirement for their future generation. Such lands are usually only marked off with a boundary or sign post to demonstrate ownership; and
- Consultations with SFI also suggest that there are ongoing attempts advertently or inadvertently in some of the places to open up area for cultivation, which are immediately reported to the Forest Department. In some of the cases, on being informed of the concession boundary people have left the area, while in other cases they have also continue to farm.

Almost all the cases mentioned above involve some kind of farming, plantation and structures on the ground. If and when the present users of the land are asked to move from the SFI concession area to make way for the plantation there are likely to be economic losses associated with the same for the present users of the land.

It is to be noted that these areas have been classified as forest reserve since 1996, so none of the claims (excluding Native Title claims) are officially recognised. Another exception is the boundary area near Tenom, which is still awaiting survey and a confirmation from Cabinet viz. an earlier proposal to excise the area.

An analysis of the responses (ERM HH survey) pertaining of the present land use of the claimed land suggests that almost 31 respondents have undertaken plantation on the claimed land followed by 9 HHs who reported undertaking paddy farming along with the plantation. Only one of the respondent suggested having some form of temporary structure, which consultations suggest is used only during the farming period, in case the farm is located away from the Kampong. Some respondents also communicated that the land was not being used presently and it indicated that either the farming was undertaken in past or just an indication that it is the potential land being claimed for the future generation. In some cases (2) it was reported that plantation was already being undertaken by SFI, and this was the land they would like to claim for themselves.

Table 1.9 *Present land use covered in the first round of ERM's survey*

Present Land use of the claimed land	Number of respondents
Not in use	4
Not allowed	5
Acacia plantation	2
Living and farming there	1
Paddy farming & plantation	9
Plantation	31

Source: ERM HH Survey, 2014

A section of respondents (5 cases) also suggested that they are not allowed to access the land claimed by them. Consultations on this issue suggested that in case the NT titles are not there, or no improvement on the land exists (including plantation and paddy), such areas are used for plantation by SFI. Reportedly the claims in some of the cases have been raised once the plantation has been undertaken. Review of these claims with SFI and the respondents suggested that:

- In case of claim from Tinura, SFI confirmed that it was case of opportunistic intrusion of the claimant. The claimant was asked to stop as soon as the intrusion in the concession area was attempted;
- In case of Alutok, the claimant is not sure if the land falls under state land or Forest land; and
- In the case of Mendulong, the claim fell under 'Perutani' for which the established process of negotiated settlement is in progress.

On being asked for the reasons for claiming land, 36 respondents mentioned that they considered the land ancestral (used by the ancestors at any point of time) and hence it belonged to them. Notably, only 4 respondents out of 48 reasoned suitability of land for cultivation being the reason for claiming land.

Table 1.10 *Reported reasons for choosing presently claimed land*

Reasons for choosing land	Number of Respondents
Considered to be their Ancestral land	36
Because it was suitable for cultivation	4
No other land available to them	3
For future use by their decedents	1
Other	4
Total	48

Source: ERM Survey, 2014

On the question of access to other lands, almost 74 % of the respondents mentioned that they have access to other land, while 22 % mentioned lack of access to other land. Further deliberation on this issue suggest that the response was made keeping in context the future generation requirement and primarily with respect to paddy land which is considered important for subsistence.

Table 1.11 *Access to other land*

Access to alternate land	% of HHs
Access to other land	74.1%
No Access to other land	22.2%
No Response	3.7%

Source: ERM HH Survey, 2014

However the validity of these claims needs to be verified through ground truthing. Detailed probing in some of the instances also resulted in claims that there was land in the name of the wife or was in some other Kampongs.

Table 1.12 *Reported distance from claimed lands*

Distance from Claimed land	No. of respondents
Less than 1 hour	40
Between 1-2 hours	6
More than 2 hours	6
Total respondents	50

Source: ERM Survey, 2014

The land claimed are within nearby distance from the community; however the locations and the access route through the forest makes the distance shorter in most of the cases, as reported. A review of the responses pertaining to change in the livelihood across a period of last 10-15 years suggested that dependence on various livelihood options has undergone some sort of shift.

Table 1.13 *Change in source of Livelihood*

Source of Livelihood	10 years Before	Now
Plantation	44	51
Hunting	44	25
Food grain cultivation	49	45
Fishing	41	30
Agriculture Labour	11	5
Collection and selling of NTFP	34	28

Source of Livelihood	10 years Before	Now
Selling of timber	8	4
Private job	11	13
Govt. Job	0	6
Other		2

Source: ERM HH Survey, 2014

Out of the total respondents 51 respondents informed having plantation as a source of livelihood. Two other livelihood options which have shown increased response are private jobs and government jobs.

Key Areas of Concern

Should there be an instance of the State Forestry Department taking control of the land, or SFI starting to undertake plantation in those areas and thereby restricting access to the land or the resources for the community, there are likely to be livelihood losses associated.

- Based on the consultations with the forest department, and SFI management it is likely that no physical displacement is envisaged; also no such physical displacement has happened in the opened up areas;
- State Forestry Department confirmed that in case of genuine cases (read long term claims- though no official definition exists for long term or genuine claims. These get defined primarily based on ground-truthing on aspects like girth and age of the plantation, confirmation with community and visual observation etc.), the normal practise is to give notice to the user informing of rejection of the claim; though no forced eviction is undertaken; and
- In some of the cases however, where there are new attempts to intrude in the forest and start a new activity, SFI seeks support of the State Forestry Department to restrict this activity.

Previous Impact Mitigation & Management Strategies

As per the discussion with the State Forestry Department and the SFI management, information pertaining to areas where economic activities (farming) are being undertaken by the formal or informal claimant (without any kind of land application or evidence), has to be immediately forwarded to the Forest Department.

In many instances where the response from the State Forestry Department for rejecting claims in the Forest Reserve area has been received; people still continue farming on the land. The State Forestry Department however does not plan to disturb them till the plantation cycle is complete. Also as a matter of practice, SFI reportedly does the following:

- Demarcate and cordon off the area, without disturbing the improvements on the land;
- No hindrance towards access to the farming lands; and

- Plantation only in areas with no community economic activities.

Though there have been instances of burning or damaging of crops and plantation by the State Forestry Department in other Forest reserves, reportedly because of intrusions, such steps, as confirmed by State Forestry Department and SFI have not taken place in the SFI concession area. It was mentioned during consultations with the State Forestry Department that on-ground verification, community validation of the claims or economic improvement is undertaken, before any such decision is taken. Typically new encroachments to intrusions in the Forest reserve are avoided/ not encouraged by the Forest Department.

Existing Residual impacts & Gap Assessment

- As the decisions on the land and tenure rights are under the purview of the Forest Department, SFI plays a secondary role. However, the long process in resolution of these claims brings operational constraints for SFI; and
- As the community is not assured of his tenure, its effort to develop the land and putting it to an optimum use is restricted.

1.7.3 Ecosystem Services

Impact Description

The opening up of new areas in phases resulted in some intended impacts which was nonetheless envisaged by the Government agencies (owing to demarcation of the boundary initially and declaration of the Sipitang forest reserve subsequently); though all impacts associate with such change in all likelihood, may not have been foreseen. In turn over a period of time changes started taking place and also shaped the community control and access to resources. Some of the key aspects under the various ecosystem services which underwent change in due course of time are enlisted below:

- The community access to NTFP collection, hunting, fishing etc. was not stopped in the initial years of SFI concession;
- The ownership by Lion Group was followed by declaration of the Sipitang Forest Reserve. This also meant that specific parts of the concession were identified as conservation areas (e.g. Class I Forest) and these activities were prohibited;
- Access to timber for selling or for construction of houses was not prohibited initially; however gradually the license took effect. Hunting, reportedly in some communities (wild boar, deer etc.) is still undertaken by limited number of families, though prohibited; however in due course of time has become linked to religious festivity, cultural ceremonies, marriage etc. Consultations suggest that though people are aware to some extent of the licensing requirements; however chose not to take owing to lack of strict implementation on the ground, general lack of willingness and apparently the understanding that such activities which happened in the past does not need any license; and

- One of the important aspects is that of firewood collection has gradually lost importance over years with CNG cooking gas becoming common in sizeable section of HHs. In cases where firewood is still used, it is commonly used along with CNG. The firewood collection reportedly is easily available.

Some of the areas within the SFI concession area also serve as the water catchment zone for the rivers passing through some of the communities in the southern part of the concession. The rivers flow South to North in the concession area especially in the Tenom Region. The kampongs like Kg. Mahunsop, Kg. Mulutut, Kg. Alutop, Kg. Tinura etc. are dependent on the water catchment zone. In 2006 due to incessant uncontrolled illegal logging (reportedly done by some contractor during change in ownership from LIONS group to BILT group) in the water catchment zone, there was huge soil erosion followed by increased sedimentation load in the rivers resulting in mud flood in the Tenom region. Consultations in these communities suggest that the mud flood destroyed the paddy fields, affected crops like coffee, etc. and polluted the only water source available to the community.

Analysis of the change in the livelihood pattern change in the past 10 years suggests that:

- Forest dependent activities like hunting, have shown significant decrease. Fishing has also reduced, while timber selling too has shown decrease. The reason has been declaration of the conservation areas in the forest reserve. Consultations in many of the Kampongs suggested that hunting is done by selected few and mostly restricted to festivity;
- NTFP collection is not a major source of income with most of the collection being undertaken for HH consumption; and
- Forest reserve declaration definitely impacted collection of timber from the concession area. In many cases, apparently people are not very sure of the boundary. Eg., in Tenom villages. Consultations with women in Kg. Bakuku suggested that they are made to understand the boundary by their husbands; it was also reported that women usually avoid going to the forest reserve area and most of the NTFP collection is done from the forest falling within state land. It is only for the selected products like natural dye that they have to depend upon the forest reserve, and mostly the male members venture into the forest reserve.

Table 1.14 **Shift in NTFP access pattern**

NTFP collected	10 years Before	Now
Family members commercially involved in NTFP collection	28	23
Collect timber from the forest reserve (SFI) area	19	12
Collect timber from the nearby forest area or own land	38	30

Source: ERM HH Survey, 2014

Analysis of the type of NTFP products collected from forest and the shift that has taken place in the collection of NTFP suggests that gradually the number of families dependent on NTFP is decreasing.

Table 1.15 *Shift in dependence on NTFP*

NTFP collected	10 years Before	Now
Wild edible plants	49	41
Orchids	19	14
Bamboos	48	40
Rattans	51	40
Wild fruit trees	41	30
Medicine	31	25
Other	7	3

Source: ERM HH Survey, 2014

Key Areas of Concern

Some of the key areas of concern are:

- Logging in the water catchment zones of the rivers have the potential therefore of increased soil erosion and pollution of rivers and in some cases resulting in mud flood situations in the communities;
- Access to forest for NTFP collection; and
- Access to forest for hunting

Previous impact Mitigation & Management Strategies

Some of the existing practices are as follows:

- Certain areas of the concession have gated access; however the community is not stopped in case there is a license. In other cases verbal warning is given; however access is not restricted completely;
- In case hunting activities are identified without license, there is immediate reporting by SFI to Forest Department; and
- Seizure or use of force has not been done by SFI till date.

Existing Residual impacts & Gap Assessment

Some of the residual impacts are:

- Apprehensions of lack of access to NTFP for future generation, and change in the dependence on forest in due course of time;
- Lack of access to specific products for commercial usage like dye for handicraft etc.;
- Dependence on market for procuring goods which were easily available from the forest; and
- Fear of violation of law and conflict with SFI over access to resources;

- Most of the extant cultural heritage sites in the community include graves and stones sculptures associated with founders/ people who fought in landmark wars as also ancestors of resident local communities;
- Additionally, there are other sites, like in Kg. Magunsop it was reported that an elevated rock was considered sacred- the associated lore was that it never got submerged during the inundation of the area. In Kg. Bakuku, a stone sculpture depicts the story of seven brothers who formed the Murut tribe; and
- In some cases, if not consulted these sites may get neglected or damaged resulting in disrespect for the community belief and practices and may hurt the sentiments of the community.

Key Areas of Concern

Consultations suggest that most of the new graves are within the boundary of the kampong. However some old graves are within the forest reserve or in the SFI concession area. These graves reportedly are scattered and in some cases not easily identifiable as they lack signage or identification marks.

- It was reported in Kg. Mulutut and Kg. Magunsop that some of these sites have already been impacted by the operations of SFI since it started in 1982;
- Anecdotal evidence suggests that some cash compensations were made to the affected communities, when such impacts happened and also that some resulted in conflicts with the concessionaire, their contractors and the local communities (e.g. Kg Kuala Muaya in Sipitang). These were, over time resolved or dealt with, through some remain and are recorded on SFI's current issues register (see below);
- It is also reported that some burial areas, since they are not clearly identifiable may be lost among the forests/plantations, and may come up when new areas are opened up for logging and conversion; and
- Community consultations suggest that graves and burial sites command the communities' reverence, instilling a sense of their oneness with the past, and are therefore, very important to the community.

Previous impact Mitigation & Management Strategies

- In the case of Kg. Magunsop it was reported that compensation was received for the damages done to the graves, to the tune of 400 RM per grave during the period that the government had ownership and operation responsibilities of SFI; and
- Consultations with SFI also suggested that in cases where the contractors are responsible for the damage to the old graves, they ensure that the communities are compensated by the contractor as per the native customs, either in monetary terms or other traditional processes mentioned in Adat.

It is likely that in some of the plantation areas, there could be potential issues of non-identification of the cultural heritage sites or lack of confidence among the community that the graves or other cultural heritage sites are being properly taken care of, and any disturbance to them being duly avoided.

1.7.5

Connectivity

Impact Description

The opening up of the areas for plantation and the logging activities in the SFI concession areas have required the construction of access roads within the SFI concession areas, as well as road connections at a regional level, through the SFI area. These roads are open for use by the communities, where necessary.

- The opening up of new areas for logging and plantation activity required improving access and road construction. While roads were constructed before LIONs group came into picture, there is not enough evidence to show whether this resulted in any material damage for which compensation was required to be paid for the land or crops/ plantations. There are anecdotal reports to suggest that where such damages were sustained, cash compensation was paid to the affected persons or communities;
- BILT reports that have used a policy of avoidance in the construction of new roads to prevent causing any damage to standing crops or plantations, and that these roads have been only constructed within the SFI concession, not using any private land;
- Exact information on these payments in the past is not readily available. Consultations suggest that compensation (based on agriculture department rates) for RoW related to road construction has been paid in the following locations, for State Land, by the concerned government department.
 - o Kg. Solob. (Bordering Compartment L31) (in Sipitang)
 - o Kg. Muaya Kg. Bamban and Mendulong (in Sipitang)
 - o Kg. Sungean (in Tenom District)
- In some of the areas, consultations suggested that the communities (E.g. Sg. Pakiak) have appreciated these roads, despite reporting that compensation was not paid for the loss of trees during the road construction. The present view is that payment of compensation would have been appreciated; however there is not much resentment as it has improved access to these areas and has also facilitated ease of access to the market and has improved the economy of the area. An assessment of the number of trees damaged was also not available.

Overall, improved connectivity has resulted in many changes:

- These roads have opened up areas of growth wherein people have started moving up, along the roads;

- Roads have become the new growth corridors along which there is a gradual ribbon development of habitations which has also increased instances of intrusion into SFI concession area;
- Improved connectivity has resulted in improved knowledge flows, access to better services, improvement in agricultural and plantation practices and a general change in the quality of life;
- This has resulted in in- migration and out- migration in areas over a short period of time; however this is still less apparent in some interior kampongs that are less well connected and is more apparent in the relatively urbanised habitations with greater proximity to the main roads; and
- Opportunity increase in terms of new business avenues including revival of the traditional handicraft system and linkage to the market, with facilitation from SFI in many of the kampongs identified by SFI's CSR department for livelihood support interventions. SFI reported that, in Beaufort area, dry food production (agriculture based) is in progress and the consolidation of Tagal System into eco-tourism programme for Meligan is underway.

Key Areas of Concern

The key areas of concern identified with respect to the above mentioned impact are:

- While instances of compensation payment were mentioned during consultation, a record was not available. In one instance, the amount was offered to the Headmen, who apparently did not share it with the community. The community in such cases usually harbours resentment for the losses, both because of either no compensation at all or non-sharing of benefits by headmen. Disclosure of the compensation and the entitlement has remained an area of concern. SFI informed that Since BILT took over, this policy is not practised, all documents are available and process of compensation goes direct to claimants and paid in front of the district 1st class/ 2nd class Magistrate who happens to be the Assistant District Officer;
- Increased migration and competition for land and access to resources (including land) is an area of concern that has come out. Reportedly, in one of the instances in P28, one of the contractors started plantation activity recently and started claiming land portion of 1000 hectares, stressing that he needed the land for setting up a new Kampong;
- Increased intrusion along the boundary of the concession and areas with better connectivity are likely to have more of such instances; and
- Potential compensation issues in case of road construction should there be economic claims on the land.

Previous impact Mitigation & Management Strategies

SFI (BILT) informed that there has been no major development of the roads lately and primarily the role of SFI now is the upkeep and the maintenance of the roads.

- In the past as discussed above, compensation were paid in some of the reported cases; however individual losses were not accounted for and the compensation was paid to the headmen for the identified economic loss on the land. No documentation is available; and
- It was also reported by SFI that the first step is avoidance followed by compensation for the losses, if any. It was also informed that the normal procedure for construction of roads in forest reserve is followed, in case the construction of a new road is required at all.

Existing Residual impacts & Gap Assessment

Clear demarcation of the boundary, maintenance of the roads, disclosure on compensation for any road development work remain as some of the issues which need to be systematically addressed.

1.7.6 Settlement Patterns

Impact Description

The settlement patterns and the location of the settlement have changed in due course of time owing to multitude of developments and changes that have taken place owing to the project, legal status of the land under concession area etc. Some changes are part of the overall process of change over time and consistent with other areas- use of new materials and technology for house construction, increase in the number of structures etc. Other changes may be a more specific response to the way SFI area was delineated and the process of legal change of status of the land from State Land to Forest Reserve. In particular,

- during the initial phases as a part of providing expansion area for the communities, extra land was provided for kampongs; and
- a parallel attempt was made to resettle some of the Kampongs at a common place with enough provision for expansion.

Today's settlement patterns show that this did not play out as planned and kampongs that were surrounded by SFI and not well connected, relocated out wilfully, whilst still asserting ownership of the abandoned settlement. These settlements may have added pressure to the areas where they relocated to and as a result, some inter-village boundary conflicts may be attributable to this. However, it is also to be noted that in some cases the settlement pattern as suggested by respondents was history of their origin during pre-SFI days as far as colonial days.

As a result of these dynamics, the baseline stands altered and these changes provide insights into the land and access related requirements of the communities at the settlement level.

(Note: The changing pattern of social stratification from traditional farmers to semi-modern farmers where plantation/ agriculture development is accelerated therefore the pressure for owning individual titles causes most of this demand of new land areas. Being a native has a better leverage to establish more NCR anyway where vast land is available albeit being used by opportunistic group to own vast land for agriculture venture. In retrospect, in the past traditional communities (in the words of the community of Ulu Tomani during the survey) will prefer to live as commune without any land title)

Key Areas of Concern

Some of the key areas of concern are as follows:

- Changes in the settlement pattern, is very much likely would have resulted in shifting of the habitations. And in cases there is a claim on the premise that the land was put to economic use by the previous generation;
- The movement of the population has also resulted in settlements shifting across the opened up areas; and
- In other cases, reportedly (in 1993-94) there was intention by the Government (however there was no clear plan and it never materialised) to resettle kampongs within the SFI concession to already identified areas or areas to be excised, where there was adequate potential for the expansion of Kampongs. The desired outcomes in this respect apparently could not be achieved. One of the likely reasons could be perception or anxiety of the populace regarding loss of connectivity, areas another facet is the lack of consultation with affected people regarding proposed options and potential solutions.

Previous impact Mitigation & Management Strategies

- The government had previously planned and demarcated areas for excision from the SFI concession areas based on the need of the communities located in the surrounding area (or in close proximity to) the concession area who would find it difficult in future to find land for expansion;
- As discussed above there was intention (without a clear plan) to consolidate the kampongs and the communities in selected identified areas for shifting settlement, nonetheless it could not materialise; and
- Apparently and also as reported the present boundary (e.g. East and west portion) of the concession suggests that the Kampongs were largely left untouched.

- As the settlements continued to grow in population, the demand for expansion of the Kampong reserve also grew and the location of the Kampongs did not give enough option for expansion to these Kampongs;
- Non- gazettement of some of these kampongs has led to lack of clear understanding on the available reserve land, if any for the community. Lack of clear demarcation of the boundary or community lack of understanding and awareness of such boundaries, did not help the matters either; and
- New settlements coming up in the opened areas both out of search for new land, and lack of awareness on boundary (advertently/inadvertently) started making intrusions in the SFI concession area.

1.7.7

Human Capital

Impact Description

The impact assessment associated with the human Capital includes aspects pertaining to influx of labour, working conditions and human rights issues, health and safety issues, and local employment related aspects.

Within SFI's workforce, 32% of the workers are from outside of Sabah, i.e. from Sarawak, West Malaysia, followed by 16% from Nepal and 14% from Indonesia. Within the foreign workforce, 742 (29%) comprise of Nepalese and Indonesian workers that are on a short-term contract of two or three years. The proportion of foreign workers among the contractor's workforce of 1218 persons is even higher, closer to 60-70%, mostly from Indonesia; while expat workforce for the project accounts for almost 5 % of the total workforce primarily coming from India, Philippines and South Africa.

SFI and its contractors have housed the workers from outside of Sabah within labour camps, developed in accordance to SFI's internal "Worker Accommodation Guidelines"; however not located directly within villages or amidst rural communities.

Workers are mobilised for a period of two or three years, conforming to the Sabah Labour Ordinance (1950) and immigration requirements of Malaysia. Some of the stipulations that are required to be complied can result into non-equivalent working conditions between local and foreign workers. These include: (a) restrictions on foreign workers to bring their families; (b) restrictions on foreign female workers to marry locals or other workers without the consent of the authorities; (c) restrictions on foreign workers to go back to their country of origin before end of contract; (d) withholding of passports and other identity documents etc. Consequently, the working conditions may not meet international standards on human rights.

For the Plantations division, the activities including clearing, harvesting, planting and maintenance activities along steep altitudes using weedicides,

pesticides and other substances, has a varied degree of risks to the health and safety of the labour engaged.

In the last few years, there has been a constraint in the availability of local persons to undertake non-executive and unskilled/manual labour roles in the plantation sector. However, the recent implementation of the National Minimum Wage Order (2012) has generated more interest among the local communities to also take up non-executive opportunities. Presently, 67.4% of the workforce comprises of *Bumiputras* and 68% of the workforce is nationals from the province of Sabah.

Key Areas of Concern

Some of the key areas of concern with respect to human capital are:

- The advent of the timber industry and oil palm plantations in the 1980s and 1990s (including that of SFI districts of Beaufort, Sipitang and Tenom) has seen waves of in-migration from southern China, from Sulawesi and Kalimantan in Indonesia, and from the islands of the southern Philippines;
- Consultations with villagers around the concession area have indicated that the impact from the influx of migrant workers or outsiders has not been adverse or overtly negative, barring stray incidents of theft as well as conflict with locals;
- Villages in the Sipitang district along both sides of the main road into town have witnessed the impacts of influx linked to increased trade and interactions with Indonesian and Nepali workers as well as some incidents of prostitution. These are dealt with through the local law enforcement agencies in Sipitang town; and
- The spread of contagious diseases through the influx of the work force have the potential to impact the local labours as they would work together in work-sites. This therefore, will affect the health of the workers and may affect the progress of construction work as per the schedule.

Previous impact Mitigation & Management Strategies

The workforce accommodation facility of SFI and their contractors to a great extent reduced the dependence of the labour influx population on the social services and resources of the host population.

In accordance with the timber license agreement executed by SFI with the Government of Malaysia, there are several provisions that the Human Resources Department has undertaken to increase the proportion of Sabahans in the workforce:

- Preference in employment and training to Malaysians of Sabah origin; reportedly 68% of SFI work-force is from the 3 districts (Sipitang, Tenom, and Beaufort). SFI has also been engaging with the local communities around the concession area, primarily in Sipitang and Tenom districts through short-term procurement contracts. Local villagers are given

plantation contracts as a community development activity and to provide more sources of short-term employment to interested stakeholders;

- Comprehensive program for recruitment, training and instructing the maximum number of Malaysian nationals ; and
- In the near term, SFI's recruitment plan for 2015-2016 has a provision for 266 persons. Among the general worker category within this requirement, 38% of the proposed workforce is to be local.

Existing Residual impacts & Gap Assessment

- The scale and significance of the project and its requirement for pulpwood and fuel wood has generated high expectations around opportunities associated with the supply chain;
- As low-cost supply of timber and other goods and services is a factor, there is potential of child labour, forced labour or adverse safety conditions in the supply chain and procurement networks; and
- While the Project's demand for goods and services from the local study area will be small in absolute terms, perceptions of the opportunity are likely to mean it will still be a strong pull factor. As there is very little relevant established business in the area, effective competition from local entrepreneurs is likely to be low.

1.8

CONCLUSIONS

SFI under BILT has started off well especially with the stakeholder engagement aspects; however will need to settle issues on the ground. Some of the mitigation measures suggested is to be directly implemented by SFI, while on other it will need to engage with SFD, and LSD. SFI will need to drive the process, as it has taken steps in 2010 for completing the boundary survey.

SFI has been closely engaging with the two departments (SFD, and LSD) since BILT took over. CSR department has been taking the lead to bridge the gap between the community and the two departments to garner more understanding and transparent information on land issues towards amicable solutions. SFI has been getting a good support for the community programmes disclosure of information for the past few years since BILT, which needs to be continued and strengthened further.

1.9

SOCIAL IMPACTS MITIGATION AND MANAGEMENT PLAN

The social impacts mitigation and management plan provides an understanding of the management and mitigation strategies that were used at various points of time to minimize the negative social impacts of SFI's operations as well as provides for short term and long term plans for addressing the residual impacts and providing strategies for going forward.

The most notable mitigation strategy in place, for historical and practical reasons, has been one of avoidance of impact to provable titled land land-based livelihoods on SFI land.

In addition to the applicable reference frameworks guiding the overall activities, there are additional principles that being followed at a functional level, based on common understanding by the concerned state departments (Forestry, Land and Survey), as well as the SFI concessionaire (BILT). While there is some evidence of partial documentation of these functional principles in internal notes and meeting minutes, there is no official document that contains them entirely. The application of these functional principles is directed at those persons who have cultivated land continuously over a period of time and are not in possession of a formal title. Understood to be an interim 'soft approach' by the government agencies, with agreement at the highest levels, this may be premised upon the larger aim of safeguarding local indigenous interests, in the peoples' dependence on local forest-related and other natural resources. Based on our understanding, the functional principles of the 'soft approach' are:

- That this applies to those persons who have cultivated land continuously over a period of time, are not in possession of a formal title and are local residents;
- It however does not apply to any new opportunistic cultivation, expansion of extant areas of cultivation, or to people who are not local to the area;
- If new opportunistic cultivation, expansion of extant areas of cultivation is reported/ observed, the State Forestry Department may ask SFI to clear the land and plant it. Evidence for this has been noted;
- These areas may be in use for cultivation of paddy, planted trees like rubber, coffee, oil palm, rattan etc. (*trees related to income generating activity*);
- Timber logging is not allowed on these areas;
- Permanent residential structures are also not allowed in these areas;
- No formal title will ever be issued for these areas, even if the family has cultivated the same piece of land over a long period of time;
- There is no security of tenure or stated commitment to the users, for the use of these lands;
- These areas may not be transferred or inherited- if this is done, the State Forestry Department may ask SFI to clear the land and plant it; and
- There is an assumption that once the crop cycle is completed (this could be very long say 80 years for fruit trees like Durian), the area will revert back to the SFI concession- no clear timelines have been reported and no incidence of the land reverting to SFI, were noted during consultations, even in cases where the land was used for seasonal rotation crops like paddy. Evidence was also available for people re-planting areas with new plantation crops like oil-palm, rubber etc. The only evidence¹ of removal was in cases of expansion of area.

¹ This is based on discussions with local communities at some villages, with SFI and the State Forestry Department. More extensive coverage of the field situation is planned and may provide more information.

The above practise appears to have functioned as effective mitigation to prevent livelihood loss over cultivated areas, even where there is no title, and no security of tenure.

This functional approach has also resulted in limiting SFI operations to a functional boundary that allows for a reduced area from the official boundary indicated on all the maps.

To the extent possible, the principle of avoidance (based on ground truthing with community members and demarcation on ground, as per existing practice) is also applied to cultural sites though there is anecdotal evidence to suggest that this strategy has not always been uniformly applied, especially in the earlier years of SFI's operations under previous owners, as opposed to the more recent years of operation, where this principle has been included in the Timber License Agreement between the State and BILT, as well as BILT's own Standard Operating Procedure for cultural sites.

In addition to this, a short term and long term plan has been identified for the project. Apart from addressing the residual impacts from the project, these plans are aimed at managing community expectations, managing labour and contractors, allowing for grievance redressal and allowing for responsive community investments.

Whilst these considerations have informed the proposed measures in the SMP below, as part of the overall social impacts management strategy some additional plans are carried forward in the Longer-Term strategy for new areas to be developed, as well as for areas that may sustain impacts from significant change.

- SIA framework;
- FPIC Framework;
- Community Development Plan; and
- Stakeholder Engagement Plan and Updated Grievance Process for SFI operations.

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
Land access and ownership related impacts; Land based economic and livelihood related impacts			
Land access and ownership related impacts	Formal Excision of areas with proven titles from the SFI concession	Excision is a long drawn out formal process of the State and has already been in progress for several years with several steps still pending, which will likely take more time.	- Community engagement on decision and progress of the process of excision, for affected kampongs, in consultation with the State Departments - Periodic updates regarding progress and key landmark steps in the process.
Land based economic and livelihood related impacts	Land being used for livelihood related activities (paddy, plantation etc)	Avoidance, through application of the 'soft approach' Lack of awareness and understanding in the communities, of the 'principles' applied, implication of the SFI boundary In the absence of clear communication on tenural status, pending hope of 'title' for cultivated land (uncertainty of tenure)	- Documentation and record of all extant cultivation on SFI land (for internal monitoring), joint record with State Forestry Department and Land and Survey Department - Continued engagement and clear messaging on 'boundary', status of cultivated land and applicable principles on its use and ownership, long term view. - Community participation in mapping, to understand the SFI concession boundary- updating village records, maps. - Joint monitoring with community on use of untitled land, land in SFI concession.
	Even as there is no indication that the 'soft approach' will be withdrawn, it continues to be informal and not documented or disclosed.	No impact mitigation and management plans in place should the 'soft-approach' change in the future.	<i>The proposed SIA framework (Annex 8B) for new areas will be triggered should there be a change in the 'soft approach' as this will amount to a significant change in already opened areas- this is one of the stated triggers for the SIA so that a suitable management plan may be developed</i>
- Potential strategy of 'swap' areas for the area being excised from the concession	There is no official statement to this effect yet and is an option being explored.	Given that this will be a 'new area' the proposed SIA framework will be triggered.	For cases, where despite avoidance there has been inadvertent negative impact on livelihood, compensation at replacement value, is proposed.
Connectivity related impacts			
Community concern for poor road	SFI maintains all roads that they	Surface quality of roads used by both,	Use of the SFI Grievance Mechanism to record and address

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
surfaces/quality of roads used for heavy traffic related to SFI work - Impacts from land acquisition of State Land for road expansion, impacts to standing crops on State Land and Forest Reserve land - SFI sustains impacts to access and their operations from road blocks by the local community (who use this as a form of protest regarding a range of grievances)	use, including the stretches of state road on State Land. Contractors or SFI can be directly approached by the local communities regarding maintenance of roads - SFI has used a policy of avoidance to community and cultivated area in opening new roads on forest land, within the concession. - SFI records these barriers to access in their issues register and reports them to the State Forestry Department, along with the stated grievance, as applicable.	SFI and the local communities remains an issue and a source of complaint from local user communities.	concerns on locations and commitment (road works) to mutually agreed time frames where possible, jointly with the concerned State Department , communities and SFI contractors. - Documentation of all new roads and pre-assessment of areas for potential livelihoods impacts before road-work is undertaken. - Use of the Schedule of Rates from the Department of Agriculture as a basis to calculate <u>replacement value</u>, to compensate for any livelihood impacts, even within the Forest Reserve - Document and record location, community issues and lost time, as well as risks. Track and address jointly with CSR team - Focused community engagement in areas where access issues have been faced by SFI. Use of the updated Grievance Mechanism. Pre-consultation by the CSR department to resolve conflicts..
Impacts on settlement pattern			
- Ribbon development, sprawl along major roads - Community concerns for land for future expansion of their kampong and needs of the future generations	Government strategy to earmark additional areas for kampong expansion- this has not worked	Potential future conflicts for SFI areas – some areas along the main roads will become higher value real estate thereby becoming potentially high-risk	- Flag and identify areas likely to face such pressures on land from expanding settlements - Better engagement with those communities on the SFI boundary and permitted use of land. - Best efforts to secure ‘boundary’ to the extent possible - Proactive and timely engagement by SFI with the concerned State Departments and potentially impacted communities to

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
			explore options for expansion Potential future impacts to be managed under the new SIA framework, going forward
Impacts relating to human capital			
- Job and contract opportunities with SFI - Skilling the youth	Commitments are in place based on the Timber License Agreement for SFI to hire locally and also ensure that training is imparted so the requisite skills are available locally, to enable people to apply for all levels of jobs/contracts	SFI has not met the targets set for local employment as reportedly. there are insufficient local applicants Feedback from local communities suggested that they were keen to be considered for selected jobs (plantation, not desk work), or small contracts	- Targeted consultations with communities to record interests and available skills - Outline 1,2 and 3 yr plans, align with local availability and set up skills-training to match requirements - Track and consult with community on local contracting opportunities. Disclose year-on-year progress - Community development plan, and skill development training for alternate livelihoods support, in alignment with CSR activities also to progress in parallel
Immigrant workers	Agreed terms and frameworks in place with the government regarding employment of immigrant workers	Communities consulted did not raise issues of concern regarding immigrant workers except stray incidents that had been resolved by SFI.	Given the long term expansion plans of SFI and the shortage of locally available labour, new areas will require a stronger focus on the potential issues and conflicts associated with the increased use of migrant labour (<i>will be covered under the new SIA Framework</i>)
Impacts on ecosystem services			
- Water pollution related impacts - Concerns regarding use of pesticides- downstream impacts - NTFP/MFP related impacts	Measures are proposed in the EMP based on the EIAs (2002 and 2007), with monitoring requirements to assess performance or problems.	- Adequacy of measures in EMP to be assessed in light of the complaints from the community - The social dimension of environmental concerns of the local communities, however, need to be addressed better - Demonstration of adequate safeguards and dialogue with the community on such subjects needs to	- Strengthen measures proposed in EMP, should that be required, or improve implementation, as applicable - Engagement with concerned communities to disclose management and control measures being implemented. - Reporting of monitored parameters to demonstrate compliance, improvement, as required - Use Grievance Mechanisms to record and act on issues at particular locations, within the agreed timeframe

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
		be strengthened	
Cultural heritage related impacts			
• Identification and demarcation of areas of cultural significance- burial sites, graves, marker stones, images, or other areas, in areas that have been opened, are being converted • Some damages were reported (from the Lion's group's operation period) in the process of conversion, making roads, as the sites may not have been known/ recorded, at the time.	• Mostly avoidance and guidance to staff and contractors to follow respectful practices, aligned with local sensitivities • Internal Standard Operating Procedure on Cultural sites, training provided to field staff and contractors by BILT • Replacement and/or compensation for damages to the area/sites	• Record and documentation of old and new sites are not complete including damages and mitigation measures used. • Agree on mitigation and management measures to make good on old damaged areas.	• Record all old and new conflicts, if any on the subject. • Development of Chance Find Procedures • Update SOP to include seasonal access requirements of the local communities, buffer zones. • Engagement with community to jointly verify and monitor locations, seasonal access requirements.

Institutional arrangement and a capacity building strategy to take on the implementation of the short term approach have also been developed with an aim to integrate with the existing project operations.

Based on the proposed SMP, progress monitoring indicators are included, along with a schedule for regular record and reporting.

Environmental Resources Management (ERM) has been commissioned by M/s Sabah Forest Industries (SFI) (hereinafter referred to as the “client” or “SFI”) to undertake a retrospective Social Impact Assessment (SIA) and preparation of Framework for free, prior & informed consent (FPIC) compliant to IFC Performance Standards (PS) Requirements for the Developed areas of the SFI Concession.

It is understood that Ballarpur Industries Ltd. (“BILT”, the “Company”) is the flagship company of the Avantha Group promoted by Gautam Thapar and is the largest producer of writing and printing (“W&P”) paper in India. BILT has 6 manufacturing units in India and 1 in Malaysia (Sabah) in addition to plantations at Sabah. The Company was established in 1945 by the Thapar family and is listed on all the major Indian stock exchanges.

Sabah Forest Industries (SFI) is one of the pulp and paper manufacturing units of Ballarpur Industries Limited (BILT) located in Sabah Province of Malaysia. SFI was established in 1982 and run/managed by state government from the period between of 1982-94. In 1996, the ownership of SFI was transferred to a local company (Lion’s Group) which ran operations from 1996 until 2007. In 2007, BILT took over Sabah Forest Industries (SFI) in Malaysia. SFI has three divisions namely:

- Pulp and Paper;
- Plantation (SFI has concession rights of over 288,000 hectares); and
- Integrated timber complex consisting of a saw-mill and ply mill.

Note: It is important to note that the SIA is limited to Plantation Concession areas and does not include the mill or timber complex or any other related activity.

The report has been prepared keeping in context the Terms of Reference issued and subsequent discussion with the client for better understanding of the scope of the work and the associated timeline for completing the work. The scope and approach and methodology for the project have however undergone iteration following assessment of the ground situation and subsequent discussion and consensus with the client.

The developed areas in the context of the present report refer to the part of the concession areas which had either been opened up by BILT or previously Lion’s group since 1994. The areas presently opened up by BILT are mostly the areas that had been previously worked upon by Lion’s group; however there are certain areas which are newly opened up. Presently the area opened up by BILT is almost 45,000 hectares. The Phase I of this SIA study targets only these developed areas covering an area of approximately 49000 ha.

Broadly the following tasks are covered as part of the present consultancy assignment.

Table 1.1 *Phases of the Assignment*

Phase	Component
Phase I: (Developed areas)	Undertake a retrospective Social Impact Assessment for “Developed areas’ of the concession including a mitigation and livelihood restoration measures for affected families/communities for residual impacts, along with appropriate engagement procedures to obtain and demonstrate informed consultation and where appropriate, informed consent for the developed areas;
Phase II: (New Areas)	For the “New Areas” (to be opened in future), develop a robust SIA/R&R and Free Prior Informed Consent (FPIC) Framework clearly delineating the process requirements, and laying down clear metrics for entitlements and indicators of FPIC attainment, settlement of claims, and/or mitigation of dependencies.

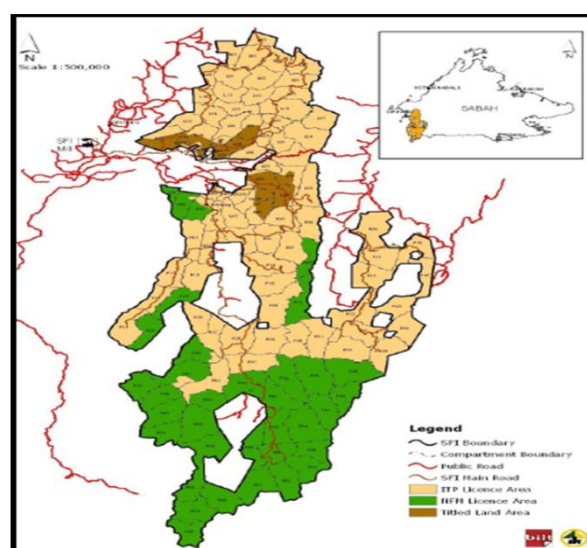
This SIA has been carried out in accordance with relevant local legislations and the International Finance Corporation (IFC) Performance Standards (PS).

1.1 PROJECT BACKGROUND

The following sections provides a historical overview of Sabah Forest Industries and an overview of SFI’s operations across the three divisions of Plantations or Industrial Timber Plantation (ITP), Pulp & Paper (PnP) and the Integrated Timber Complex (ITC); the last two just for a brief understanding of the project cycle (as they are not within the scope of the retrospective impact assessment).

Sabah Forest Industries (SFI) is one of Malaysia’s largest commercial timber growers and wood processors. The Company was established in 1987 as a wholly-owned government entity as Malaysia’s first integrated pulp and paper mill.

On 16thOct1990, SFI was issued a Timber License (No.SK 7/90) by the state of Sabah for an area of 258,524 ha of Alienated Land (state land-non forest land) for timber extraction, value addition and plantation, to ensure optimum continuous yield. In the same year, SFI was also granted Timber License for 29,961 ha of Forest Land. The total concession area stood at 288,485 ha.



Apart from the Pulp and Paper unit, SFI also processed commercial wood at its Integrated Timber Complex (ITC) consisting of a saw mill and a plywood mill which was commissioned in 1999. However, the pulp and paper unit has always been the primary business unit with contributions of almost 98% to the company's total business.

In 27th January, 1994, SFI was privatized by the Sabah Government based on a Sale-Purchase agreement through which its equity was sold to the Lion's Group of Companies. Pursuant to provisions of clause 14.2 of the Sale-Purchase agreement, the Government, divided the area covered by the Timber Licenses into three sub-parts, namely:

- Industrial Tree Plantation (ITP) Areas vide JP (KSG)107/96(CO);
- Tree Plantation areas under Titled Land vide No.195317803 and No.195317821;
- Natural Forest Management (NFM) areas under License JP (KSG) 108/96.

Clause 14.3 of Sale-Purchase Agreement also stipulated that "SFI shall be entitled to increase its plantation area to 130,000 ha, out of 288,485 ha of timber concession areas. In addition, should SFI increase its pulping capacity, it is authorized to increase its plantation area proportionately.

The company operated under the Lion's Group for a period of 13 years and was sold to Ballarpur Industries Limited (BILT) in 2007. At the time of BILT taking over, SFI had approximately 130,000 ha plantable area of ITP. Out of this, approximately 88,000 ha, were under logged over area having a productivity of almost 4 GT/ha/annum. Another 42,000 ha was covered under Acacia/Eucalyptus plantation with productivity of approximately 17 GT/ha/annum.

In 2012, BILT invested approximately USD 250 million for the pulp mill expansion, post which the capacity of the mill was raised from 120,000 ADMTPA to 240,000ADMTPA. Half of the generated pulp is manufactured into writing and printing paper for domestic and international markets while the other half is exported as market pulp predominantly to Iran, Syria, Yemen, South Africa, Jordan, and Saudi Arabia.

Presently, SFI employs 2542 persons (30th April 2014) across the three divisions and for the support services. These include local Malaysian staff, expats and foreign workers (which predominantly include Indonesian and Nepalese workers engaged in plantation or ITC operations). Apart from these, approximately 27 contractors work over 1218 workers are engaged to support activities such as timber harvesting, plantation activities, log yard transportation, waste disposal, material loading/unloading etc.

Table 1.2 *Overview of the SFI Workforce*

Division	Staff	Workers	Total
Integrated Timber Complex	137	142	279
Plantation	346	591	937

Division	Staff	Workers	Total
Pulp & Paper	996	0	996
Supporting Services Unit	324	6	330
Total	1803	739	2542

Note: A detailed review of Labour and Working Conditions in SFI has been undertaken in parallel and is not covered within this SIA.

1.2 OVERVIEW OF THE OPERATIONS

1.2.1 Plantation Division

SFI's concession area of 288,485 ha under SFI was divided as per the sale-purchase agreement between the government and Lion's Group, the previous owners of SFI by the Sabah Government into three zones namely:

- Industrial Tree Plantation (ITP),
- Tree Plantation under Titled Land and
- Natural Forest Management (NFM) area

The ITP License area is the primary part of the concession area from where majority of the raw material is sourced. The sourced wood is a combination of plantation woods and Mixed Tropical Hardwood (MTH). The area has been divided into 70 compartments for administrative convenience and fall within three districts of Sipitang, Beaufort and Tenom.

It is also further divided on the basis of land-use into two principal zones:

- Conservation; and
- Production.

The total productions from the ITP for the past three years have been provided in following *Table 1.3*.

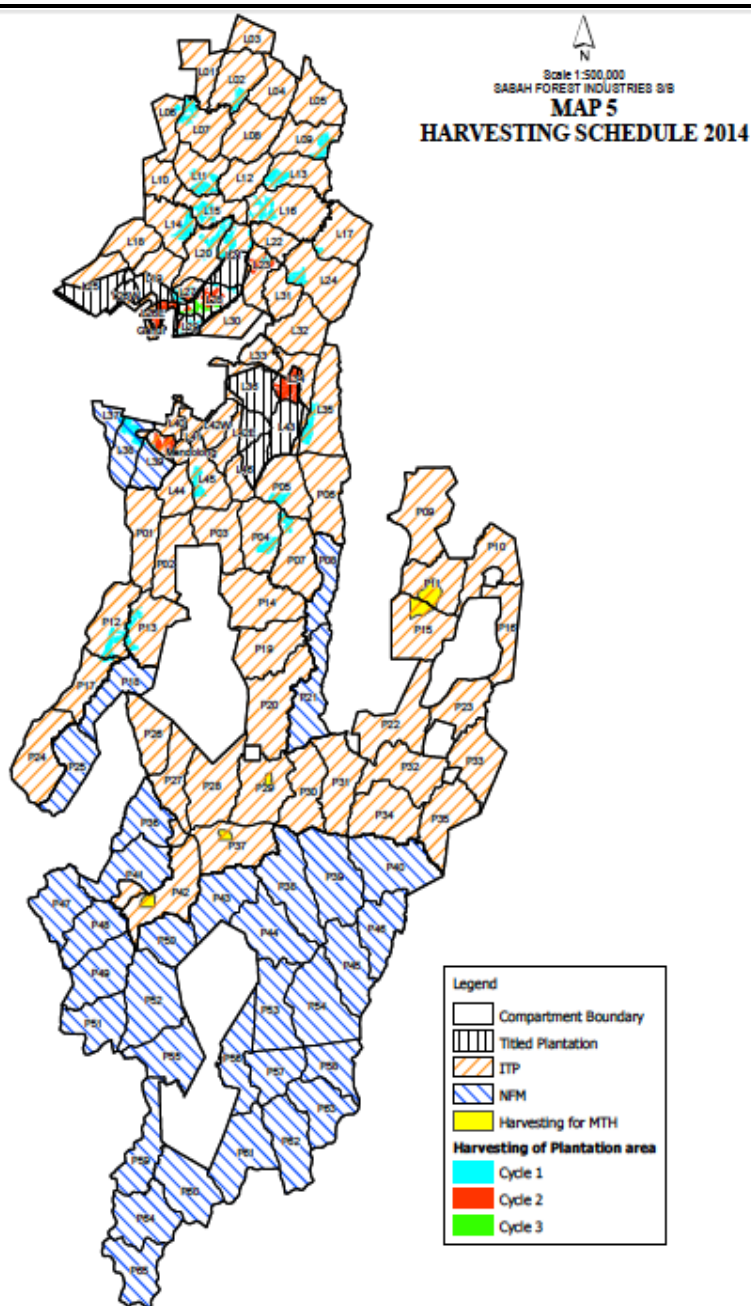
Table 1.3 ITP Production from 2011-2014

Financial Year (FY)	Plantation (G.T)	Mixed Tropical Hardwood (MTH) (G.T)	Total (G.T)
2011/2012	763,175	165,130	928,305
2012/2013	648,876	108,046	756,922
2013/2014 (Till April)	562,289	130,076	692,365

**Source: Raw Material Department*

The harvesting and plantation activities are carried out in within the production zone while the conservation areas are protected. The following *Figure 1.1* indicates the harvesting schedule in ITP for the year 2014.

Figure 1.1 *Harvesting Schedule for Year 2014 in ITP*



**Source: ITP Plantation Development Plan (2010-2020)*

Key Operations

ITP operations primarily comprise of three activities, Harvesting or Logging, Transportation and Plantation. The operation is a closed cycle and the activities keep repeating themselves year on year. The following sections provide a broad understanding of each of these activities.

Stage 1: Harvesting Operations

The harvesting operations or logging operations primarily comprises of three (3) activities; felling, extraction and processing.

- Felling comprises of severing the tree from the stump. It is carried out manually or mechanically (usually by the use of chainsaw).
- Logging can also be carried out by pulling the tree from the forest area (or 'stump') to a landing which is referred to as extraction. It is carried out mechanically by cable logging.
- Once the tree is extracted to the landing, it is further processed before loading out onto the truck. This typically involves taking the branches off (delimbing), topping the tree, and then cutting the stem into logs ('bucking') according to a certain set of mill specifications.

Stage2: Transportation of Logs

Once the trees have been processed into logs, a loader will help sort, stack and then load out onto logging trucks. Most loaders are trailer or truck mounted. The logs are then transported to the PnP mill or the ITC complex.

Stage 3: Plantation

Once an area has been harvested and the logs have been removed, the residual vegetation from the area is cleared and the land is prepared for plantation of saplings.

- Approximately, 300 samplings are planted in a single day and on an average 1250-1600 saplings are planted per hectare.
- Watering of plantations, spraying of pesticides, weedicides and monitoring is carried out manually by labour.

The complete cycle from harvesting to plantation is based on pre designed Comprehensive Harvesting and Plantation plans for the particular year. Furthermore, a Plantation Development Plan is also prepared for every 10 years.

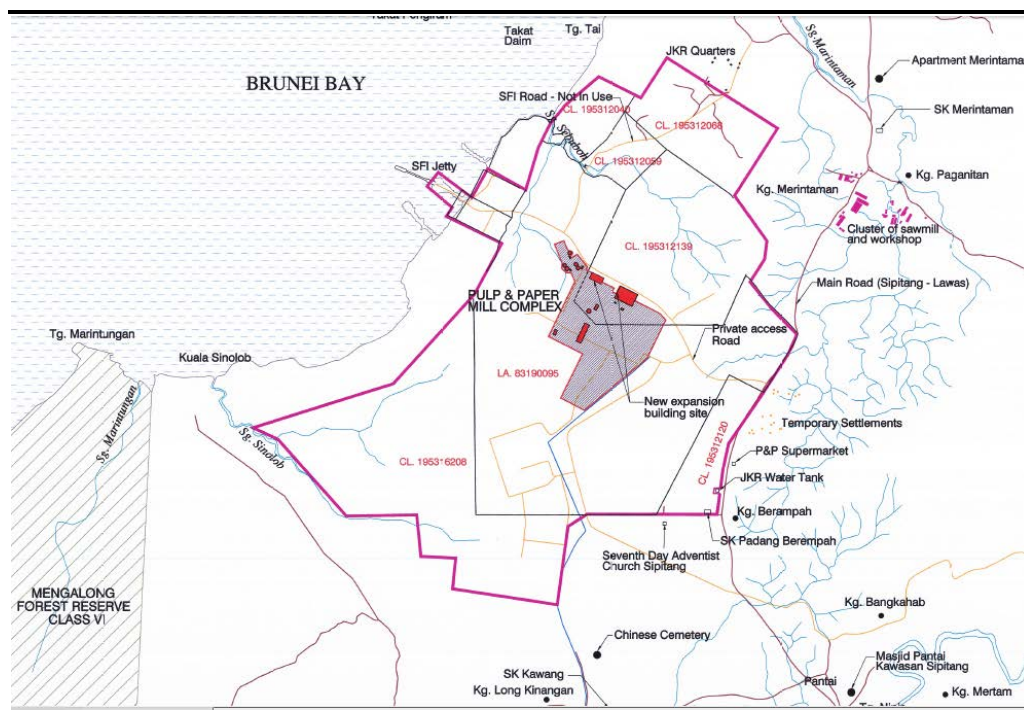
SFI's concession area has regional/estate offices in Lakutan, Padas, Ketanon, Tomani and Basio. The operations are carried out from sixteen (16) SFI camps and thirty two (32) contractor camps. Each of these camps, harvesting and plantation areas are connected by approximately 700 km of roadways within the concession area. SFI has provided for labour accommodation facilities for the Nepalese and Indonesian workers at each of the estate offices within the concession area.

1.2.2***Pulp and Paper Mill***

The Pulp and Paper (PnP) mill began commercial operation on 1 January 1988 as the first and only integrated pulp and paper mill in Malaysia, producing wood-free uncoated printing and writing paper. Its operations involved in

upstream (i.e. logging) and downstream activities (i.e. manufacturing of pulp & paper, sawn timber, veneer and plywood). Post the 2012 investment by BILT, the capacity of the mill was raised from 120,000 ADMTPA to 243,000ADMTPA. The operations are supported by the ITP unit which is the raw material supplier for pulp and paper production. The pulp and paper mill is the primary business contributor generating almost 98% of the total revenue.

Figure 1.2 *Location Map of Pulp and Paper Mill area*



*Source: SFI

The PnP mill is spread across a total area of 93.4 hectares. The total built up area of the mill is approximately 21,873.31 m². Out of this, the total ground floor area of the building is 19324.8085 m², the first floor built-up area is 2063.252 m² and for the second floor area of the building is 485.252 m². The following *Figure 1.2* highlights the location map of the PnP mill.

The key processes in the Pulp & Paper division are described as follows:

Box 1.2 *Key Processes*

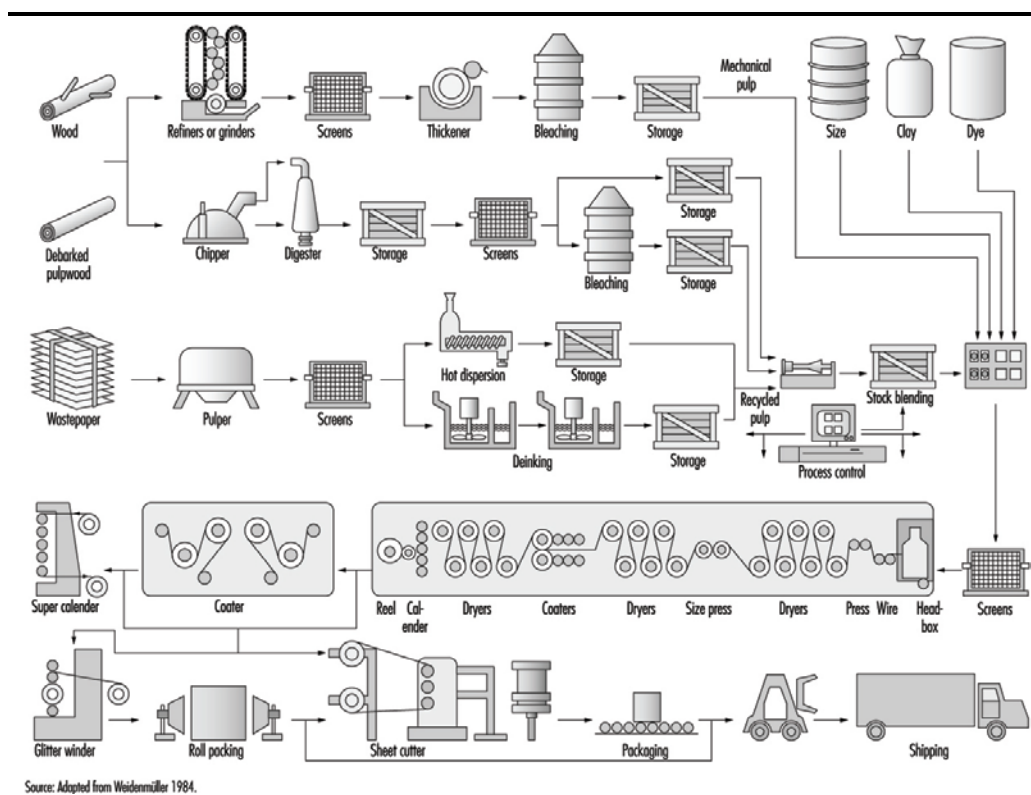
Stage 1: Log processing and Chip Pile

- **Log processing and chip pile:** The logs resourced from the ITP area are brought in trucks and trailers into the log yard of the PnP mill. The logs are fed into feeding hoppers and processes through chipped woods. The wooden chips are transferred via conveyors into a chipping pile;
- **Feeding into the digester:** The wood chips are then transferred through belt conveyor into a pressurized and non-pressurized digesters where the chips are impregnated at 120°C with alkaline liquor and steam from the feeding boilers;
- **Transfer to Blow-tank and Oxygenated Delignification:** The pulp is then transferred to the blow tank from the digester, and washed with oxygen and liquor (Sodium Hydroxide (NaOH) + Sodium Sulphate (Na₂SO₄) + Sodium Carbonate (Na₂CO₃)) for further delignification and removal of nodes. Four levels of washing are carried out for the pulp;

- **D-Hot or Bleaching Stage:** The unbleached oxygenated pulp is transferred into the bleaching tank for further treatment. A second stage of treatment is carried out on the pulp. It is mixed with Sodium Hydroxide (NaOH) and Hydrogen Peroxide (H₂O₂) for further increasing the brightness to 75-78;
- **Drying, pressing and rolling:** The pulp which has gone through two levels of D-Hot process is sent to the paper printing section where it is dried, pressed into sheets and rolled into paper rolls. The rolls may vary anywhere from 0.5MT to 10MT. Paper is also processed into sheets of specified dimensions from the customer.
- **Packaging and Shipment:** The finished paper and pulp are both packaged and stacked in the respective warehouses. They are shipped either through inland roadways or through waterway from the in-house jetty.

The following highlights a schematic representation of the various processes that are involved in a pulp and paper unit.

Figure 1.3 Schematic representation of Pulp & Paper Manufacturing



*Source: Weidenmuller 1984 and ILO.org

Administration and Management

The senior production manager supported by the chief engineer is the overall in-charge for the PnP operations. The production manager oversees various aspects of the PnP facility which includes chemical preparation, chip mill, pulp, recovery, paper machine finishing etc. Each of these aspects and the activities covered within it are independently managed by an assistant manager or a deputy manager who report to the production manager. The assistant or deputy managers are followed by executives, supervisors and general workers respectively. The production unit is supported by the engineering department under the chief engineer that manages mechanical, electrical, instrumentation, utilities, and security maintenance.

The production unit is also supported by various auxiliary departments such as Logyard and Raw material resourcing, Marketing and Warehousing, Maintenance as well as General Management to support day to day operations. The pulp and paper division also has a dedicated section for waste disposal and landfill. This is reportedly managed by a contractor.

There is an in-house canteen and a first aid facility within the complex. The PnP mill has an attached township which comprises of residential facilities for all its employees and workers, a school, town hall and recreation facility. Presently approximately 5000 people are residing within the township.

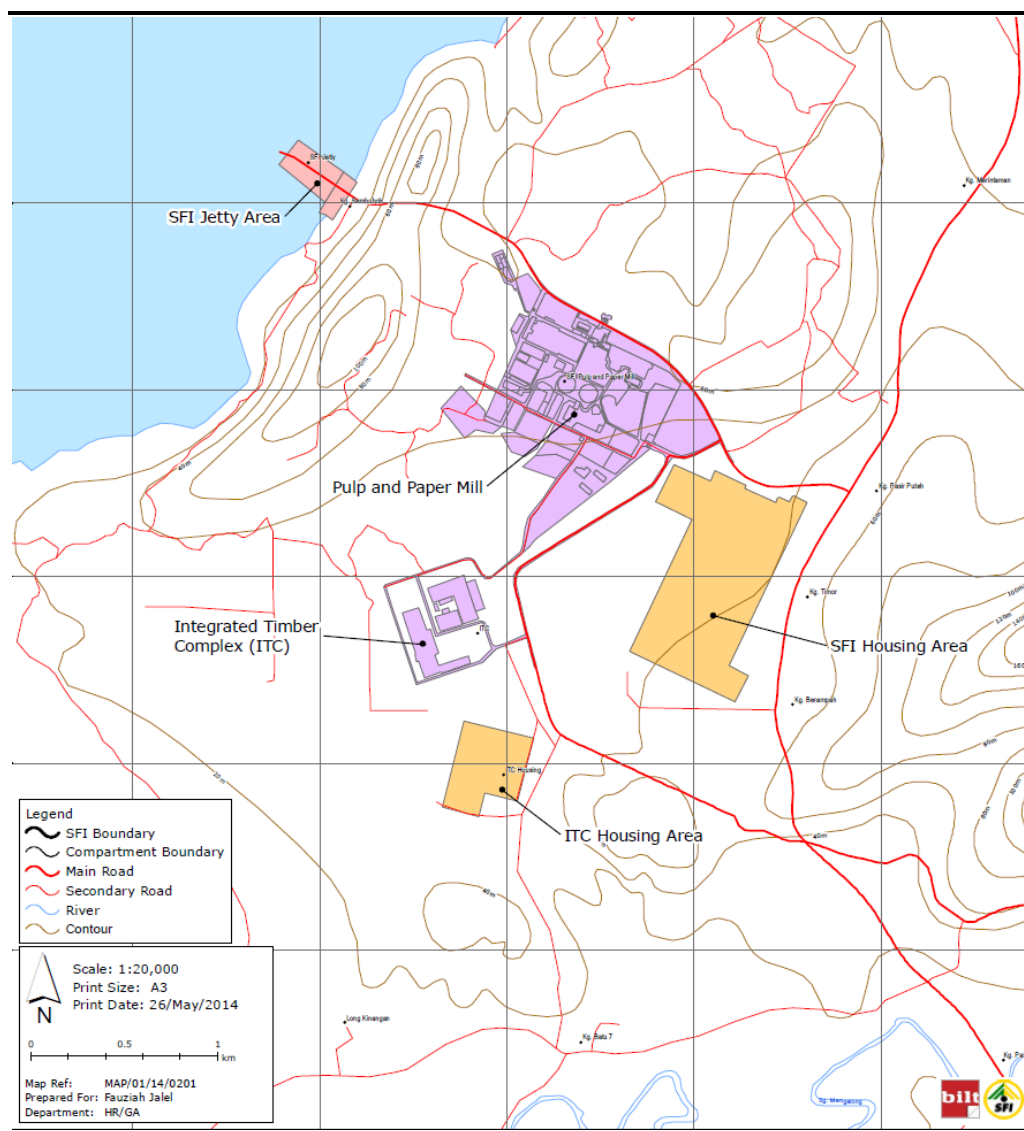
1.2.3 *Integrated Timber Complex*

The ITC complex is spread over an area of approximately 44.5 ha and is located at the south-west of the Pulp and Paper unit. The operations at the ITC complex started in 1999 with two production units, the Sawmill (for manufacturing of processed lumber or timber) and the Plywood Mill (for production of veneers and plywood). The total installed capacity was 100,000m³/annum for the saw mill and 120,000 m³/annum for the plywood mill. However, current productions at these units are 3600m³/annum and 8400m³/annum respectively.

A diverse variety of woods such as Agathis, Red Senayas, Selangor Batur and Acacia are processed in the ITC for timber, veneers and plywood products. Most of these products are exported (60% of timber and 80% of veneer/plywood) and smaller percentage kept for domestic sale.

The following *Figure 1.4* shows the location and layout map of the ITC complex.

Figure 1.4 *Location and layout map of ITC complex*



*Source: SFI

Operations

For the saw mill operations, the unprocessed log from the logyard is first sorted and then passed through multiple sawing operations across through different saw blades such as Breakdown saw, Pony saw, Bond saw for desired specification and dimensions. The obtained log is then chemically dipped (Antiblu CC) and processed for increasing resistance to moisture and biological agent.

Once the chemical process is complete, the timber is dried (sun dried or kiln dried). It is then forwarded to the rip saw for precision sawing. Once sawed to the desired dimensions, the final timber or lumber is stacked and packaged for warehousing or shipment, either via roadways or waterway through the in-house jetty.

For the plywood mill operations, raw material or timber is brought down by trucks and trailers to the log yard. All logs are graded, weighed, dimensions

recorded and stored in the transit area. Shipments are also bought from external sources.

The logs are transferred for segmenting, centering, veneer peeling and then continuous drying. Once the drying process is over, the veneers/plywood are processed in the core composer where they are machined to desired specifications. It is then passed through the glue spreader where a layer of glue is uniformly spread on them and joined with other overlapping layers. It further moves into a hot press where multiple layers are pressed into a composite segment. Once hot pressed, the veneer is transferred for sanding process. The finished veneer/plywood are finally graded and packaged for warehousing or shipment, either via roadways or waterway through the in-house jetty.

Administration and Management

The senior manager for operations is the overall in-charge for the ITC complex. The individual sawmill and plywood units are further managed by respective unit managers who administer the shop floor and the working staff and directly report back to the senior manager. The operation units are supported by various auxiliary departments such as Logyard and Raw material resourcing, Marketing and Warehousing, Maintenance as well as General Management to support day to day operations.

There is an in-house canteen and a first aid facility within the complex. The ITC complex also has its own housing complex and residential arrangement for all its staff and workers. It is located at approximately 1.5km from the complex and houses approximately 500 families.

1.3 *APPLICABILITY AND RELEVANCE*

ERM understands that the IFC is in the process of undertaking an investment into BILT to support the expansion of its operations.

The objective of this assignment is to undertake firstly a retrospective SIA to enable SFI to meet the requirements of the IFC Performance Standards (1, 2, 4, 5, 7 and 8). This SIA aims to check the categories and significance of impacts that have happened till date in the developed areas, mitigation measures adopted residual impacts, if any, and recommendations to address those residual impacts. Going forward, this SIA also recommends an SIA Framework that will become the guiding procedure for impact assessment and mitigation for new areas to be opened up in the concession to address any substantive changes in the already developed areas.

1.4 *OBJECTIVE AND SCOPE OF WORK*

The objective and scope of the assignment as per the ToR is as follows:

- review and prepare a synthesis of all social-impact-related work and baseline studies conducted to date in the developed areas;
- identify gaps against key elements of a SIA consistent with Good International Industry Practice and relevant IFC PS;
- assess processes followed for assessment of impacts, their mitigation including management of residual impacts for developed areas;
- based on results from above mentioned activities, develop a plan for the Project to demonstrate Informed Consultation and Participation (ICP) from affected people and IP's for developed areas (refer to Key Principles section for details); and
- provide a framework for impact mitigation and FPI Consent in yet to be developed areas (new areas) going forward.

1.5 *APPLICABLE REFERENCE FRAMEWORK*

ERM has undertaken the assignment within the reference framework of SFI's internal sustainable development strategies and commitments and the following (described in detail, in Section 4):

- Local and national regulations governing social issues, including land and IP in Malaysia and Sabah in particular;
- IFC Performance Standards 1-8; and
- United Nations Declaration on the Rights of Indigenous Peoples (2007) (Malaysia is a signatory to it, though it is non-binding).

1.6 *USE OF THIS REPORT*

ERM is not engaged in consulting or reporting for the purpose of advertising, sales promotion, or endorsement of any client interests, including raising investment capital, recommending investment decisions, or other publicity purposes. Client acknowledges this report has been prepared for their and their clients' exclusive use and agrees that ERM reports or correspondence will not be used or reproduced in full or in part for such purposes, and may not be used or relied upon in any prospectus or offering circular. Client also agrees that none of its advertising, sales promotion, or other publicity matter containing information obtained from this assessment and report will mention or imply the name of ERM.

Nothing contained in this report shall be construed as a warranty or affirmation by ERM that the site and property described in the report are suitable collateral for any loan or that acquisition of such property by any lender through foreclosure proceedings or otherwise will not expose the lender to potential environmental or social liability.

The layout of the SIA is given as under:

Section 0: provides the executive summary for this report

Section1: (this section) provides an introduction and brief background to the project and its salient features, the specific objectives of the SIA in question, and the methodology followed and its limitations for the same. .

Section 2: provides the approach and methodology for the SIA

Section3: provides the administrative framework in which the project is based with a review of the policies applicable to the project

Section 4: provides a historical review of the project, including an understanding of the state of Sabah, the land types, SFI history, issues pertaining to claims and legal precedence for the same.

Section 5: provides a socio-economic baseline of the kampongs in the immediate vicinity of the project

Section 6: provides the stakeholder analysis for the project

Section 7: provides the retrospective socio-economic impact assessment of the project

Section 8: provides the impact mitigation and management plan for the impacts identified

The following section outlines the approach and methodology followed for the assignment. The approach and methodology is informed by understanding of the various phases (discussed above), specific outcomes, key underlying principles and suggested approach as per the ToR.

The SIA was expected to cover:

- Retrospective impact assessment of those parts of the concession areas that are already been converted (in the recent past by SFI as well as historically since the 1980s);
- A review of the ICP process adopted by SFI and check its adequacy to meet the principles of prior information and consultation;
- Going forward, recommend a framework for FPIC for the Indigenous People in the area;
- Going forward, predict future impacts that will come up in areas that will be freshly opened up based on what has happened till date. As future impacts will happen over the next 30 years, the approach was to prepare a framework that will guide impact assessment at every stage.

Ideally, the SIA process would have covered both the old issues in developed areas, as well as future issues in the new areas. Given the time constraint, the assignment needed to be phased and prioritised. Phase 1 therefore targeted the retrospective SIA, focussing on old and legacy issues and impacts as well as residual impacts, while giving a framework for future SIAs.

For the “new areas” (to be opened in future), ERM as part of Phase-II will conduct additional consultations and site visits in those areas to strengthen the SIA/R&R and FPI Consent Framework, clearly delineating the process requirements, and laying down clear metrics for mitigations and indicators of FPIC attainment (as required).

2.1

ERM'S APPROACH FOR SIA

This is not a typical SIA as a number of historic impacts are not a result of the SFI operations but as an outcome of regulatory changes by the government that converted community held erstwhile State Lands into forest reserves and concessions, thus legally severing people's rights over land and resources on which they may have claimed traditional rights. SFI is therefore not directly responsible for those impacts, but by operating the concession, has inherited the unresolved issues and claims and could have further aggravated those impacts by regulating movement and access. This SIA has assessed this issue in detail.

The SIA approach was also developed based on the following assumptions:

- Claims over land is an issue the Forest Department will need to settle in the concession area as it owns the land, and is the regulator for forest areas;
- SFI is a tenant operating the concession and has no mandate to settle any land issues. However as required by IFC PS 5 and good practice, any livelihood impacts as a result of SFI operations, will need to be addressed and mitigated by SFI;
- Many of the historic impacts are not properly documented and the SIA will have to be based on limited available records, anecdotal references and community consultations with elders who may have witnessed the impacts;
- This SIA is the beginning of a process of dealing with legacy issues in the SFI concession, and a strengthening of an ongoing engagement process through more transparent information sharing, disclosure and where relevant ICP/FPIC processes. These processes will continue over the life of the concession.

The SIA was therefore tailored to incorporate the above assumptions, fit in the tight timelines available and to provide the basis for robust processes going forward.

2.2 *METHODOLOGY: PHASE-I: RETROSPECTIVE SIA (DEVELOPED AREAS):*

ERM undertook the following tasks as part of Phase I of the SIA.

Table 2.1 *Task details under Methodology for Phase I*

Task	Description
Task 1	Project Inception: Kick- of meeting
Task 2	Desk-based review, consultation with client prior to site visit
Task 3	Review of regulatory framework and its applicability for the project
Task 4	Developing a historical baseline of the Concession
Task 5	Developing and sharing of the research instruments
Task 6	Internal scoping
Task 7	Socio Economic Baseline
Task 8	Stakeholder Assessment
Task 9	Impact Assessment
Task 10	Reporting and Presentation of Findings

2.2.1 *Task 1: Project Inception: Kick- of meeting*

ERM organized a meeting with the BILT/SFI team and IFC to gain an understanding on the present status of the project, components that are relevant for the assessment and ongoing activities. Schedules for the site visit and deliverables were tentatively decided. Based on the kick off meeting, and discussion with the project team, ERM listed some key documents and information it would need to review before going to site. A separate meeting was held with the SFI CSR team to understand the role of the team and its CSR programmes.

Subsequently SFI collated and placed the documents required in a server that the ERM team (Social, IP, Labour and Biodiversity) could access.

First meeting with client: CSR Team on Saturday & Sunday (17th & 18th May 2014)

Before starting of the work ERM organised kick-off meeting with the local site management of SFI to:

- Establish common understanding on the expectation from retrospective SIA for opened up areas;
- Establishing the contours of retrospective SIA;
- Update understanding on the various aspect related to plantation activities of SFI including CSR, grievance mechanism stakeholder engagement etc.;
- To discuss expectation pertaining to IFC performance standard requirements.

2.2.2

Task 2: Desk-based Review, Consultation with client prior to Site visit

The desk based review was undertaken to understand the existing information which would shape the retrospective SIA. The Government has played an instrumental role, an understanding of which was necessary; this was done through a review of the various documents and especially the regulatory framework applicable to Sabah pertaining to land, forest reserves, and Native Customary Rights.

SFI, after it was taken over by BILT, had undertaken certain studies and initiatives on the ground to understand and manage the legacy issues and the upcoming issues which continue to appear from time to time. All documents pertaining to these studies and SFI actions and programmes were reviewed.

The concession has been in existence since 1982 and has gradually been privatised, first under Lion's group in 1994 and then under BILT from 2007. While these developments took place there were ongoing changes in the policies and regulations on the same timeline as relevant and applicable court judgements. Additionally, and to varying degrees, community issues and concerns also evolved. Some of the major developments which shaped the community interaction with SFI were the demarcation of concession boundary starting from 1988 and the declaration of the Sipitang Forest Reserve. Since then issues of land ownership, NCR rights in the forest reserve, Native Titles in the forest reserve have continued with a number of claims being submitted to the land & survey and forestry departments. These claims have thus far, never disrupted the plantation operations of the company in any significant way.

The desk review has tried to understand the regulatory changes in the broadest as well as project context, the measures undertaken by SFI in dealing with staked claims, community access to these areas etc. Previous studies related to social baseline and biodiversity that are relevant to the retrospective SIA were also part of the desk-based review

Review of secondary information

A review of the available secondary information available on the project area, the district and the state was undertaken so as to allow for the primary data collected in 2007 by BILT through a local NGO, Pacos, to be substantiated and complimented. Towards this end, the following documents were reviewed

- Baseline Surveys conducted by PACOS in 2008 and 2012
- Stakeholder consultations records
- Boundary survey records
- CSR activity records, meeting records, monthly and Annual Reports
- FMP for ITP and NFM area
- EIA report 2002 and supplementary EIA 2008
- HCVF study
- Grievances and issues reported to and recorded by SFI in the opened up areas
- Plantation area Maps
- Census 2010 for Malaysia
- Secondary literature on Sabah (research reports, studies, media reports etc.)

This review was instrumental in the assessment of the level of baseline information available and adequacy of the same. ERM scoping exercise as also the survey tools for primary information collection and consultation were informed by the review of these documents. Household (HH) survey and Focussed Group Discussion (FGD) tools development was also shaped by this review.

External Factors Review (EFR) - review of publicly available information

ERM also undertook a review of relevant and easily available public (internet based) information on the Project. ERM conducted a search of defined online and publicly available sources of information (relevant to the jurisdictions in which the project sites are located), with the objective of identifying and reporting sustainability issues pertaining to the business which may be the subject of current interest and concern to key third party stakeholders such as major non-governmental organisations (NGOs), and other interested parties.

2.2.3

Task 3: Regulatory framework and its applicability for the project

ERM undertook a review of relevant policies and frameworks of Malaysia and Sabah in particular that are to do with land, Native Customary Rights, food security, safeguards for Indigenous Peoples, forest and natural resources, employment and livelihood programmes, health, education, infrastructure etc.

ERM also reviewed the judicial precedence in the context of Native Customary Rights in Forest Reserves, especially in the Sabah region. The recent judgements of High court and Court of Appeal in the *Ulu Tomani* case are a landmark judgement in the present context.

2.2.4

Task 4: Historical Baseline of the Concession

Apart from the desk based review of the documents for SIA, parallel review was undertaken for developing a historical baseline of the Government-led gazettement process to the extent feasible: to synthesize and analyse the range of actions (e.g. consultations; zoning; mapping; public disclosure; land and resource valuation and assessment) taken up by the Government dating back to 1982, in relation to gazettement of State and other land into the ITP/NFM concession and Kampong areas. Towards development of the historical baseline, ERM especially focussed on the following.

- Review of documents/reports/maps and information to understand the project, the past history and existing systems of dealing with community/IP issues and land and Native Customary rights (NCR) claims;
 - Review of current and past practices of the government and its approach to dealing with land conversion and settlement of land/NCR claims (including government led conversions since 1982);
 - Understanding the legal context vis-a-vis land and native rights and its applicability for the project.
 - Collect details of claims filed and titles issues/rejected or processes followed by the State Forestry Department (SFD) and/or the Land and Survey Department for a) the concession area in general and b) for the developed areas in particular;
- This task is still in progress and was not completed as the government offices were closed for Harvest Festival celebrations. This will be completed as soon as the offices re-open next week (2nd week of June 2014)

2.2.5

Task 5: Developing and sharing of the research instruments

Based on the preliminary understanding of the project through discussion with BILT and SFI management and the CSR team, and the review of the documents, specific tools were developed for collecting baseline information and assessing impact as part of the retrospective SIA. This included individual household survey schedules, community level check lists as well as focus group discussions on specific topics with the relevant groups, etc.

Aspects like resource mapping, seasonal calendar, dependency on forest for livelihood and other needs, timeline mapping were also included in the assessment.

The tools were shared with the SFI team for specific inputs and contextualising it as per the existing socio economic conditions. The finalised tools were translated into Malay to ensure that questions are properly understood by the researchers and the local community.

Based on the review of the secondary data, reconnaissance site visit and discussion with the management, scoping for the retrospective SIA was outlined. Given the long history of the SFI concession, lack of recorded information on the processes followed before BILT took over operations with respect to managing local community issues, there will be challenges in reconstructing those aspects for the baseline, as well as impact assessment and management perspective. The roles played by the State Forestry Department, Land and Survey Department, in dealing with these historical issues may also be noted only to the extent available on record.

Reconnaissance visit

A reconnaissance visit was undertaken to test the survey tools on ground and also develop an understanding of the Project area. This visit also served as a guide to the process of mitigation planning and its implementation.

Figure 2.1 *Reconnaissance visit to Beaufort Kampongs*



Defining Study Area

The study area was clearly defined as the converted area of the SFI concession and the villages in the vicinity that were either directly affected by SFI operations (loss of land and livelihood, if any). It also included staked claims submitted to the State Land and Survey Department, State Forestry Department or SFI. Other areas included in addition were those indirectly influenced by the changes that were taking place due to the SFI operations (nearness to an access road built by SFI).

Scoping

The scoping process identified key issues that had implications for the SIA namely:

- The demarcation of the boundary, in process since the 1990s, on the entire concession area is only 70% done, and has not been completed till date. Even within the 70% completed, some areas need to be re-surveyed and updated.

- The process of excising some areas from the SFI concession to accommodate valid claims over land is in progress with high-level agreement but several official steps remain before this can become final. Since this is underway and not official, these excised areas were not demarcated on the maps in use, nor had this been communicated to the local people affected by the change. Hence there are perception related impacts that have not actually translated into a loss of land or access, even as it does translate into impacts on long term decisions based on tenural security;
- There was no consolidated list of staked land issues and this was collated from various sources. Further consolidation and verification is in progress and will be completed in the second phase of this assignment.

The site visits, questionnaires and other tools were revised based on these scoping outcomes. Lists of constraints and areas requiring continuing work were flagged (consultations with the State Land and Survey Department, consolidation and location of staked claims)

ERM along with the client used the scoping exercise to consolidate the contours of the assignment, to engage with BILT/SFI team and develop common platform for undertaking the retrospective SIA.

2.2.7

Task 7: Socio Economic Baseline

Review and consolidation of Existing Baseline

Baseline (developed by PACOS in 2008 and 2012) for the converted area was reviewed and supplemented with detailed village consultations and meetings with different stakeholder groups and communities as well as a household survey (54 households) targeted at people who had staked claims on land in the SFI concession.

Selection of the Kampongs for Survey

The aim was to cover (some of) the villages that were around the developed areas (where there were also recorded land issues of people in and around the concession). Villages were identified based on the incomplete list of land issues, to cover the ones with higher concentrations of recorded/reported issues. Other considerations included proximity to the concession, and potential impact by historical activities where issues may have occurred but were not available on record. Some villages where issues relating to historical/cultural sites (like burial grounds) were reported were also included for representative coverage of the issue.

Figure 2.2 *HH Surveys in Tenom*



Source: ERM site visit in Tenom District.

Household and community consultations

ERM mobilized 4 teams to cover kampongs sharing boundary with developed areas of the SFI concession with the criteria described above, spread across the districts of Tenom, Beaufort and Sipitang. Each team was headed by a team leader, supported by a social survey expert and CSR representative from SFI. Local researchers, fluent in local languages were identified, trained on the survey tool before their mobilisation in the field.

SFI staff was also included in these trainings to provide local context and sensitivities.

Note:

SFI's CSR team's established linkages with the community in the course of their ground level engagement and activities helped ease entry and access to the local communities.

The HH survey was not a detailed socio economic survey, rather a census survey which was aimed to cover HH level demographic details and the likely impacts on the family owing to operations of SFI.

2.2.8 Task 8: Stakeholder Assessment

ERM undertook detailed consultations with different stakeholder groups to be able to review, documented records and establish whether and how Informed Consultation and Participation (ICP) was sought.

One level of stakeholder identification was already undertaken by SFI. Using that as starting point, ERM also undertook a stakeholder assessment which further strengthened the identification of the stakeholders, conducted detailed profiling of each key stakeholder group and summarised their concerns and expectations as well as developed an understanding of their stakes in SFI activities.

Stakeholders were identified with regard to their interest and influence in SFI operations. Key stakeholders covered are:

- People living or earning livelihood from inside the concession area;
 - Farmers and plantation owners;
 - Small commercial/plantation and subsistence farmers;
 - Forest/Fishery based livelihoods-subsistence and commercial;
- Proximate village level artisans -handicrafts;
- Groups/ Associations of farmers/fishermen/ tribal communities;
- Kampong headmen/JKK etc. of proximate/bordering areas;
- Relevant Forestry Department (FD) – three districts;
- Relevant Land and Survey Department - three districts;
- Relevant District officer (DO)- three districts;
- Non-Governmental Organisation (NGOs);and
- Academic and Research Institutions.

This list grew with the project understanding and informed the baseline and impact assessment.

As part of the assessment, review of the existing engagement process, related records, grievance redressal system, disclosure process, frequency and methods of engagement was also undertaken. ERM's assessment sought at all times, to build on the existing work.

Figure 2.3 *Focus Group Discussions*



Source: ERM site visit in the kampongs Melutut and Alutok.

Picture A: Women's group Discussion

Picture B: Community Elders Discussion

Figure 2.4 *Timeline and Resource Mapping*



Source: ERM field consultations, at kampong Alutok and Bakuku, May 2014

ERM carried out a rapid ethnography among the families living in close vicinity of the concession areas. This was primarily to examine the scope and applicability of PS 7 in the context of the project and the requirement of FPIC framework. (Refer *Annex 8A* for details)

FPIC Process: Stakeholder consultation

To shape the FPIC process simultaneous engagement was started with the Indigenous community, people having native and customary rights, or having other interest in the concession. The engagement tried to understand the traditional concept of Sumuku (consultation) and Adat (customary law) as well as the different ethnic communities in the areas, their profiles, systems and how these need to be incorporated into the FPIC process.

The legal context to the consent process or engagement process was also reviewed. This process was informed by the regulatory review to highlight special requirements pertaining to treatment of indigenous people, native rights, or cultural heritage rights.

Based on the above mentioned activities, a series of consultations with the potentially affected community and other relevant stakeholder to prepare an agreed framework for the FPIC process was undertaken. The main purpose of stakeholder consultations was to seek feedback on the triggers for FPIC, process, documentation, verification, role of external observers, and implementation. This is the framework that SFI will then roll out for future activities.

ERM also had brief interactions with two organisations based in Kota Kinabalu – LEAP and PACOS, both NGOs working in the community forestry field. The consultations primarily focussed on developments in Sabah state in terms of settlement of claims, the Forestry Department’s approach, and the emerging networking among NGOs to take up issues around people’s rights as well as environmental and social impacts. Such engagement with local NGO groups will be continued by SFI.

2.2.9

Task 9: Impact Assessment

The impact assessment followed from baseline data collection and stakeholder assessment. The impact assessment specifically focused on the following:

- Assessing the impacts of past activities; both positive and negative (employment impacts, loss of access to land/natural resources, livelihoods etc.) of SFI, as well as the adequacy of the existing impact mitigation strategies/measures, within the larger context of overall changes not directly attributable to SFI operations;
- Assessment of residual impacts/concerns and pending issues;
- Assessment of the degree to which the communities within the area of influence of the project understand and support the project;

Following from the identification of the impacts and review of the existing mitigation measures, to address the residual impacts, ERM has suggested additional mitigation measures to manage and address the identified impacts. The Social Management Plan includes the mitigation plan and provides an institutional and process framework to address impacts (those that are residual issues from the developed areas and may not have been recorded).

2.2.10 *Task 10: Reporting and Presentation of Findings*

This report presents a very detailed context of the area, constructs a baseline and sets out the concerns and expectations of key stakeholder groups before discussing retrospective impacts. This informs the assessment of gaps in mitigation measures deployed as also the assessment of residual impacts and their significance. As flagged earlier, due to the non-availability of recorded information for community-related operations during the Lion's group operations, some impacts that occurred and were dealt with are not available on record. Where such impacts may not have been adequately addressed but have become closed, over time, may have been missed. Where pending impacts have been carried through as legacy to the period of BILT's operations, they are referenced (or in the process of being referenced) in their issues register (detailed in *Annexure 5*)

2.3 *METHODOLOGY: PHASE II- FRAMEWORK FOR PROSPECTIVE SIAs/R&R/IPDP AND IMPACT MITIGATION*

Based on the findings of retrospective SIA and gap assessment of regulatory compliance and adherence to the applicable reference framework, ERM will outline a framework for SIA impact mitigation, applicable to new areas, or when significant changes are envisaged for already developed areas. This framework will have provisions to address, among others:

- Physical/economic displacement, if any;
- Livelihood restoration;
- Community engagement;
- Grievance redressal;
- Sensitive Cultural Resource Management;
- Indigenous People Development Plan, if required; and
- Training and capacity building of SFI staff

For this, the relevant team members will conduct another round of field work to flesh out the details and seek to include key stakeholder views, in terms of:

- The schedule of future opening of new areas;
- Additions to the baseline, as necessary;
- Issues and risks in any particular part of the concession that needs specific attention and measures;
- More consultations around new emerging areas not covered before; and

- Livelihood restoration programmes and CDP activities for the areas that SFI has not worked in before.

As specific timelines for opening new areas will not be firmed up at this stage, ERM will prepare frameworks that will articulate:

- The timelines for carrying out SIA and RAP including appropriate triggers viz. timelines for technical operations for opening new areas of the concession
- The process to be followed, at different stages along with checklists and guidance notes to support implementation (this will be facilitated by ERM, but led by the SFI team)
- Institutional arrangements (or additional capacities and profiles to what is already operational), to take on additional tasks
- Requisite checks and reviews and their schedule
- Applicable monitoring indicators

2.4

LIMITATIONS

The SIA was undertaken under very specific limitations applicable to the area and the period available for field work, discussed here, in addition to standard limitations applicable to similar studies.

- Time constraints: For various reasons, the SIA has to be undertaken within a very tight timeframe, which did not allow for as much consultation and stakeholder coverage as needed, to confirm and check findings. While ERM tried to address this issue by providing a large team of senior people supplemented by local support, this limitation remains. As discussed earlier in this chapter, this SIA was seen as an initiation of an engagement around project impacts and is expected to be continued in the next phase as well as by SFI, for the longer term. To address this, additional checks have been added to the proposed strategies and actions to make up for any issues or persons, or groups that may have been missed during consultations.
- The length of the survey had to be curtailed as the Harvest Festival, a major local event and public holiday, was around the corner and some representatives/government functionaries were on leave and could not be consulted;
- Though this is usually a dry period in Sabah, rain disrupted survey-work and rendered certain areas inaccessible to the survey teams. Health and safety considerations restricted movement of the team on those days.
- List of consolidated staked claims: An important consideration for the retrospective impact assessment, it was not available in a consolidated form for immediate use for field surveys and consultations. ERM therefore conducted the survey based on a loosely documented issue register maintained by SFI which had gaps and inadequacies; the intention however is to rectify this in the second phase, and supplement the survey, making necessary updates to the impact assessment, if required.

- Lack of relevant baseline: The retrospective SIA was conducted in absence of a credible baseline of the area prior to plantation activities in the concession. A usable baseline was only available for some areas since 2008 when BILT came on board and enlisted PACOS to undertake the baseline. Hence the older impacts have been assessed on anecdotal information and information picked up from the public domain.
- Boundary demarcation: As the boundary for the entire concession has not yet been completed demarcated, people staking claims did not have authentic maps with location coordinates to judge whether are located inside the concession or outside, especially in areas that SFI has already marked for excision, based on directions by the government. Without an accurate map available during the survey it was difficult for ERM to distinguish the credibility and location of the claim;
- Lack of sufficient prior information to the villages (at least a week's prior notice is usually expected), so the relevant persons could be available for discussions. The additional measure of revisiting some areas to close gaps is included, as part of the series of actions proposed for the next phase.

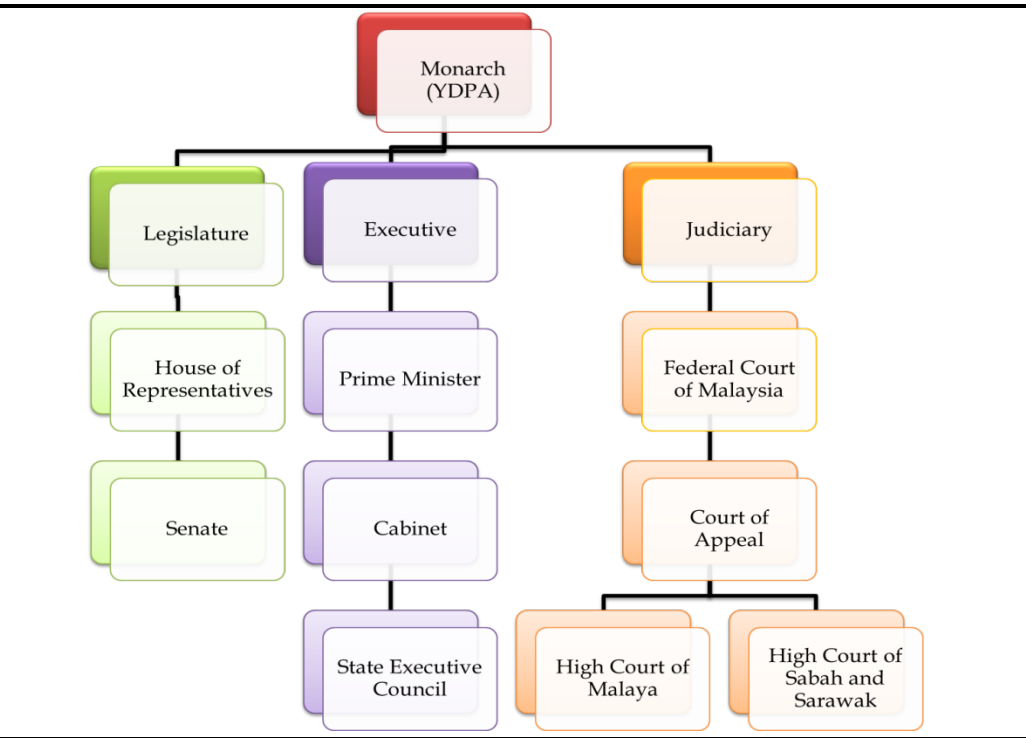
This assessment has been carried out based upon the information made available to the consultants by SFI and the community. Professional observations provided herein are based on the facts currently available within the limits of the scope of work, information provided by the client or its representative, prevailing secondary data, it is specifically ERM's intent that the conclusions and recommendations stated herein will be intended as guidance and not necessarily a firm course of action except where explicitly stated as such.

3.1 ADMINISTRATIVE STRUCTURE

Malaysia is a federation of thirteen states and two federal territories. The system of governance is federal democracy and monarchy, with the monarchy being a constitutional elective monarchy. The monarch or the Yang di-Pertuan Agong (YDPA) is elected for a five- year term from among the nine Sultans of the Malay states. Of the thirteen states in Malaysia, nine are ruled by monarchies while four are ruled by Governors. These are in turn led by a federal government, headed by a Prime Minister. While Malaysia as a country has its own federal constitution, each of the thirteen states is governed also by their state constitutions, with the federal constitution being the supreme law.

The federal government in the country is made up of the legislature, executive and the judiciary, with the monarch being the overall head of the government. Apart from this, there is also a Conference of Rulers (Durbar) that comprises the Sultans of nine states along with the four state Governors. The Conference of Rulers is the supreme institution in the country and deliberates on matters of national policy. The structure of the government is provided in the table below.

Figure 3.1 Administrative Structure of Malaysia



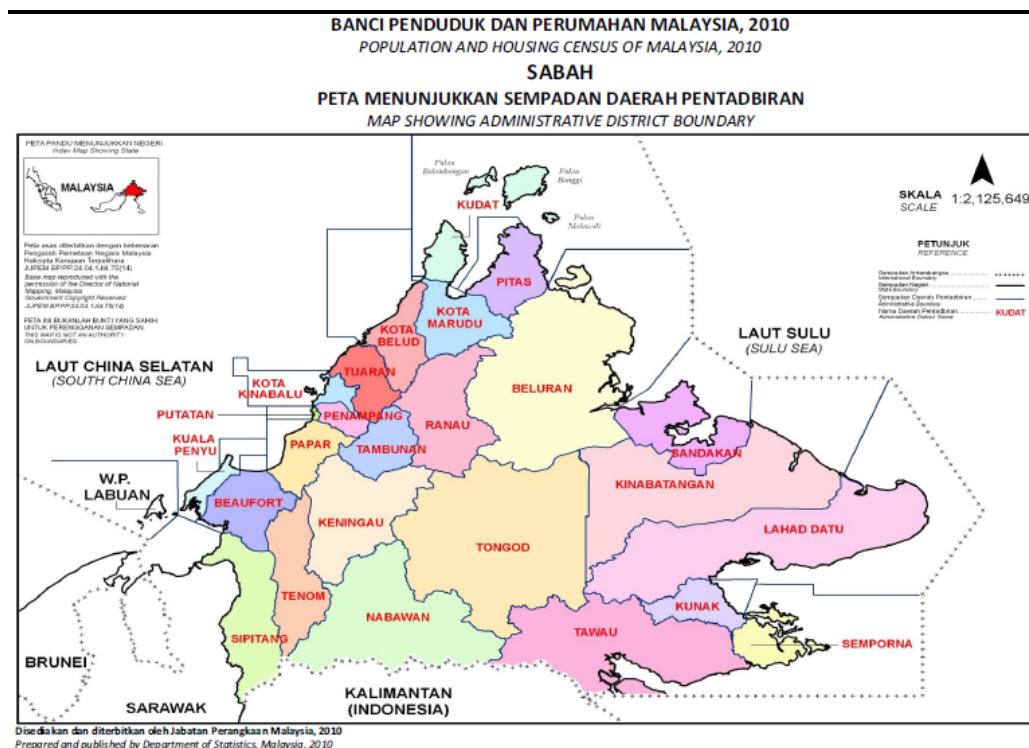
The executive power of the government is vested in the cabinet led by the Prime Minister. This branch of the government has the power to formulate policies pertaining to development of the country and other socio-economic aspects and generate revenue from taxes, fees, fines and duties. A similar

council is maintained at the individual state level, headed by the respective Chief Minister. ¹

3.2 ADMINISTRATIVE SYSTEM IN SABAH

The State of Sabah is a representative democracy with universal suffrage for citizens above 21 years of age. The state is comprised of five divisions, and 25 districts, as shown below.

Figure 3.2 The State of Sabah Map



Source: Department of Statistics, Malaysia

Table 3.1 Administrative Divisions in Sabah

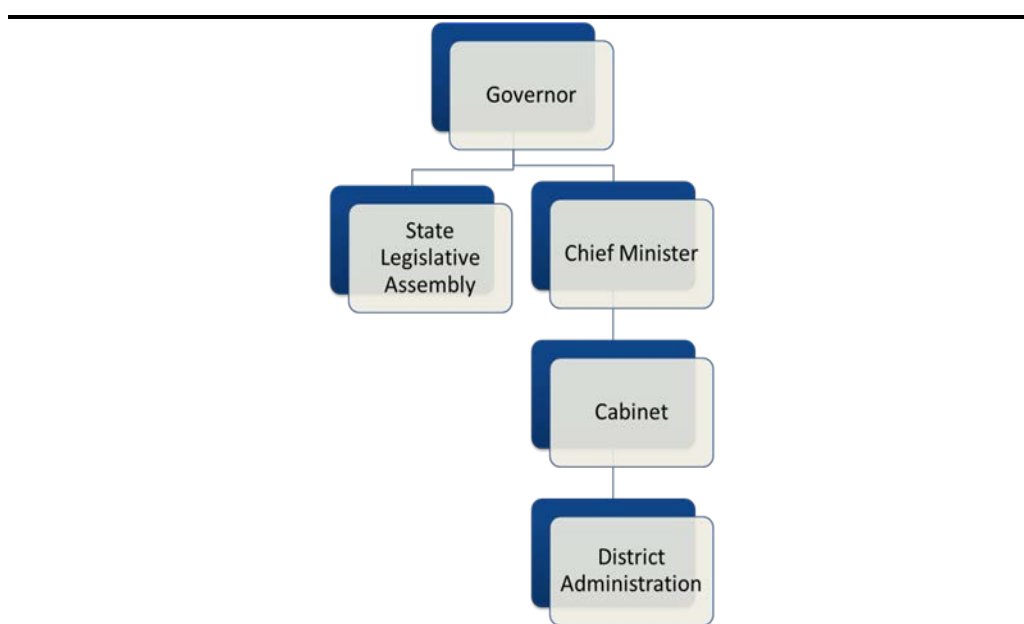
S. No	Division	District
1	West Coast Division	Kota Belud, Kota Kinabalu, Papar, Penampang, Putatan, Ranau, Tuaran
2	Interior Division	Beaufort, Nabawan, Keningau, Kuala Penyu, Sipitang, Tambunan, Tenom
3	Kudat Division	Kota Marudu, Kudat, Pitas
4	Sandakan Division	Beluran, Kinabatangan, Sandakan, Tongod
5	Tawau Division	Kunak, Lahad Datu, Semporna, Tawau

The state government is comprised of the executive and legislative branch, with a state assembly which is elected for a five year term. The Yang di-Pertua Negeri is the highest authority in the state, followed by the state legislative

¹Musse, A. S., 2012, Federal System of Malaysia. Retrieved from <http://www.slideshare.net/ahmedbarre31/federal-system-of-government-in-malaysia> on 01-06-2014

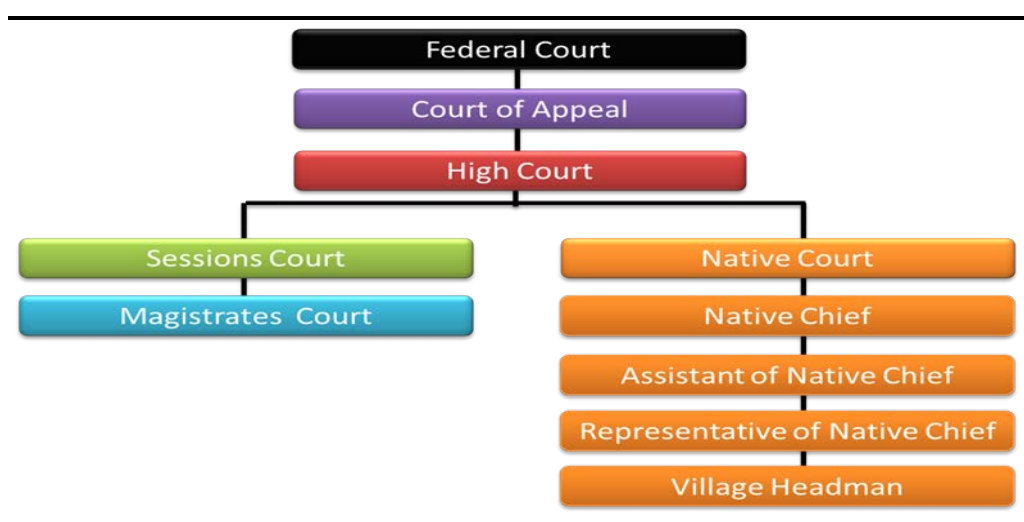
assembly and the state cabinet. The state cabinet is the highest executive body of the state and is headed by the Chief Minister appointed by the Head of State (Yang-Di-Pertua Negeri) and is comprised of the various ministries. The structure of the state government is as shown below.¹

Figure 3.3 *State Administration of Sabah*



The Judicial system in Sabah, in keeping with that of Malaysia, is heavily influenced by the British Common Law.

Figure 3.4 *Judicial Structure of Sabah*



The hierarchy of the courts begins from the Magistrates Court, Sessions Court, High Court, Court of Appeal and finally the Federal Court. The Constitution of Malaysia provides for two High Courts of coordinate jurisdiction, the High Court in Malaya and the High Court in Sabah and Sarawak. This creates two

¹<http://www.sabah.com.my/borneotrade/c2.htm>

separate local jurisdictions of the courts for the Peninsular Malaysia and East Malaysia. Apart from this system of civil justice, the state of Sabah also has a parallel system of native courts, which are involved in the cases involving in the indigenous community of the four main ethnic groups in the state, namely the Kedayan Brunei, Murut, Lundayeh and the Kadazan- dusun. The judicial structure in the state is as depicted below.

3.2.1 *Traditional System of Administration*

The village Headman is appointed for each Kampong and has the authority to receive complaints and identify suitable solutions/ penalizations for the offence at the village level. However, if the issue remains unresolved, the same is referred to the Representative of the Native Chief, who presides over a group of kampongs. Above the Representative of the Native Chief presides the Assistant of the Native Chief, which is one per ethnic group and presides over a cluster of kampongs. The Native Chief is appointed per district and is the supreme authority in the Native Courts. However, the judicial system allows for the cases to be referred to the High Court, if in case the involved parties are not satisfied with the verdict of the Native Court.

Native Courts can be established at places seen fit by the Yang di-Pertua Negeri, through a gazette notification. Native Courts consist of the District Chiefs as the presiding member and two other members who shall be Native Chiefs or Headmen resident within the territorial jurisdiction of such Native Courts

Also see *Annexure 8A* for more details on native courts and traditional systems.

3.3 *APPLICABLE REFERENCE FRAMEWORK*

This sub section provides a summary of the applicable reference framework for the project, which is discussed in detail in the following sub sections.

Table 3.2 *Summary of applicable reference framework*

Category	Applicable Rules	Summary
Land Acquisition and Conservation Rules and /Regulations	Land Ordinance 1975 (amended last in 2002)	The ordinance puts in place the provisions relating to the alienation and occupation of State lands, Country lands, Town lands and Native lands.
Rules and Regulations pertaining to Forest Resource Access and Management	Forest Enactment, 1968	It also sets out the regulations and procedures pertaining to land titling and payment of land revenues as well as penalties for breach of the provisions laid out under this ordinance. This is the principal forestry law in Sabah. It provides for the gazettement of forest reserves, their use and management as well as for control of cutting and removal of forest produce from 'State Land'. While the land Ordinance deals with the alienation of State land, removal (but not destruction) of forest produce on the alienated land

Category	Applicable Rules	Summary
	Forest Rules, 1969	is subject to the Forest Enactment. The Forest Rules outline the regulations and procedures with respect to controlling the dealings in forest produce in keeping with the forest enactment, 1968
	Sabah Biodiversity Enactment 2000	This enactment provides for the establishment of the Sabah Biodiversity Council for the purpose of biodiversity conservation and also the process for obtaining licenses for access to any biological resource
	Conservation of Environment Enactment 1996 and Conservation of Environment (Prescribed Activities) Order, 1999	This Enactment provides an understanding of the activities which require the approval of the Director and the manner in which the report for permission is to be prepared and the key aspects to be covered in the same.
	Safeguards for Indigenous/Native Population	The interpretation (Definition of Native) Ordinance Native Courts Enactment, 1992 The Ordinance provides the definition of a native and the provisioning of native rights to the same. This Enactment provides for the constitution of the Native Courts, their powers, jurisdiction and the ability to impose penalties and fines.
Cultural Heritage laws	State Cultural Heritage (Conservation) Enactment, 1997	This Enactment provides the rules and regulations for the conservation of cultural heritage
	Sabah Cultural Board Enactment, 1996	This Enactment provides for the establishment of a Sabah Cultural Board for the purpose of identifying objects as cultural heritages and dealing in the same
	Sabah Burials Ordinance, 1914	This Ordinance provides the procedure for the licensing requirements of burials or burning grounds. According to this Ordinance no place shall be used for the purpose of burials or burning of corpses without a license from the Yang di-Pertua Negeri.
	Antiquities and Treasure Trove Enactment, 1977	This enactment is aimed for provisioning for the preservation and control of ancient and historical monuments, archaeological sites and remains, antiquities and other cultural properties of national interest. According to this act, a Museum Committee shall be established, for the purpose of determining the status of any object as an antiquity
Labour Laws	Sabah Labour Ordinance 1950	This Ordinance puts in place the provisions for employees and contractual workers, including the terms of service, working hours, over time, child labour, contractual agreements etc.
	Employment Act 1955	The Employment Act, 1955 provides the minimum terms and conditions and outlines the statutory requirements on payment of wages, employment of women, hours of work, overtime, annual leave, sick leave, public holidays etc.
	Immigration Act 1963	This Act puts in place the legal requirements to be met while engaging migrant workers for a project
	Industrial Relations Act, 1967 Factories and	Provides ways for settlement of trade disputes between employers and employees The Act puts in place the approvals and permissions

Category	Applicable Rules	Summary
Programme Requirements	Machinery Act 1976	required to utilize a premises as a factory
	Employment (Termination and Lay-off Benefits) Regulations, 1980	These Regulations provide the benefits and compensations to be paid to an employee in case of a termination of contract or a lay-off
	Workers Minimum Standard of Housing and Amenities Bill (1990)	This bill provides the good practice guidelines on workers' accommodation pertaining to structure, water and electricity, recreational facilities, allotment of land, transport and healthcare facilities;
	Occupational Safety and Health Act 1994	This Act puts in place the permissions, legal requirements for operating certain machinery and equipment and having in place a health and safety policy
	Minimum Wage Order, 2012	Provides for a revision of the minimum wage to RM 800 per month, applicable from 1 st January 2013
	IFC PS 1: Social and Environmental Assessment and Management Systems	This PS puts in place the requirement of a Social and Environmental Assessment and Management Systems for managing social and environmental performance throughout the life cycle of the Project and runs through all subsequent PSs.
	IFC PS 2: Labour and Working Conditions	This PS outlines the minimum requirements of working conditions, protection to the workforce (including issues of child and forced labour) and ensuring occupational health and safety of both its 'employees' as well as 'non-employees' working through contractors.
	IFC PS 3: Resource Efficiency and Pollution Prevention	PS 3 outlines the approach to pollution prevention and abatement in line with internationally disseminated technologies and practices
	IFC PS 4: Community Health, Safety & Security	PS 4 require a project to evaluate risks and impacts to the health and safety of the affected community during the Project life cycle and establish measures to avoid minimize and reduce risks and impacts from the Project.
	IFC PS 5: Land Acquisition and Involuntary Resettlement	This PS applies to physical or economic displacement resulting from the following types of land transactions: Type I: Land rights for a private sector project acquired through expropriation or other compulsory procedures; Type II: Land rights for a private sector project acquired through negotiated settlements with property owners or those with legal rights to land, including customary or traditional rights recognised or recognisable under the laws of the country, if expropriation or other compulsory process would have resulted upon the failure of negotiation; and
	IFC PS 6: Biodiversity Conservation and Sustainable Management of Natural Living Resources	PS 6 aims at protecting and conserving biodiversity, the variety of life in all its forms, including genetic, species and ecosystem diversity and its ability to change and evolve, is fundamental to sustainable development.
	IFC PS 7: Indigenous Peoples	PS 7 acknowledges the possibility of vulnerability of indigenous people owing to their culture, beliefs,

Category	Applicable Rules	Summary
		institutions and living standards, and that it may further get compromised by one or other project activity throughout the life cycle of the project.
	IFC PS 8: Cultural Heritage	PS 8 aims to protect the irreplaceable cultural heritage and to guide clients on protecting cultural heritage in the course of their business operations. In addition, the requirements of this PS on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.
	United Nations Declaration on the Rights of Indigenous Peoples (2007)	The United Nations Declaration on the Rights of Indigenous Peoples, affirms that the indigenous peoples are equal to all other peoples, while recognizing the right of all peoples to be different, to consider themselves different and to be respected as such. The declaration, while acknowledging the historic injustices suffered by such people due to their colonization and dispossession of their lands and resources, recognizes the need to respect and promote the inherent rights of the indigenous peoples. The declaration puts in place 46 Articles, acknowledging the rights of the indigenous people
	ILO Conventions	Malaysia has ratified 16 ILO Conventions of which 15 are in force. Of the ILO's 8 fundamental conventions, the Government denounced C. 105 (Abolition of Forced Labour) and has ratified all but C. 87 (Freedom of Association). These ratifications are applicable for Peninsular Malaysia, Sarawak and Sabah.
		Internally within Malaysia, the national state of Sabah also has four other technical conventions in force that include 086 (Contracts of Employment for Indigenous Workers) and C097 (Migration for Employment Convention).

A detailed understanding of these rules and regulations is provided in the following sub sections.

3.4

LAND ACQUISITION AND CONSERVATION RULES AND REGULATIONS

Land matters in Sabah are controlled by the state government, and claims to landownership have to be approved and registered by the state. The land laws in Sabah are the legacy of laws introduced during the United Kingdom colonial administration, which assumed custody of all land not owned or not continually cultivated by communities. Sabah's Land Ordinance provides some protection for indigenous customary rights, stipulating strict conditions that must be met in order to claim customary land. Property rights fall into three categories: state property rights, which cover forest reserves; private property rights, which cover land that has been alienated by the state for development, as well as individual indigenous titles; and communal property rights, which cover indigenous reserves and the communal titles to customary land that communities apply for

3.4.1

Land Ordinance 1975 (amended last in 2002)

The Sabah Land Ordinance states the provisions related to alienation and occupation of State Lands, Country Lands, Town Lands and Native Lands. It also sets out the regulations and procedures pertaining to land titling and payment of land revenues as well as penalties for breach of the provisions laid out under this ordinance.

The key authorities that are responsible for enforcing the provision under this Ordinance along with their responsibilities are listed in the table below.

Table 3.3 *Key Regulatory Authorities and their Responsibilities*

Authority	Responsibility/Function
Collector	The Collector stands for the Collector of land revenue in Sabah. The key responsibilities of the collector include overseeing of the land transactions in the state and ensuring that they are undertaken as per the provision of the ordinance. He has the power to award customary land rights, provide licenses (such as temporary land occupation license), oversee the protection of reserved rights of the Government and ensure collection of land revenue. All notices pertaining to change/transfer of land titles have to be sent to the Collector.
Director of Land and Survey	The Director of Lands and Surveys is responsible for overseeing the alienation of State Land, extension of renewal of temporary occupation license, authorizing the extract, removal or transport of materials from a river/sea, deciding the compensation to be paid in lieu of rights that are held by the Government, approval of alienation of country lands, providing native land in excess of twenty-hectares etc. He has the power to perform the functions of the Collector under this Ordinance if required.
Registrar of Titles	The registrar is responsible for maintaining the documentation pertaining to land titles and the associated records.
Minister	This refers to the Minister of State who has the power to make decisions under the ordinance that are related to (but not limited to), declaration of town land, land dealing between non-natives and natives, grant licenses with respect to mineral prospecting, appoint officers under the Ordinance etc.

Provisions Pertaining to Town Lands and Country Lands

State Land in Sabah is classified as Town and Country Land. Under the ordinance, Town Land refers to all the land included within the boundaries of a town and Country Land refers to all the land that falls outside the boundary of the town land. Applications for State Land need to be made to the Director, or to the Collector in the form of Schedule III.

The town and country lands can be leased for a period of ninety-nine years. Town lands can be alienated (alienation under the Ordinance refers to leasing or disposal of State Land on behalf of the Government in consideration of the payment of rent and/or premium) only through an auction while Country lands can be alienated on lease terms that need approval by the Director.

In case of Country lands, an additional premium may need to be paid based on the location and quality of the land or the value of the timber thereon, which needs to be paid prior to issue of the land title. Country lands can only be leased for agricultural purposes and only a dwelling structure is allowed to be constructed on the same.

Provision Pertaining to Native Lands

The State Ordinance provides some level of protection to customary land tenure and rights. *Customary Rights* under the Ordinance are decided by the Collector. The native customary rights include:

- land possessed by customary tenure;
- land planted with fruit trees, when the number of fruit trees amounts to fifty and upwards to each hectare;
- isolated fruit trees, and sago, rattan, or other plants of economic value, that the applicant can prove to the satisfaction of the Collector were planted or up kept and regularly enjoyed by him as his personal property;
- grazing land that the applicant agrees to keep stocked with a sufficient number of cattle or horses to keep down the undergrowth;
- land that has been cultivated or built on within three years consecutively;
- burial grounds or shrines;
- usual rights of way for people or animals from rivers, roads, or houses to any or all of the above.

These native customary rights once established, are either compensated for in monetary terms (after which the applicant has to surrender the parcel of land), or the land is granted to the applicant (in which case a land title is issued).

Customary Tenure refers to the lawful possession of land by natives either by continuous occupation or cultivation for three or more consecutive years or by title under the Land Ordinance, 1913. Customary tenure confers upon the holder thereunder a permanent heritable and transferable right of use and occupancy in his land subject only.

A documentary title of such customary land rights is maintained in a Register of Native Titles, kept in each district in the form of Schedule X. For all the Titles entered in the Native Title Register a certified copy of the entry in the Native Title Register may be issued to the owner ⁽¹⁾ and shall be signed by the Collector and shall have marked thereon a plan of the land to which it refers.

A communal land title is sanctioned by the Minister for land used communally. In case the communal land is subdivided, native titles are awarded to each owner.

(1) owner¹ means the individual person, incorporated company, or body corporate, for the time being registered as the lessee of State land or as the holder of land comprised in an entry in the Native Title Register, and includes a legally appointed trustee, executor, administrator, liquidator or Official Receiver

While the Ordinance forbids any land dealings between non-natives of Sabah and the natives (unless a written permission for the same is obtained from the minister) upfront, they may be allowed in the following cases:

- If the dealing has been concluded before 16th January 1883;
- If the non-native intends to purchase land from a native: in this case the non-native is required to make an application to the Secretary of Natural Resources. Thereafter approval of the Secretary and consent of the native owner is required and a memorandum of surrender of title is executed by the native owner. A rent/premium at which the land is to be leased by the government is then fixed and a new lease with the non-native is made.

The Ordinance neither explicitly outlines the compensation amount to be paid in such a case nor compensation for any economic displacement.

Native land can only be alienated up to twenty hectares per parcel. Alienation of a parcel of land exceeding twenty-hectares can only be undertaken by the Director with the consent of Secretary of Natural Resources with specific conditions as he may think fit. No land that falls under a Native Land Reserve can be alienated.

Native land that is alienated will be free of rent for the first six years and thereafter will be liable to an annual rent payable on 1st January each year.

Owners of Native land can grant a sublease of such land to a non-native for a term not exceeding thirty years.

Provisions related to Abandoned Land

If a land remains vacant and appears to have been abandoned for three years or more, the Collector may issue a notice in the form of Schedule V stating that if the cultivation (under the Ordinance, cultivation refers to use and maintenance of the land for the purpose for which it was leased) or occupation of such land or such portion thereof is not resumed within six months, he will re-enter upon the land (i.e. take over the land) on behalf of the Government.

In the absence of special conditions:

- agricultural land shall be deemed to have been abandoned if not kept under cultivation to the extent of one third of its area by the owner or by any person on his behalf,
- residential or shop lots shall be deemed to have been abandoned if the buildings thereon shall have been demolished or not maintained for the period prescribed in a habitable or usable state of repair.

If an owner remains absent from the state for a period of ten years without appointing an Attorney or a resident agent, the land shall be re-enter upon by the Collector on behalf of the government.

Rights and Obligations of Title Holders

The Land Titles conferred under this ordinance provide surface rights only. The grant of title does not vest any right with the title-holder to extract, remove or transport within or beyond the boundaries of the said land, without license, any timber or other forest produce or any earth, gravel, stones, coral, shell, guano, sand, loam or clay, or any bricks, lime, cement or other commodities manufactured from the materials aforesaid.

Implied Conditions in the Land Titles

The owner of alienated land cannot commence any development on the land which shall change the use of the land except with the permission of the Minister.

Provisions Pertaining to Land Records

All land titles have to be registered with the Registrar. Notice of change relating to land (including transfer of land titles) needs to be provided to the collector. All mutation records are to be registered by the Collector.

A duly attested memorandum of dealings will be provided to the Registrar for each land dealing undertaken. The original copy of such memorandum will need to be filed in the Land Office in which the registration takes place. Additionally the Registrar will maintain a register of Memorials which will contain a short description of every memorandum registered.

When any land or interest therein is intended to be transferred or charged or sub-leased, the parties shall execute a memorandum substantially in one of the forms in Schedule XIII, XIV, XV, or XVI, with such variations as the Registrar may permit

A part of an undivided land can only be transferred if the land under consideration is divided and a registered title for each sub-division is obtained.

When any title is surrendered for cancellation, exchange or sub-division, the owner shall execute a memorandum substantially in the form of Schedule XVIII.

Additional Provision

The boundaries and demarcations of the plot need to be maintained by the owner at all times.

In case of an unlawful occupation, the Magistrate may issue a warrant against the unlawful occupant and take possession of the land together with all the

crops, buildings and immovable property on that land parcel on behalf of the Government.

3.5 *SAFEGUARDS FOR INDIGENOUS/NATIVE POPULATION*

3.5.1 *The interpretation (Definition of Native) Ordinance*

The interpretation (Definition of Native) Ordinance defines a native as either: a- any person both of whose parents are or were members of a people indigenous to the Colony; or b-any person ordinarily resident in the Colony and being and living as a member of a native community, one at least of whose parents or ancestors is or was a native within the meaning of paragraph (a) hereof; or c-any person who is ordinarily resident in the Colony, is a member of the Suluk, Kagayan, Simonol, Sibutu or Ubian people or of a people indigenous to the Colony of Sarawak or the State of Brunei, has lived as and been a member of a native community for a continuous period of 3 years preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the Colony is not limited under any of the provisions of the immigration ordinance, d- any person who is ordinarily resident in colony, is a member of a people indigenous to Indonesia or Sulu group of islands in the Philippines or the Federation of Malaya or the Colony of Singapore, has lived as and been a member of a native community for a continuous period of five years immediately preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the colony is not limited under any of the provisions of the immigration ordinance.

No claim by any person to be a native by virtue of the provisions of paragraphs (b), (c), or (d) hereof shall be recognised as valid unless supported by an appropriate declaration made by a native court under Section-3. The rights which result from a long series of habitual or customary actions, constantly repeated, which have, by such repetition and by uninterrupted acquiescence, acquired force of a law within a geographical or sociological unit.

3.5.2 *Native Courts Enactment, 1992 & Natives Courts (Native Customary Laws) Rules 1995*

This Enactment provides for the constitution of the Native Courts. The native Court Enactment 1992 requires that the Native court must be composed of two or more members and where the suit arises from the breach of native law or custom, at least one member of the court must belong to the race whose law or custom is alleged to have been broken.

According to the enactment, native courts have original jurisdiction over the following cases:

- Cases arising from breach of native law or custom in which all the parties are natives;

- Cases arising from breach of native law or custom, religious, matrimonial or sexual, if the written sanction of the District Officer acting on the advice of two Native Chiefs has been obtained to the institution of the proceedings where one party is a non-native,
- Cases involving native law or custom relating to:
 - o Betrothal, marriage, divorce, nullity of marriage and judicial separation;
 - o Adoption, guardianship or custody of infants, maintenance of dependants and legitimacy;
 - o Gifts or succession testate or interstate; and
- Other cases if jurisdiction is conferred upon it by this Enactment or any other written law.

According to the enactment, the native courts shall have no jurisdiction in matters within the jurisdiction of the Syariah Courts and Civil Courts. The native court judgement shall be unanimous or that of the majority of its members. The proceedings of the native court shall be undertaken in an open court unless specifically directed otherwise.

The native court has powers of a magistrate's court to summon and hear witnesses except that a warrant of arrest issued by a Native court must be endorsed by a Magistrate before execution. No advocate can appear in native's court. The penalties which the court orders to be paid in any suit may be in cash or in kind and deferred payment is provided for. Any part of the penalty imposed may be used to pay compensation to the person injured if the latter agrees not to maintain a separate suit for recovery of damages.

Inherent jurisdiction of the Court.

According to this law, the Native Courts are provided by the inherent authority to make any order as may be necessary to prevent injustice or to prevent an abuse of the process of the Court in any case involving native customary laws not expressly covered by these Rules, but which is otherwise recognized under the native customary laws of the native community in the district in which the Court is established. The enactment puts in place the provisions as given in the table below.

Table 3.4 *Provisions under the Native Courts Enactment*

Offence	Detail of Offence	Compensation Option 1	Compensation Option 2
Digging of grave	According to the law, the digging of a grave by any person who, without reasonable excuse or without the permission of the family or next of kin of any deceased person, is a breach of native customary law	- to pay to the aggrieved party sogit of 1 head of livestock or other things of equivalent value in accordance with adat fine; and - to pay the cost of repair and expenses actually incurred by the family or next of kin of the deceased in restoring the grave;	- to a fine exceeding 300 ringgit; or - to an imprisonment for a term not exceeding 1 month; or - to both fine and imprisonment.
Damage to grave	According to the Act, any person who does any act or omits to do an act which damages or which is likely to result in damage to any grave as a result of such act or omission commits a breach of native customary law	to pay to the aggrieved party sogit of 1 head of livestock or other things of equivalent value in accordance with adat fine; and to pay the cost of repair and expenses actually incurred by the family or next of kin of the deceased in restoring the grave;	- to a fine not exceeding 1000 ringgit; or - to an imprisonment for a term not exceeding 3 months; or - to both fine and imprisonment.
Disturbance to tombstone	According to the law, any removal, alteration, defacement or cutting of any tombstone or any part thereof including any epitaph or inscription by an individual is a breach native customary law	- to pay to the aggrieved party sogit of 1 head of livestock or other things of equivalent value in accordance with adat fine; and - to pay the cost of repair and expenses actually incurred by the family or next of kin of the deceased in restoring the grave;	- to a fine not exceeding 300 ringgit; or - to an imprisonment for a term not exceeding 1 month; or - to both fine and imprisonment.
Disruption of obsequies or requiem	According to the law, any act or behaviour which disrupts or causes to be disrupted any obsequies or requiem or other similar rites is seen as a breach of native customary law	- to pay to the aggrieved party sogit of 1 head of livestock or other things of equivalent value in accordance with adat fine; and - if the Court deems appropriate, to pay for the cost of repairing or replacing any damaged chattel, if any	- to a fine not exceeding 1000 ringgit; or - to an imprisonment for a term not exceeding 1 month; or - to both fine and imprisonment.
Adulteration of water sources	According to the law, any person who, wilfully or knowingly, adulterates, contaminates, pollutes or fouls the water of any communal spring, village reservoir or river thereby rendering it less fit for the purpose for which it is ordinarily used is seen to commit a breach of native customary law	to pay sogit of 1 head of livestock or other things of equivalent value in accordance with adat fine	- to a fine not exceeding 500 ringgit; or - to an imprisonment for a term not exceeding 1 month; or - to both fine and imprisonment

Offence	Detail of Offence	Compensation Option 1	Compensation Option 2
Fence	According to the aw, any removal, alteration, defacement or cutting or any fence or any part thereof on any land belonging to or in the lawful occupation of another without reasonable excuse is a breach of native customary law.	• to pay to the aggrieved party sogit of 1 fowl or other things of equipment value in accordance with adat fine; and • to repair the fence; or • to pay for the cost of repairing such fence;	• to a fine not exceeding 500 ringgit; or • to an imprisonment for a term not exceeding 2 weeks; or • to both fine and imprisonment.
Felling tree	According to this law, any cutting, felling, removal or collection of any tree or part of tree belonging to or in the lawful occupation of another without reasonable excuse is a breach of native customary law	• to pay to the aggrieved party sogit not exceeding 3 fowls or other things of equivalent value in accordance with adat fine	• to a fine not exceeding 300 ringgit; or • to an imprisonment for a term not exceeding 1 week; or • to both fine and imprisonment

State Cultural Heritage (Conservation) Enactment, 1997

This Enactment puts in the rules and regulations pertaining to the conservation of cultural heritage, defined as including any antiquity, historical object, historical site, site, area (whether on land or in the sea), fabric, building, structure, ethnographic matter, work of art, manuscript, coin, currency note, medal, badge, insignia, crest, flag, armour, vehicle, ship and tree, which has a significant and special architectural, aesthetic, historical, cultural, scientific, economic, environmental or any other interest or value and has been declared to be subject to preservation or conservation.

The act defines a historical object as any artefact or other object to which religious, traditional, artistic or historic interest is attached and includes any

- ethnographic material such as a household or agricultural implement, decorative article, personal ornament;
- work of art such as a carving, sculpture, painting, architecture, textile, musical instrument, weapon and any other handicraft;
- manuscript, coin, currency note, medal, badge, insignia, coat of arms, crest, flag, arms and armour; and
- vehicle, ship and boat, in part or in whole, whose production has been ceased;

According to the Act, the power to make regulations specifically or generally for the purpose of maintenance, preservation or conservation and enhancement of any cultural heritage or conservation area and for the implementation of the provisions of this Enactment lies with the Yang di-Pertua Negeri. These rules may include laws pertaining to:

- to prescribe criteria for any cultural heritage to be declared subject to preservation or conservation;
- to prescribe conditions to be observed by the planning authority in granting planning permission;
- to regulate or prohibit the activities in any conservation area;
- to prescribe conditions and procedure of application for any work or repair in respect of any cultural heritage or conservation area;
- to prescribe offences and penalties for offences not exceeding fifty thousand ringgit or to a term of imprisonment not exceeding five years or to both;
- to provide for such other measures as are necessary or of expedient nature to ensure the maintenance, preservation or conservation and enhancement of any cultural heritage or conservation area;
- to promote, regulate and carry out exhibition or publication in respect of any cultural heritage or conservation area;
- to prescribe conditions and restrictions including the amount of fees chargeable to members of the public for access to any the cultural heritage or conservation area; and

- to prescribe fees or regulate any other matters required to be prescribed under this Enactment.

3.6.2 *Sabah Cultural Board Enactment, 1996*

This enactment is aimed at putting down the rules and requirements for the establishment of a Sabah Cultural Board and its powers, roles and responsibilities. According to this act, the Sabah Cultural Board is a corporate body which has the power to purchase, acquire, hold and exchange or alienate or deal with any movable or immovable property as required for the fulfilment of its functions.

The board shall comprise of a Chairman, Deputy Chairman, Permanent Secretary of the State Ministry of Finance, representative of the Federal Ministry charged with the responsibility of culture, Permanent Secretary of the State Ministry, representative of the Federal Ministry charged with the responsibility of education and a general manager.

The functions of the board are as follows:

- To organize, arrange and coordinate trainings, seminars, workshops, forums, courses, lectures, culture researches or any other activities for the development of culture;
- To conserve and preserve culture including giving advice, provide consultations or expertise to cultural bodies;
- To assist in and encourage the development of local ethnic handicrafts
- To establish, maintain, coordinate and promote cultural centres within or outside Sabah;
- To establish a working relationship with any cultural body relating to culture within or outside Sabah; and
- To do all such matters as may be incidental to consequential upon the discharge of its functions

3.6.3 *Sabah Burials Ordinance 1914*

This Ordinance provides the procedure for the licensing requirements of burials or burning grounds. According to this Ordinance no place shall be used for the purpose of burials or burning of corpses without a license from the Yang di-Pertua Negeri. The license is to be obtained by applying to the Director of Lands and Surveys.

In keeping with this Ordinance, old native graves on State land or on land held under customary tenure do not require licenses. However these graves should be properly fenced, and the enclosure must be kept clean of weeds and undergrowth which may cause health problems to the neighbouring cultivations.

3.6.4

Antiquities and Treasure Trove Enactment, 1977

This enactment is aimed for provisioning for the preservation and control of ancient and historical monuments, archaeological sites and remains, antiquities and other cultural properties of national interest.

According to this act, a Museum Committee shall be established, for the purpose of determining the status of any object as an antiquity, the decision of the committee in this regard is to be final. This committee shall be comprised of a Permanent Secretary to the Ministry, the Director, and four members.

In keeping with this enactment, the following actions are prohibited, unless by order of the Director:

- Digging, excavating, building or planting trees, quarries, irrigating, burning of lime, establishing or extending of a cemetery, depositing earth or refusing on or in the immediate neighbourhood of an ancient monument or a historical site;
- Demolishing an ancient monument with the aim of disturbing, obstructing, modifying, marking, pulling down or removing any monument or its part;
- Erecting buildings or walls which abut on an ancient monument;
- Damaging, destroying, or interfering with any object, material or thing in a historical site,
- Disposing of or removing any object, material or thing from a historical site; or
- Carrying out any other activities in a historical site.

3.7

RULES AND REGULATIONS PERTAINING TO FOREST RESOURCE ACCESS AND MANAGEMENT

3.7.1

Forest Enactment, 1968

The principal forestry law in Sabah is the Forest Enactment, 1968. The forest Enactment provides for the gazettment of forest reserves, their use and management as well as for control of cutting and removal of forest produce from 'State Land'. While the land Ordinance deals with the alienation of State land, removal (but not destruction) of forest produce on the alienated land is subject to the Forest Enactment.

The Forest Enactment, 1968 also has provision for forest management. These are in the form of authorizations, fees and exemptions to regulate or prohibit the extraction of forest produce. In addition to forest utilization subject to specific authorization, the Forest Enactment provides for the preservation of native forest uses.

The key authorities that are responsible for enforcing the provisions of the Forest Enactment are as follows:

Table 3.5 **Key Authorities under the Forest Enactment, 1968**

Authority	Responsibility/Function
Director	This refers to the Director of Forestry. He is directly responsible for the administration of the forests of the State and superintends all the matters within the provisions of the Enactment.
Collector	The Collector refers to the Collector appointed under the Sabah Land Ordinance.
Minister	This refers to the Minister responsible for matters relating to natural resources. The Minister has the power to make rules, appoint officers and give directions on matters related to forest reserves, licensing etc.

Provisions related to Constitution of Forest Reserves

Any State land, other than the land reserved for public or special purpose by any written law, may be converted to a Forest Reserve under any of the following Classes:

- Class I - Protection Forest - Maintenance of forest essential on climatic or physical grounds;
- Class II - Commercial Forest - For supply of timber and other produce to meet the general demands of trade;
- Class III - Domestic Forest - For supply of timber and other produce for local consumption;
- Class IV - Amenity Forest - For local amenity and aboretum work;
- Class V - Mangrove Forest - For supply of mangrove timber or other produce to meet the general demands of trade;
- Class VI - Virgin Jungle Reserve - For forest research purpose; and
- Class VII - Wildlife Reserve - For protection of wildlife

Provisions related to Prohibition of Certain Activities in Proposed Forest Reserves

The following activities are prohibited in Forest Reserves between the publication of a notice of intention to declare the area as a forest reserve and the terminal date in respect of the proposal:

- no new title shall be issued without the specific approval of the Minister over any of the land specified in such notice;
- no new right or privilege shall be acquired or exercised in or over any such land;
- no new building shall be erected or plantation formed on any such land;
- no fresh clearing for cultivation or for any other purpose shall be made on any such land;
- no tree shall be cut on, or forest produce taken from, such land for any purpose whether under the authority of any licence or permit or otherwise;

- Provided that the Director may, in his absolute discretion, authorise in writing the doing of any act which would otherwise be prohibited by points (b) to (e) of this subsection.

Acquisition of Rights in a Forest Reserve

Any right in a Forest Reserve can only be acquired through a license agreement entered into by the Minister with approval of the Cabinet. The license may provide for the planting of forest or timber trees upon such terms and conditions charted out in the agreement.

No license can be issued in Forest Reserves of Class I- Protection Forest, Class VI- Virgin Jungle Reserve, and Class VII- Wildlife Reserve.

No admitted right or conceded privilege in respect of a Forest Reserve can be transferred by way of grant, sale, lease, charge or other manner, except succession on death, without the written consent of the Minister.

The license may allow for undertaking any/all of the acts prohibited in Forest Reserve which include:

- girdle, mark, lop, tap or injure by fire or otherwise any forest produce;
- negligently causes any damage in felling any tree or in cutting, extracting or removing any forest produce;
- kindles or causes to be kindled or carries any fire, or throws down any lighted match or other lighted material,
- erect or constructs any building or livestock enclosure;
- pastures livestock or causes or permits any livestock to be;
- cultivates any land or clears or digs up any land for cultivation or for any other purpose,
- enters any part of a Forest Reserve which has been closed by or under the rules;
- damages, alters, shifts, removes, or interferes in any way whatsoever with, any fence or notice board in a Forest Reserve;
- girdle, mark, lop, tap or injure by fire, or otherwise any forest produce on any State land; or
- remove any forest produce found on any alienated land beyond the boundaries of that land.

In the absence of a license, these acts are punishable offences. A license is valid as per the terms of agreement and may be renewed twice for a period not exceeding one year. This renewal will be authorized by the Director. Overall, the license will not be valid for a period exceeding five years.

For State Land- a Temporary Occupation License by the Collector under the Sabah Land Ordinance will need to be obtained before a license under Forest Enactment can be obtained.

Provision Related to Recognition of Native Forest Rights

The provisions related to cutting or removal of forest produce will not prohibit the cutting and removal from State land (which is not for the time being in the lawful occupation of some person or, with the permission of the owner thereof, from alienated land) by any native of any timber or other forest produce which may be necessary for the following purposes-

- for the construction or repair of a dwelling-house for the abode of himself and his family;
- for the construction of fences and temporary huts on any land lawfully occupied by him;
- for the construction or repair of native boats;
- for the upkeep of his fishing stakes and landing places;
- for fire-wood to be consumed for his domestic purposes; or
- for the construction and upkeep of clinics, schools, community halls, places of worship, bridges and any work for the common benefit of the native inhabitants of his Kampong.

3.7.2

Forest Rules, 1969

The Forest Rules outline the regulations and procedures with respect to controlling the dealings in forest produce. The authorities responsible for enforcement of these rules are the same as those for Forest Enactment, 1968.

Rules Related to Taking of Forest Produce

- **License:** The license to be obtained under Forest Enactment, 1968 will be in Form I, Form IIA or Form IIB as set out in Schedule III. A bank guarantee will need to be provided prior to securing the license to ensure the fulfilment of the terms of the license as the District Forest Officer may require. This guarantee will not exceed the estimated royalty if any and fees for three months. Licenses to cut or collect and remove any class of forest produce may not be issued over any area of State land over which a license for the same class of produce is in force.
- **Provision of Certificate of Identity:** The District Forest Officer may require of any licensee, that workers of any particular class or working in any particular area will be provided with a certificate of identity as such signed by the licensee and countersigned by a forest officer in Form III and thereafter the licensee shall be held responsible for the acts of such workers. Such a certificate will lapse after six months from the date of issue of such certificate. A working board containing a full and complete list of all persons so employed or engaged will need to be exhibited in a conspicuous place in the main entrance to the house or work shed of persons living or working together in any occupation having for its object the cutting or removal of forest produce under a license agreement.

Rules Related to Natives' use of Forest Produce and Shifting Cultivation

Forest produce may be taken free by any native for his own use, provided that, except with a free pass issued by the District Forest Officer, such produce may not be taken in a district outside that in which the native ordinarily resides.

Natives whose ancestors have been, and who themselves are dependent on shifting cultivation in Sabah for subsistence, may without license fell, burn or clear for the purpose of shifting cultivation forest of secondary growth on any State land which is not the subject of a license under Forest Enactment, 1968.

3.7.3 *Sabah Biodiversity Enactment 2000*

This enactment provides for the establishment of the Sabah Biodiversity Council for the purpose of biodiversity conservation. The powers of the council according to this act are as follows:

- To approve and issue access licence which shall be prescribed by the council;
- To regulate the access to the biological resources of the State including the removal of any biodiversity from the State;
- To regulate the access to the biological resources of the State including the removal of any biodiversity from the State;
- To manage the Biodiversity Centre or to appoint any person or body to manage the same on its behalf;
- To receive donations, grants, gifts of movable or immovable property from any source or to raise funds by any lawful means; and
- Any other powers as may be assigned to the Council by the Minister.

According to this enactment, any individual who intends to obtain access to any biological resources shall apply in writing to the Council for an access licence. The application is to be submitted to the Council along with an application fee, and shall consist of the following:

- Identity of the Individual and documents which testify to his legal capacity to contract,
- The details of the proposed access activity, including the resource to be sought, its intended uses, the purpose for which access is requested, time when the activity is to be carried out, the precise sites where the activity is to be undertaken etc.

3.7.4 *Conservation of Environment Enactment 1996 and Conservation of Environment (Prescribed Activities) Order, 1999*

This enactment and order are aimed at regulating the activities as specified below:

Table 3.6 *Prescribed activities under the Enactment*

S. No	Category	Activities
1	Agricultural Development	• Conversion of the following into agricultural estates or plantations (500 ha or more): - o Secondary or primary forests - o Land involving resettlement of 100 or more families - o Requiring modification of land • Conversion of mangrove swamps and other wetland areas into agricultural estates of 50 ha or more • Development of agricultural areas adjacent to conservation areas, national parks or sanctuaries
2	Forestry	• Extraction or felling of timber over an area of 500 ha or more • Extraction or timber felling within or adjacent to any water catchment, • Development of forest plantation having an area of 500 ha or more
3	Development of Commercial, Industrial and housing estates	• Development of commercial, housing or industrial estates covering an area of 50 ha or more • Development of industrial estates with factories for accommodating medium or heavy industries • Conversion of mangrove swamps or other wetland areas into industrial, commercial or housing estates over an area of 30 ha or more • Reclamation of land, by the sea or along river banks for the purpose of housing, commercial or industrial estates • Development of industrial, commercial or housing estates within 1000 metres from the high-water mark of the coastal area and within the foreshores of the state • Construction of buildings for commercial purposes or buildings for residential purposes exceeding 4 storeys high on hills with slopes having gradient of 20 degrees or more.
4	Activities which may pollute inland water or affect sources of water supply	• Development of groundwater with a supply capacity of 4500 cubic metres or more per day • Construction of dams, artificial lakes or reservoirs for impounding water with a surface area of 50 ha or more • Irrigation schemes covering an area of 1000 ha or more • Creation of lakes or ponds for rearing of fish or prawn, covering an area of 50 ha or more • Mining in keeping with any mining lease issues covering an area of 50 ha or more or involving the use of chemicals (including explosives) of any nature • Diversion of watercourses, streams or the excavation of sand and other rock materials therefrom.
5	Fisheries and activities which may endanger marine or aquatic life, plants in inland waters or erosion of river banks	• Fish culture and other forms of fishing on a commercial scale which involve the setting up of fishing appliances and equipment in the river, watercourses or coastal sea.
6	Extraction and removal of earth, rock materials and mining	• Quarrying of aggregates, limestone, silica, quartzite, sandstone, sand, marble or stones within 3 km of any existing residential, commercial or industrial areas or which may cause damage of have an adverse impact on fragile ecosystems

S. No	Category	Activities
		• Open cast mining for minerals or any form of mining for minerals which is likely to affect the landscape of the mining area so as to require rehabilitation thereof upon the cessation of mining activities • Extraction or removal of earth with a volume of 50,000 cubic metres or more from any area on State land, Forest Reserve or alienated land for any purpose
7	Any other activity which may damage or have an adverse impact on the quality of the environment or natural resources of the state	• Construction of parks, resorts or other recreational facilities or major roads on hills with slopes having gradient of 20 degrees or more • Construction of golf courses • Construction of port facilities (including waterhouses, godowns, container yards and cargo storage facilities) or open jetties with a length of 100 metres or more or closed landing jetties for commercial use along any of the rivers or sea front • Development of recreational or resort facilities within 1000 metres from the high-water mark of the coastal area and within the foreshores of the State • Creation of parks, resort, or recreational facilities having an area of 30 hectares or more for commercial purposes • Any development activity intended to be carried out within a water catchment area • Development of tourism-related facilities having an area of 30 ha or more • Construction of mills or factories within 1000 metres of any river, watercourse of coast.

This enactment requires any individual undertaking the afore-mentioned activities to submit a report to the Director for approval. These reports, to be prepared by experts or authorities are to provide an understanding of the impacts on the environment, its sustainable utilization, preservation and management from such activities and the mitigative measure to be taken for the same. The report to be submitted to the Director for approval are to allow for an understanding of the prescribed activities, impacts on the environment pertaining to waste disposal, water pollution, soil erosion, noise from plant or machinery, atmospheric pollution, flora and fauna, socio-economic impacts from the implementation of the project, residual impacts and monitoring procedure and preventive, mitigative and abatement measures.

3.8

LABOUR LAWS

The key labor laws applicable in the state of Sabah are as follows:

- The Sabah Labor Ordinance, 1950;
- The Employment Act, 1955;
- The Immigration Act, 1963;
- The Industrial Relations Act, 1967;
- The Employment (Restriction) Act, 1968;
- Factories and Machinery Act, 1976;
- Employment (Termination and Lay-off Benefits) Regulations, 1980;
- Workers Minimum Standard of Housing and Amenities Bill (1990);

- Occupational Safety and Health Act, 1994; and
- The Minimum Wage Order, 2012.

The Employment Act, 1955 provides the minimum terms and conditions and outlines the statutory requirements on payment of wages, employment of women, hours of work, overtime, annual leave, sick leave, public holidays etc. As the operations under the assessment are located in the Sabah Province of Malaysia, all relevant provisions of the Sabah Labor Ordinance (1950 amended in 2005) will be referred to. The requirements under the Sabah Labor Ordinance are similar to those under the Employment Act 1955, except with respect to the definition of employee that is covered. The Sabah Labor Ordinance specifically covers any employee earning RM 2,500 and below regardless of the nature of work.

A summary of the key regulatory requirements are provided subsequently:

Table 3.7 **Key Labour laws**

S. No	Act/Regulation	Key Requirements
1	Sabah Labour Ordinance 1950	• All the employees need to have a contract of service with the employer; • The Contracts of service cannot restrict rights of employees to join, participate in or organize trade unions; • An employee is not allowed to work more than 48 hours in a week with a provision to not exceed overtime for more than 104 hours/month; • In case of contracted workers, the ultimate liability of the payment of wages lies with the principal employer in case a contractor fails to make payments to the workers; • Overtime beyond the normal hours of work will be entitled to wages at the rate of one and a half times a workers' hourly rate of pay with premium for public holidays and rest days; • No child (under the age of 15 in Sabah) is required or permitted to work unless he/she is employed as an apprentice under a written apprenticeship contract; • All the employees need to have a contract of service with the employer; • The Contracts of service cannot restrict rights of employees to join, participate in or organize trade unions; • An employee is not allowed to work more than 48 hours in a week with a provision to not exceed overtime for more than 104 hours/month; • In case of contracted workers, the ultimate liability of the payment of wages lies with the principal employer in case a contractor fails to make payments to the workers; • Overtime beyond the normal hours of work will be entitled to wages at the rate of one and a half times a workers' hourly rate of pay with premium for public holidays and rest days; • No child (under the age of 15 in Sabah) is required or permitted to work unless he/she is employed as an apprentice under a written apprenticeship contract;

S. No	Act/Regulation	Key Requirements
2	Employment Act 1955	- Contributions of foreign workers to the Employee's Provident Fund is optional; - For Malaysian citizens, employee's and employer's share of contributions payable for different wage slabs of social security is provided in Schedule Three of Employees' Social Security Act, 1969
3	Immigration Act 1963	- Migrant workers will need to have a valid entry permit/Pass that enables him/her to enter Malaysia; - Employer is to provide for migrant workers' insurance;
4	Industrial Relations Act, 1967	Provides ways for settlement of trade disputes between employers and employees
5	Employment (Restriction) Act 1968	Migrant workers will need to have a Valid Employment Permit
6	Factories and Machinery Act 1976	- The employer will need to have a written permission by the Chief Inspector to use the said premises as a factory; - The employer will also need to obtain a written approval from the Chief Instructor prior to installation of any machinery
7	Employment (Termination and Lay-off Benefits) Regulations, 1980	In case an employee's contract of service is terminated (unless if the worker reached his retirement age or in case of misconduct), the employer will be liable to pay termination benefits
8	Workers Minimum Standard of Housing and Amenities Bill (1990)	- Good practice guidelines on workers' accommodation pertaining to structure, water and electricity, recreational facilities, allotment of land, transport and healthcare facilities; - Includes a requirement for no charge of rent for the accommodation, however, this bill is yet to be implemented.
9	Occupational Safety and Health Act 1994	- Requirement of certain licenses and certificates for machinery and equipment through the Department of Occupational Safety and Health (DOSH); - Requirement of a health and safety policy with respect to the safety and a health and safety committee at the place of work;
10	Minimum Wage Order, 2012	- Minimum wages for the workers will not be less than RM 800 per month for all sectors of work in the province of Sabah; - Implementation of the minimum wage is applicable from 1st January 2013

*International Finance Corporation Performance Standards**Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts*

The PS 1 requires Social and Environmental Assessment and Management Systems for managing social and environmental performance throughout the life cycle of this Project and runs through all subsequent PSs. The main elements of PS 1 include:

- A Social and Environmental Assessment to understand the social and environmental impacts and risks;
- A Management Program for mitigating the impacts and minimizing the risks identified in the assessment;
- Establishing and ensuring organizational capacity and requisite trainings to the staff to implement the Management Programme;
- Engagement with the community to ensure free prior informed consultation, community grievance redress constructive relationship all through the project life cycle; and
- Adequate monitoring and reporting systems to measure and report the effectiveness of the Management Programs.

The social and environmental performance is a continuous process to be initiated by the management and would involve communication between organisation, its workers and local communities directly affected by the Project.

Performance Standard 2: Labour and Working Conditions

The Performance Standard 2: Labor and Working Conditions of the International Financial Corporation (IFC PS2) seeks to protect the fundamental rights of workers including their right to freedom of association, non-discrimination, a safe working environment and protection of vulnerable groups such as migrant labor.

The scope of application for IFC PS 2 on Labor and Working Conditions will cover the following types of employment relationships:

- Direct workers: These will include local and foreign workers that are directly engaged by SFI on their payroll;
- Contracted workers: These will include local and foreign workers that are engaged by SFI's core operations contractors for a substantial duration;
- Supply chain workers: These will include the workers engaged by SFI's primary suppliers of timber as a raw material.

In addition to the requirements under the IFC Performance Standards 2 on Labour and Working Conditions, the following EHS guidelines and Guidance Notes will be covered:

- Relevant occupational health & safety aspects under the IFC EHS Guidelines for Forest Harvesting Operations, Pulp and Paper Mills and Sawmilling & Manufactured Wood Products;
- IFC/EBRD's Guidelines on Worker Accommodation;

The evaluation of the implementation of the actions that are necessary to meet the requirements of IFC PS 2 has also considered certain elements under Performance Standard 1 (Assessment and Management of Environmental and Social Risks and Impacts).

PS 3: Resource Efficiency and Pollution Prevention

PS 3 outlines the approach to pollution prevention and abatement in line with internationally disseminated technologies and practices with objectives to:

- Avoid or minimize adverse impacts on human health and the environment by avoiding or minimizing pollution from activities; and
- Promote the reduction of emissions that contribute to climate change. PS 3 requires a project to avoid, minimize, or reduce adverse impacts on human health and environment by adopting pollution preventive and control technologies throughout the Project life cycle.

PS 3 outlines a project approach to Pollution Prevention and Abatement (PPA) in line with internationally disseminated technologies and practices. It describes the measures to take into account the potential impact of emissions on the ambient conditions (such as ambient air quality) and seek to avoid or minimise these impacts within the context of the nature and significance of pollutants emitted.

Performance Standard 4: Community Health, Safety and Security

PS 4 concentrates on the responsibility that must be undertaken by the consultant to avoid or minimize the risks and impacts to the community's health, safety and security that may arise from project's remediation activities. PS 4 require a project to evaluate risks and impacts to the health and safety of the affected community during the Project's remediation activity's life cycle and establish measures to avoid minimize and reduce risks and impacts from the same.

PS 4 recognises that project activities, equipment, and infrastructure often bring benefits to communities including employment, services, and opportunities for economic development. However, projects can also increase the potential for community exposure to risks and impacts arising from equipment accidents, structural failures, and releases of hazardous materials.

The performance standard details out project proponents responsibility to avoid or minimise the possible risks and impacts to community health, safety and security that may arise from project activities.

Performance Standard 5: Land Acquisition and Involuntary Resettlement

The objectives of this PS are to:

- Avoid or at least minimize the involuntary resettlement wherever feasible by exploring alternative project designs;
- Mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of land by:
- Providing compensation for loss of assets at replacement cost; and
- Ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected.
- Improve or at least restore the livelihoods and standards of living of displaced persons;
- Improve living conditions among displaced persons through provision of adequate housing with security of tenure at resettlement sites.

PS 5 require a project to consider various processes and systems to avoid /minimise social and economic impacts related to land acquisition and resettlement. This PS applies to physical or economic displacement resulting from the following types of land transactions:

Type I: Land rights for a private sector project acquired through expropriation or other compulsory procedures;

Type II: Land rights for a private sector project acquired through negotiated settlements with property owners or those with legal rights to land, including customary or traditional rights recognised or recognisable under the laws of the country, if expropriation or other compulsory process would have resulted upon the failure of negotiation;

This PS does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail). The impacts arising from such transactions will be dealt with as under PS1, though sometimes, when risks are identified, the project proponent may decide to adhere to PS 5 requirements even in willing buyer-seller cases.

Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management

PS 6 aims at protecting and conserving biodiversity, the variety of life in all its forms, including genetic, species and ecosystem diversity and its ability to change and evolve, is fundamental to sustainable development. The components of biodiversity, as defined in the Convention on Biological Diversity, include ecosystems and habitats, species and communities, and genes and genomes, all of which have social, economic, cultural and scientific importance. This PS addresses how clients can avoid or mitigate threats to biodiversity arising from their operations as well as incorporate sustainable management of renewable natural resources.

PS 6 recognises that protecting and conserving biodiversity – the variety of life in all its forms, including genetic, species and ecosystem diversity – and its ability to change and evolve, is fundamental to sustainable development. It reflects the objectives of the Convention on Biological Diversity to conserve biological diversity and promote use of renewable natural resources in a sustainable manner.

Performance Standard 7: Indigenous People

PS 7 acknowledges the possibility of vulnerability of indigenous people owing to their culture, beliefs, institutions and living standards, and that it may further get compromised by one or other project activity throughout the life cycle of the project. The PS underlines the requirement of avoiding / minimizing adverse impacts on indigenous people in a project area, respecting the local culture and customs, fostering good relationship and ensuring that development benefits are provided to improve their standard of living and livelihoods.

PS 7 recognises that Indigenous Peoples, as social groups with identities that are distinct from dominant groups in national societies, are often among the most marginalised and vulnerable segments of the population. The term “indigenous people” is more clearly defined in the IFC Guidance Note for PS 7.

Objectives of PS 7 underscore the need to avoid adverse project impacts on Indigenous Peoples’ communities living in the project’s area of influence, or where avoidance is not feasible, to minimise, mitigate or compensate for such impacts through mechanisms that are tailored to their specific cultural characteristics and expressed needs of the Indigenous Peoples, in a manner commensurate with the scale of project risks and impacts.

Performance Standard 8: Cultural Heritage

PS 8 aims to protect the irreplaceable cultural heritage and to guide clients on protecting cultural heritage in the course of their business operations. In

addition, the requirements of this PS on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity.

The PS requires the project proponent to comply with relevant national law on the protection of cultural heritage, including national law implementing the host country's obligations under the Convention Concerning the Protection of the World Cultural and Natural Heritage and other relevant international law.

3.9.2 *United Nations Declaration on the Rights of Indigenous Peoples (2007)*

The United Nations Declaration on the Rights of Indigenous Peoples affirms that the indigenous peoples are equal to all other peoples, while recognizing the right of all peoples to be different, to consider themselves different and to be respected as such. The declaration goes to acknowledge the contribution of the indigenous communities to the diversity and richness of civilizations and cultures.

The Declaration affirms that all doctrines, policies, and practices that advocate the superiority of peoples/individuals on the basis of race, nationality, religion, ethnic or cultural difference are scientifically false and legally invalid.

The declaration, while acknowledging the historic injustices suffered by such people due to their colonization and dispossession of their lands and resources, recognizes the need to respect and promote the inherent rights of the indigenous peoples. These rights are derived from their political, economic and social structures and from their cultures, spiritual traditions, histories and philosophies, particularly their rights to their lands, territories and resources. The declaration puts in place 46 Articles, acknowledging the rights of the indigenous people in regards to equality, self-determination, preservation and revitalization of their social; economic and cultural institutions, freedom, right to life, property, protection against forced assimilation; destruction of culture and forced relocation etc.

3.9.3 *ILO Conventions*

Malaysia has ratified 16 ILO Conventions of which 15 are in force. Of the ILO's 8 fundamental conventions, the Government denounced C. 105 (Abolition of Forced Labour) and has ratified all but C. 87 (Freedom of Association). These ratifications are applicable for Peninsular Malaysia, Sarawak and Sabah.

Internally within Malaysia, the national state of Sabah also has four other technical conventions in force that include 086 (Contracts of Employment for Indigenous Workers) and C097 (Migration for Employment Convention).

Table 3.8 *ILO Conventions ratified by Malaysia*

SNo.	ILO Conventions	Date of Ratification

SNo.	ILO Conventions	Date of Ratification
Fundamental Conventions		
1.	C029 - Forced Labour Convention, 1930 (No. 29)	11 Nov 1957
2.	C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98)	05 Jun 1961
3.	C100 - Equal Remuneration Convention, 1951 (No. 100)	09 Sep 1997
4.	C138 - Minimum Age Convention, 1973 (No. 138)	09 Sep 1997
5.	C182 - Worst Forms of Child Labour Convention, 1999 (No. 182)	10 Nov 2000
Governance (Priority) Conventions		
6.	C081 - Labour Inspection Convention, 1947 (No. 81)	01 Jul 1963
7.	C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)	14 Jun 2002
Technical Conventions		
8.	C050 - Recruiting of Indigenous Workers Convention, 1936 (No. 50)	11 Nov 1957
9.	C064 - Contracts of Employment (Indigenous Workers) Convention, 1939 (No. 64)	11 Nov 1957
10.	C065 - Penal Sanctions (Indigenous Workers) Convention, 1939 (No. 65)	11 Nov 1957
11.	C088 - Employment Service Convention, 1948 (No. 88)	06 Jun 1974
12.	C095 - Protection of Wages Convention, 1949 (No. 95)	17 Nov 1961
13.	C119 - Guarding of Machinery Convention, 1963 (No. 119)	06 Jun 1974
14.	C123 - Minimum Age (Underground Work) Convention, 1965 (No. 123)	06 Jun 1974
15.	C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)	07 Jun 2012

Source: ILO

http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11200:0::NO::P11200_COUNTRY_ID:102960

Apart from the desk based review of the documents for SIA, parallel review was undertaken for developing a historical baseline of the Government-led gazetting process to the extent feasible, with the aim of synthesizing and analysing the range of actions (e.g. consultations; zoning; mapping; public disclosure; land and resource valuation and assessment) taken by the Government dating back to 1982, in relation to gazetting of State Land into the ITP/NFM concession and Kampong areas.

This section provides an understanding of the history of the State of Sabah, the administrative system in Sabah, the types of land, Tenurial rights with an understanding of the native customary rights, an understanding of the project, the history of SFI and the claims of the community and the legal precedence for the same. Historical concession review needs to be seen in context of the applicable reference framework for the project.

4.1

HISTORY OF SABAH

Sabah is one of the thirteen states in the Federation of Malaysia, incorporated in 1963 together with Singapore and Sarawak, and was a former British colony. It is located on the northern portion of the island of Borneo and is the eastern most state of the federation and is the second largest after Sarawak. It shares maritime borders with the Federal territory of Labuan on the west and Philippines to the north and north-east, it also shares land borders with the province of North Kalimantan of Indonesia in the south.

Sabah's history is reported to be one of the richest and oldest in the region, dating back to 23-30,000 years and being interwoven with the history of Brunei and Malaysia. Sabah was known to be a land of tribal societies, with the first records of organized civilisation in Sabah being from the early 15th Century under the Sultanate of Brunei.

It is reported that the eastern part of Sabah was ceded to the Sultan of Sulu by the Sultan of Brunei in 1658 in return for the former's role in achieving a victory over the Brunei enemies¹. By the years of 1865 and 1878, three different countries made attempts to control the region, as is discussed in the following sub section.

¹(Yunos, 2008)

The first group to attempt to control the region was from the United States of America, when an American warship, the USS Constitution, arrived in Brunei in 1845, seeking a commercial treaty and exclusive rights to the coal deposits in Brunei. In 1850, a US- Brunei Treaty of Friendship and Commerce was signed, as proposed by Joseph Balestier. He became the first American Consul-General in Brunei. However despite the treaty no American commercial activity took place until 1864.

Another treaty was signed between the countries with Sultan Abdul Momin and C. L. Moses as the representatives for Brunei and USA respectively. This treaty involved leasing out 21 districts in the territories from Sulaman River to Paitan River to USA, for a period of ten years for an amount of \$ 4,500 annually. Moses also paid an additional \$4,000 annually and managed to lease additional areas from Pengiran Temenggong Pengiran Anak Hashim. The districts included those from Paitan to Kimanas including two islands, Balabak and Pahlawan.

However, the relations between Moses and the Sultan soured when the former failed to live up to the promises made during the treaties. This ended in Moses setting fire to the US consulate and blaming the sultan, so as to get compensation. But post a US government inquiry, the Sultan's name was cleared and resulted in Moses leaving for Hong Kong.

In Hong Kong, Moses met WJ Torrey, an American business man. Together they set up a new company called the American Trading Company. Torrey went to Brunei to renegotiate with the Sultan. He was appointed as the Supreme Ruler and Governor of Sabah with the title of Raja of Ambong and Marudu. However, due to certain financial issues, because of which Torrey was unable to pay the Sultan the agreed amount, Torrey sold his rights to Baron Gustav von Overbeck.

Baron von Overbeck was the consul of the Austro-Hungarian Empire in Hong Kong. He bought the concession rights in Sabah from Torrey. Later Baron von Overbeck together with Alfred Dent of Hong Kong formed a partnership and formed the Dent Company. A treaty was signed by the Company with Sultan Abdul Momin in 1877, in which Overbeck was appointed as the as the Maharaja of Sabah and Raja of Gaya and Sandakan. Apart from this, Baron Overbeck also negotiated a treaty with the Sultan of Sulu, in which he agreed to pay the Sultan \$ 5,000 annually and was appointed as Dato Bendahara and Raja of Sandakan in 1878.

However, due to financial problems, Overbeck sold his shares to Alfred Dent. In 1881 Alfred Dent later managed to get a royal charter to set up another company called the British North Borneo Company in London. William Hood Treacher was appointed the first governor of North Borneo. The Company went on to gain territorial rights over other regions not included in the lease.

At the same time, in awarding the Royal Charter, the British government assumed a form of sovereignty over the state especially its foreign relations.

This resulted in a renewed interest of the western powers in the region, and resulted in the Dutch trying to claim land near Sandakan in 1879. In order to resolve the conflict, both the Dutch and the British agreed to divide Borneo into a British area in the north and a Dutch area in the south.

In 1888, North Borneo similarly to Brunei became a British protectorate. The Company's rule in North Borneo had the greatest impact on the development of the region. A system of indirect rule was established in the administration of North Borneo.

The rule of the British North Borneo Company continued till the Second World War in 1942, when Japanese forces occupied Sabah. Sabah was liberated by the Allied Forces in 1945. After the war, North Borneo was administered by the British Military Administration until civil government was restored on July 15, 1946. In 1946, Sabah was placed under the British Crown as the British North Borneo Company could not afford to rebuild Sabah after the devastation of the War. On 16 September 1963, Sabah merged with Malaya, Sarawak and Singapore (left in 1965) to form the Federation of Malaysia.¹

4.2

LAND IN SABAH

Before understanding the land and livelihood loss and the related claims, it is important to understand the classification of land in Sabah and legal position in terms of ownership. This takes into consideration the Native laws, land and forest related laws. For better understanding, precedence of judgements with respect to tenurial rights have also been summarised as part of the report.

Land matters in Sabah are controlled by the state government, and claims to landownership have to be approved and registered by the state. The land laws in Sabah are the legacy of laws introduced during the United Kingdom colonial administration, which assumed custody of all land not owned or not continually cultivated by communities. These laws are discussed in detail in the section on Applicable Reference Framework and are summarized in the sub-sections below.

4.2.1

Type of land

State Land in Sabah is classified as Town and Country Land. Under the ordinance, Town Land refers to all the land included within the boundaries of

¹(Yunos, 2008)

a town and Country Land refers to all the land that falls outside the boundary of the town land.

Furthermore, according to the Forest Enactment, 1968, any state land other than the land reserved for public or special purpose by any written law, may be converted to a Forest Reserve under any of the following Classes:

- Class I - Protection Forest - Maintenance of forest essential on climatic or physical grounds;
- Class II - Commercial Forest - For supply of timber and other produce to meet the general demands of trade;
- Class III - Domestic Forest - For supply of timber and other produce for local consumption;
- Class IV - Amenity Forest - For local amenity and aboretum work;
- Class V - Mangrove Forest - For supply of mangrove timber or other produce to meet the general demands of trade;
- Class VI - Virgin Jungle Reserve - For forest research purpose; and
- Class VII - Wildlife Reserve - For protection of wildlife

4.2.2 *Tenurial rights related to land*

Property rights fall into three categories:

- state property rights, which cover forest reserves;
- private property rights, which cover land that has been alienated by the state for development, as well as individual indigenous titles; and
- communal property rights, which cover indigenous reserves and the communal titles to customary land that communities apply for.

The town and country lands can be leased for a period of ninety-nine years. Town lands can be alienated (alienation under the Ordinance refers to leasing or disposal of State Land on behalf of the Government in consideration of the payment of rent and/or premium) only through an auction while Country lands can be alienated on lease terms that are approved by the Director. Country lands can only be leased for agricultural purposes and only a dwelling structure is allowed to be constructed on the same.

4.2.3 *Customary native Rights*

The charter for the British North Borneo Company which established the first colonial power over Sabah mentions that careful regard shall always be had to the customs and laws of the class or tribes or nation especially with respect to the holding, possession, transfer and disposition of lands goods, and testate or intestate succession thereto, and marriage, divorce and legitimacy, and other rights of property and personal rights. The laws adopted or passed in subsequent colonial period reinforced this 'careful regard to native customs'.

Native Rights to Land Proclamation of 1889

The first law directed specifically to native affairs was the Native Rights to Land Proclamation of 1889, which tried to establish a system of land registration. In subsequent years, three pieces of legislation laid foundation of native law administration in three areas, i.e. tenure and land rights, village headman and administration, and native courts.

The interpretation (Definition of Native) Ordinance defines a native as either:

- a- any person both of whose parents are or were members of a people indigenous to the Colony; or*
- b- any person ordinarily resident in the Colony and being and living as a member of a native community, one at least of whose parents or ancestors is or was a native within the meaning of paragraph (a) hereof; or*
- c- any person who is ordinarily resident in the Colony, is a member of the Suluk, Kagayan, Simonol, Sibutu or Ubian people or of a people indigenous to the Colony of Sarawak or the State of Brunei, has lived as and been a member of a native community for a continuous period of 3 years preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the Colony is not limited under any of the provisions of the immigration ordinance,*
- d- any person who is ordinarily resident in colony, is a member of a people indigenous to Indonesia or Sulu group of islands in the Philippines or the Federation of Malaya or the Colony of Singapore, has lived as and been a member of a native community for a continuous period of five years immediately preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the colony is not limited under any of the provisions of the immigration ordinance.*

The Native Rights to Land Proclamation 1889 clearly declared State ownership on land and all claims to land has to be registered with District Officer. The District officer, once received the written statement of Native's claim, forwarded them to the Government Secretary for Registration and the Survey officer was given authority to survey and erect boundary marks after examining all native rights. This system of registration of Native Claims over land still continues.

The native rights in land (ref S5) constituted

- land under cultivation or land used for housing;
- land planted with fruit trees;
- isolated fruit trees if enclosed by a fence;
- grazing land stocked with animals;
- wet and dry paddy land so long as it was cultivated for at least three years prior to registration;
- burial grounds; and
- rights of way.

Abolition of Poll Tax Proclamation

Another important piece of legislation was Abolition of Poll Tax Proclamation which defined the native land tenure. It made the land rights of the natives dependent upon registration of the title and its use for cultivation. Section-3 of the proclamation exempted natives from tax those who (a) pay quit rent on land, (b) have passes to take jungle produce, (c) possess boats for hire or fishing boats.

All native owners must have a certificate of tenure issued by the District Officer. All transfers and transmissions of land had to be notified and no claim is valid unless registered. The rules also provided that no-cultivation for three years would result in forfeiture of land as did non-payment of tax. The Padi Rules (Rule 16-18) made detailed provisions on the planting and cultivation of padi. These padi Rules were dropped in Poll Tax-Proclamation Ordinance of 1902.

Customary Rights under Land Ordinance (Sabah Cap. 68)

The Land Ordinance provides some level of protection to customary land tenure and rights. *Customary Rights* under the Ordinance are decided by the Collector. The native customary rights include:

- land possessed by customary tenure;
- land planted with fruit trees, when the number of fruit trees amounts to fifty and upwards to each hectare;
- isolated fruit trees, and sago, rattan, or other plants of economic value, that the applicant can prove to the satisfaction of the Collector were planted or up kept and regularly enjoyed by him as his personal property;
- grazing land that the applicant agrees to keep stocked with a sufficient number of cattle or horses to keep down the undergrowth;
- land that has been cultivated or built on within three years;
- burial grounds or shrines;
- usual rights of way for men or animals from rivers, roads, or houses to any or all of the above.

These native customary rights once established, are either compensated for in monetary terms (after which the applicant has to surrender the parcel of land), or the land is granted to the applicant (in which case a land title is issued).

Customary Tenure refers to the lawful possession of land by natives either by continuous occupation or cultivation for three or more consecutive years or by title under the Land Ordinance, 1930. Customary tenure confers upon the holder thereunder a permanent heritable and transferable right of use and occupancy in his land subject only.

The documentation of the land titles is done in the following manner:

- A documentary title of such customary land rights is maintained in a Register of Native Titles, kept in each district in the form of Schedule X.
- For all the Titles entered in the Native Title Register a certified copy of the entry in the Native Title Register may be issued to the owner (1) and shall be signed by the Collector and shall have marked thereon a plan of the land to which it refers.
- A communal land title is sanctioned by the Minister for land used communally. In case the communal land is subdivided, native titles are awarded to each owner.

The following sub sections provide an understanding of the project, the nature of claims and the legal precedence for the same.

4.3

LEGAL PRECEDENCE

While the legal provisions in the state, such as the Land Ordinance and the Native Courts Enactment recognize the Native Customary Rights, there are instances of contention of the legal definition of NCRs established and that as understood by the local community. One such as contentious element is in the definition of NCR in the Land Ordinance. According to the definition, the number of fruit trees per hectare of land, and isolated fruit trees, or other plants of economic value is specified for NCRs. However, the traditional native practices usually involve the cultivation of a diverse number of crops and plants in an inter-cropping system. Thus, due to the fact that the legal definition of NCR captures only fruit trees and plants of economic value, it may not capture the actual customary land use of the community.

In order to develop a clearer understanding of the claims and identifying possible way forwards, it is important to develop an understanding of the legal precedence which exists in similar situations.

National Enquiry commission for rights of Indigenous people has highlighted the key concerns of the people whose NCR claims have fallen within the forest reserves. Though there is limited mention of the Sipitang forest reserve; however the issues associated with other forest reserves can be related to the Sipitang Forest reserve. Some of the important findings are:

- Previously, these forests were logged under strict RIL (Reduced Impact Logging) with close third party auditing and surveillance which they fully complied with;

(1) owner¹ means the individual person, incorporated company, or body corporate, for the time being registered as the lessee of State land or as the holder of land comprised in an entry in the Native Title Register, and includes a legally appointed trustee, executor, administrator, liquidator or Official Receiver

- To feed its pulp and paper mill, SFI only uses planted timber (mainly Acacias) from its ITP (industrial tree plantation) zones which are systematically re-planted after harvesting;
- SFI's forests are also certified under the FSC's (Forest Stewardship Council) control wood and verified legal compliance schemes.

Table 4.1 *Legal Precedence*

S. No	Case	Summary of the Case	Judgement and Implications
1	Cases of Adong Kuwau Nor Nyawai (judicial review no. 24-828-1994), Sagong Tasi, Rambilin (judicial review number. 22-28-99-I) Madeli Salleh (Judicial review no. MTI-21-314-1996), Bato Bagi. and Andawan Ansapi (judicial review no. K41-128-2010)		These judgments confirm that customary land rights are based on native law and customs and that the customs of the various communities, define the content of the customary title. The “customs and usage” are part of the laws of Malaysia, as defined under the Federal Constitution. Customs are also recognized and may be proved under common law.
2	Naung Felix Sitom v Pedakwa Raya (judicial review number MLJ 605)	This was one of the earliest cases on NCRs in Sabah.	In this case it was established that persons having native customary tenure as defined under the Sabah Land Ordinance 1930 (SLO) are to be accorded the same status as one in possession of a title deed. In Sabah, natives may enter state land for the purpose of creating customary rights through the methods stipulated under section 15 of the SLO. These generally comprise traditional occupation under customary tenure, use land for cultivation, grazing lands.
3	Rambilin binti Ambit v Assistant Collector For Land Revenues Pitas (Judicial Review K 25-02-2002); Rambilin binti Ambit v Director of Lands and Surveys, Sabah, Assistant Collector For Land Revenues, Pitas Registrar of Titles (Judicial Review K 240-2002); Rambilin binti Ambit v	This case involved a dispute on a parcel of two plots of lands measuring a total of 15 acres (6.07 ha), in the district of Pitas. • The aggrieved, Rambilin had occupied these plots. Although at some point she did move away to join her husband who was transferred to another town, she came back periodically to see the land. • Her application for the land to be alienated and registered in her name was made in 1989 but the Assistant Collector of Land Revenue (ACLR) did not make any decision on her application. • However, unbeknown to her, the ACLR had rejected her application in 1992. The letter and notice of rejection was neither posted nor served on Rambilin in the manner as required by Rule 8 of the Land Rules. • In the meantime, the two plots of land were registered and titles were issued in the name of one Ruddy Awah and another person	It was established that the land was purchased by Rambilin’s father and transferred to her. Since customary tenure is heritable, she had acquired customary tenure. Section 88 of the SLO expressly exempts from registration, land that is still held under customary tenure. Although, she did not continuously stay on the land - on occasions she went back to the land to cultivate it and to stay in the house that was erected on the land. The court held that what was required, was not necessarily physical possession, but exclusive acts of dominance. The kind of acts and how many, can be accepted as proof of exclusive use, must depend to a great extent on the manner in which the particular kind of property is commonly used.²⁰⁵ It was declared that Rambilin was entitled to possession and /or to recover possession. Her occupation of the land was lawful and she proved her claim for trespass against the defendant, Ruddy.

S. No	Case	Summary of the Case	Judgement and Implications
	Ruddy Awah(Civil Suit K 22-71-2000 in open court, 9 July 2007).	in November 2001.	
4	Andawan bin Ansapi & Ors v Public Prosecutor (judicial review no. K41-128)	This was a case which dealt with the status of native occupiers of forest reserves In that case, the Kota Kinabalu High Court decided that natives have the right to stay on the land to which they have asserted NCR, even in forest reserves established under the Sabah Forest Enactment 1968. Under section 20 (1) of the Enactment, unless a person is expressly authorized to cultivate or to clear or dig up any land or to remove forest produce in a Forest Reserve, he is guilty of a crime.	The judge overturned the Tenom Magistrate Court's imposition of fines on six indigenous Imahit villagers who were accused of encroaching into the forest reserve to grow hill rice in 2009. They were held to have "express authority" to remain on the land as they possessed customary rights in the land. The High Court struck out the charges and directed the Forest Department to return the fine of RM6,000 to the villagers. This was a clear statement of the continued existence of native customary rights in forest reserves not only as rights and privileges that are conceded under the enactment but also as pre-existing rights under their customary laws.
5	Johnson bin Sipulou & 5 Ors v The State of Government of Sabah & Anor	This case involved a revocation of a native reserve known as the Kampong Kayu Madang Native Reserve which was challenged by the native occupiers of the Reserve. They sought a declaration that the state's revocation of the reservation of 115 acres (46.54 ha) of land in the Reserve and the vesting of that portion of land in another was null and void. Furthermore, they sought the issuance of a title for the whole of the land in the Reserve to Penampang Grazing Cooperative Society Limited, who represented the natives in Penampang and Telipok. Having regard to the historical events leading to the publication of the gazette notification, the plaintiffs had customary tenure over Kampong Kayu Madang Native Reserve.	Following Naung Felix's case the court declared that persons having native customary tenure as defined under the SLO should be accorded the same status as one who was in possession of a title deed. It was not within the state's right to disregard the plaintiffs' rights and interests or to degazette any part of the area that was gazetted as a native reserve. Since the plaintiffs had proven their customary tenure over the lands, it was wrong for the defendant, the state of Sabah, to ignore the proprietary rights and interests of the natives in the Kampung Kayu Madang Native Reserve which still subsisted.
6	Darinsok Pangiran Apan & Ors v Hap Seng Consolidated Berhad		This case made it clear that the High Court does not have original jurisdiction to hear cases on native customary rights. A applicant would have to seek the Court's assistance through appellate jurisdiction from a decision of the Director, which is appealed from the decision of the ACLR. This procedure has the potential to cause "bottlenecks" and have been a cause of complaints and distress as seen in Rambilin's case.
7	Kuala Tomani Forest Reserve, Tenom This point was further	The Kuala Tomani Forest Reserve was gazetted as a forest reserve in 1984, as a Class II (commercial) forest reserve. It has been closed for logging for some years and is being set aside for planned forest	In that case, the Kota Kinabalu High Court decided that natives have the right to stay on the land to which they have asserted NCR, even in forest reserves established under the Sabah Forest Enactment 1968. Under

S. No	Case	Summary of the Case	Judgement and Implications
	explored in Andawan bin Ansapi & Ors v Public Prosecutor, which dealt with the status of native occupiers of forest reserves	rehabilitation works. A number of kempongs are reported to be located within the reserve; however the time when they were established is yet to be identified. In the 2nd week of January this year, an enforcement team conducted its periodic surveillance over the area, and came across 6 sulaps or huts, about 10 km away from the nearest village, Kampong Kapulu and Kampong Katubu. The huts were erected along an abandoned logging road which is treacherous to pass through, even with 4 - wheel drive vehicles. Upon investigation, evidences of illegal activities were found, such as illegal hunting, barrel of a possible homemade gun, burning and felling of forest patches in the vicinity of the sulaps. The sulaps were identified as satellite shelters of those who perpetrated these illegal activities. the sulpas were subsequently destroyed, under the provisions of the forest enactment. These were not identified as customary rights, as they were in the area of the forest reserve. The kempongs in the area, were not disturbed on the condition that they do not engage in illegal activities.	section 20 (1) of the Enactment, unless a person is expressly authorized to cultivate or to clear or dig up any land or to remove forest produce in a Forest Reserve, he is guilty of a crime. The judge overturned the Tenom Magistrate Court's imposition of fines on six indigenous Imahit villagers who were accused of encroaching into the forest reserve to grow hill rice in 2009. They were held to have "express authority" to remain on the land as they possessed customary rights in the land. The High Court struck out the charges and directed the Forest Department to return the fine of RM6,000 to the villagers. This was a clear statement of the continued existence of native customary rights in forest reserves not only as rights and privileges that are conceded under the enactment but also as pre-existing rights under their customary laws. David Wong J spoke of native connection to land and how they are "part of the land". This case was further pursued in the Court of Appeal. The Court of Appeal placed the six men from the Kampong Imahit, Tenom, under good behaviour bond for two years. The appellate court ruled that by virtue of the Forest (Constitution of Forest Reserves and Amendment) Enactment 1984 that Kuala Tomani was constituted as forest reserve on March 15, 1984, the native right in cultivating the land in the said forest reserve which these respondents had claimed to exercise was therefore extinguished. The judges further ruled that on the evidence before the court there was no emitted rights or considered privileges to whoever granted the respondents under Section 12 of the Forest Enactment 1984.

Review of the legal precedent in cases concerning NCR and especially recent judgement suggests that the number of claims getting validity in the SFI concession area (which falls within the Spiting Forest reserve and Ulu padas Forest reserve) is likely to reduce. The recent judgement does not talk about the NT claims which are relatively smaller in number. However this decision of excision or non-excision lies with the forest department; however the ultimate Authority lies with the Cabinet. Even in case the Cabinet decides for such excision, as per the Timber License Agreement signed with SFI, such decision has to be taken in confidence with SFI and SFI will need to be compensated with similar amount of land or be compensated in cash for the same (which is not a likely scenario).

4.4 *REVIEW OF THE SFI PROJECT HISTORY*

For ease of understanding the timeline associated with the project since inception of the SFI and gradually privatisation, change in ownership to Lion's Group and subsequently to BILT is mentioned in *Table 4.2*.

Table 4.2 *Changes in SFI from 1982 onwards*

S.No.	Year	Key Developments
1	1982	Sabah Forest Industries Sdn. Bhd. (SFI) was incorporated on the 20 th of April 1982 as a wholly government owned and largest integrated Pulp and Paper Mill in Malaysia involved in reforestation, pulp manufacturing and paper production. Between 1983 and 1993 SFI harvested around 128,000 ha or 45% of the area covered by the Special Licence for sawlogs and peeler logs and later re-logged about 66,500 ha taking smaller logs.
2	1993-1994	In 1993 SFI was privatised and in 1994 was sold to the Lion's Group of Companies who purchased 80% of the equity for about RM1.1 billion and the State Government agreed that SFI could operate under conditions no less favourable than those detailed in Special Licence SK 7/90.
3	1996	In 1996 the State Government divided the original area covered by Timber Licence SK7/90 into two portions and issued SFI with Timber Licence Agreement JP (KSG) 108/96 (CO) for "Portion A", covering 158,623 hectares for the purpose of carrying out Natural Forest Management (NFM). The management of this area is the subject of this Forest Management Plan (FMP).
4	2007	On 16 March 2007 the Lion's Group sold its shareholding to Ballapur Industries Limited (BILT), of India. This was done with the consent of both the Federal and State Governments and it was agreed that BILT could operate SFI in accordance with the conditions of the 1994 Sales and Purchase Agreement that were agreed to when SFI was privatised. At that time the State Government gave SFI the right to log a total of 4.25 million m3 during the first five years of the Timber Licence Agreement commencing from the 1st January 1996. They also allowed this quota to be carried forward until fully utilised. By agreeing to this they allowed SFI to harvest the NFM Area at a faster rate than would normally be allowed for under classical sustained yield models. This means that in the NFM Area all the merchantable timber for the first cutting cycle will have been removed by 2016 and the next cycle will not be able to start until 2038.

Prior to the commencement of SFI's activities the whole of the SFI forest area had significant primary forest cover and some areas of secondary forest as a result of shifting cultivation. The changes in the NFM area and ITP area also provides context to the areas demarcated for growth of the kampongs and understanding towards addressing the issues apart from the economics of logging and the need for conservation. Most importantly an understanding of the identification of the NFM areas, gradual increase in the size of the NFM area and consolidation of the NFM area as contiguous zone is important to understanding the various changes that has happened in terms of plantation and has also shaped the way boundary issues were supposed to be handled and the way they stand now.

Table 4.3 *Changes in the NFM area & ITP area*

S.No.	NFM	ITP
1983 to 1994	- When SFI was established in 1983 the area allocated to it was State Land and the Ulu Sungai Padas FR. The intention at that time was to convert as much as possible of this land to plantations and therefore the condition of the residual forest was not considered important by either the SFD or by SFI. - The intention at that time was to log the natural forest for sawlogs and pulpwood and convert as much as possible of this land to plantations to feed the new pulp mill. - Most of the harvesting done in the first 11 years was in the Lumaku region in the north of the SFI Area where the more valuable mixed dipterocarp forests predominated, leaving much of the commercially less attractive Ulu Padas areas intact. It is these Ulu Padas forests which now make up the majority of the current NFM Area. This area is commercially less attractive because of its lower yields, higher elevation with higher rainfall and its greater distance from the mills in Sipitang. All these factors increase harvesting costs and contribute to the marginal profitability of the NFM Area with timber prices at their current level. There was a deliberate decision to log heavily in the belief that all areas would be converted to plantations. It is only in the light of the subsequent decision to manage the NFM Area on a sustainable basis that the early practices are seen as being unfortunate. From that early perspective heavy logging was reasonable.	
1995 to 2002	- The privatisation of SFI to the Lion's Group in 1996, SFI was granted Licence JP(KSG)108/96(C0) over 158,623 hectares to "undertake felling, cutting, removing and converting trees, logs and timbers and to further undertake silvicultural treatment, the rehabilitation of forest or timber trees with in the Licence Area", in other words "natural forest management" (NFM). The area covered under this licence is referred to as the "NFM Area". Note that conversion to plantations is not a permitted activity under this licence. - Therefore, the management of NFM Area at that time (note that now the boundaries have been substantially changed and the area reduced to 104,822 hectares) prescribed less intensive harvesting to provide sufficient forest structure to allow the forest to recover and provide further harvests. At that stage logging was still by "conventional" means using crawler tractors and diameter limits but there was no commitment or requirement to carry-out reduced impact logging. In fact the actual levels of cut were higher than those set out in that plan and 1,660,000 m3 of sawlogs were harvested compared with 695,000 m3 provided for in the plan, however these areas are no longer in the current NFM Area.	- At the time of the sale of SFI by the State to the Lion's Group in 1996 the majority of the area of State Land allocated to SFI was gazetted as the Sipitang FR and SFI was granted a Timber (Tree Plantation) Licence over 118,000 ha of this land to "undertake felling, cutting, removing and converting of trees, logs and timbers and further to undertake silvicultural treatment, the plantation of forest or timber trees" or in other words "industrial tree plantation" (ITP) management and the area covered under this licence is referred to as the Industrial Tree Plantation Licence Area or "ITP Licence Area" in this document. - At the same time SFI was given title to 11,845 ha of the State Land. - The boundaries changes at that time are shown in Map 1 of Figure 4.2.
2003 to 2010	The first management plan in accordance with the NFM Licence was produced in 2002. It is noticeable that from 2001 onwards harvesting in the NFM Area followed a more sustainable approach and reduced impact logging (RIL)	- The first management plan in accordance with the ITP Licence was produced in 2002. - In 2001 agreement was reached with SFD to make substantial changes

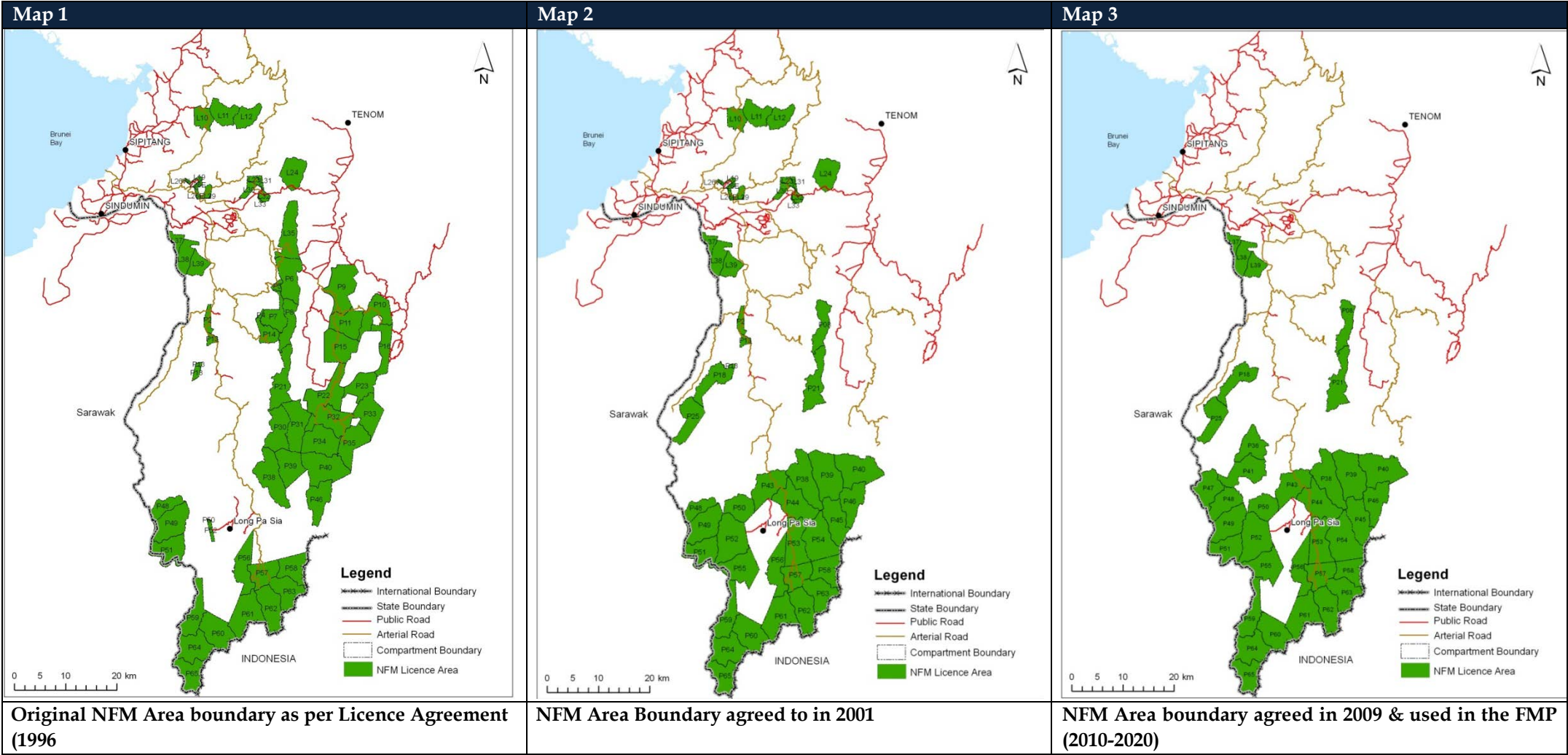
S.No.	NFM	ITP
	techniques were introduced during this period. - In 2001 agreement was reached with the SFD to make substantial changes to the boundaries of the NFM Area. The new boundaries agreed to are shown in Map 3 Figure 4.1. A Supplemental Agreement to amend the Licences to reflect those changes was drafted but not executed. The effect was to reduce the NFM Area from 158,623 to 107,053 hectares and to change the land use at Tomani from NFM to ITP and some of the compartments in the south towards Long Pasia were changed from ITP to NFM. - In 2009 SFD agreed to further changes to the Licence boundaries as is shown in Map 3 Figure 4.1. After the acquisition of SFI by BILT in 2007, the new owners endorsed the move to more sustainable forest management practices and arranged external auditing by SmartWood. This has been supported by SFD themselves who have their own internal and external auditors.	to the boundaries of the ITP Licence Area. The new boundaries agreed to are shown in Map 2 of Figure 4.2. A Supplemental Agreement to amend the Licences to reflect those changes was drafted but not executed. - The effect was to increase the ITP Area from 118,000 to 169,570 hectares and to change the land use at Tomani from NFM to ITP and some of the compartments in the south were changed from ITP to NFM. This was done to increase the size of the ITP Area to honour the State's commitment to provide SFI with a plantation of sufficient size to match its pulpwood requirements. It also reduced the average haul distance for plantation wood in order maintain the economic viability of the pulp mill in a highly competitive market. - In 2009 SFD agreed to further changes to the Licence boundaries as shown in Map 3 of Figure 4.2. This was done to make the boundaries more logical and address some anomalies. L10, L11, L13 and L34 were changed from NFM to ITP. These compartments had all been heavily logged and have significant areas of plantation and very little potential to be managed for the production of natural timbers. This was swapped for a similar number of hectares of forest with a significant area of small crown forest (most of which will be retained as conservation areas) adjacent to the Class VI (Virgin Jungle) Meligan FR. The net change was very small. These two sets of changes were to be formalised by a Supplemental Agreement which has been drafted and submitted by SFD to the Attorney General for execution; however the final decision is still awaited. It is highly unlikely that there will be further boundary changes.
	Changes in NFM land use from 1983 to 2010	Areas associated with changes to the ITP boundary in 2001 and 2011

Forest type	1983		2010
Primary forest	78,822	75%	22,842
Primary forest (small crown)	16,000	15%	12,532
Secondary forest (shifting cultivation)	10,000	10%	9,596
Plantation forest	0	0%	936
Logged-over forest	0	0%	58,916
Total	104,822	100%	104,822

Licence	At inception (1983)	1996 Licence Agreements	2001 agreement	2011 Supplemental Agreement
ITP Licence Area	n/a	118,000	169,570	171,471
SFI Titled Land	n/a	11,845	11,845	11,845
NFM Licence Area	n/a	158,623	107,053	104,822
Total	288,468	288,468	288,468	288,138

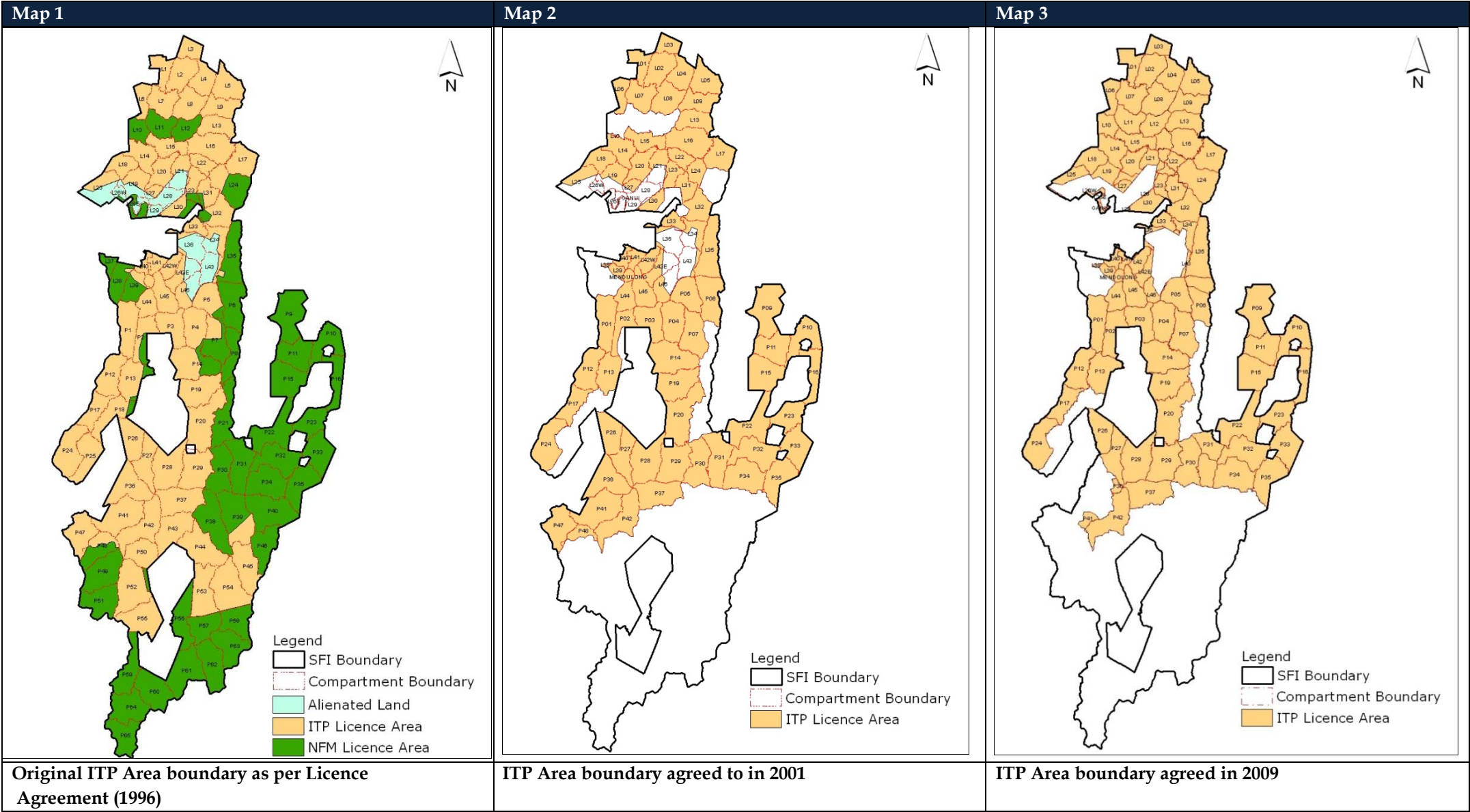
Source: SFI FMP, 2010 to 2020 for NFM& ITP

Figure 4.1 Change in the NFM Area boundary since 1996



Source: SFI FMP, 2010 to 2020 for NFM

Figure 4.2 Change in the ITP Area boundary since 1996



Source: SFI FMP, 2010 to 2020 for ITP

The Concession Area was (prior to 1982) classified as State Land. During this period the state government had issued temporary occupation licenses for logging and other timber linked activities.

The development of forest plantation in Sabah started in 1973 with the participation of Sabah Softwood Sdn. Bhd in collaboration with Yayasan Sabah and North Borneo Timber Limited. It was further expanded with the establishment of the Sabah Forestry Development Authority (SAFODA) in order to restore the abandoned lands of shifting cultivation (Mastan, 1984). Exploitation of forests for timber production has been occurring in Sabah since the 1950s; In the early stages, forest plantation in Sabah was divided into three main categories, which are plantation in logged over area, secondary forest, and open arid areas (Undarbe, 1984).¹

Not many changes happened before SFI was privatised and the ownership was passed over to Lion's group. Reportedly the survey was started in 1988s and continued (though only 70 % of the complete boundary demarcation was completed) till some years, the main purpose was to give commercial license. However that would have been a costly affair to get the commercial license and Lion's group never agreed for that.

Consultations with the SFI management and staffs (working with SFI since 1985) suggest that when the administration was passed over to Lion's group the existing claims were supposed to be almost 3800 hectares (approximately). In 1994 a map was sent to the Lion's group by the SFI mentioning the possible areas which could have potential NCR claims or NT. There are some important points to note in this regard:

- This was supposed to be validated on the ground; however the validation process could not be done.
- Some of the areas which were claimed to be having NCR also included understanding of the Government that possible land will be required for the expansion of the Kampong. Ground verification of some of these areas in course of undertaking plantation activity suggested that there was no existing habitation. E.g. Area adjoining P19, and P20 and near Lone Pasia, were earlier ITP areas; however
- In some of the other areas, which have not been opened up yet, the status in those areas is not known presently.

¹An Assessment of Tree Plantation Activity among Smallholders in the District of Ranau, Sabah- Walter Lintangah Corresponding author), School of International Tropical Forestry, University Malaysia Sabah

- Some of the areas which were identified to be having NCR claims presently fall within the NFM area. E.g P36, P41 were earlier non NFM areas, but were later converted into NFM areas.
- Tenom area issue of 12,463 ha is with the cabinet, especially when some of the claims could not be verified on the ground.

Further to that a series of events happened which are summarised in *Table 4.4*.

Table 4.4 *Summary of the communication and major developments pertaining to SFI concession area till 2004*

S.No.	Date	Reference	Content
1	27 th January, 1994		SFI was privatized by the Sabah Government based on a Sale-Purchase agreement through which its equity was sold to the Lion's Group of Companies. Pursuant to provisions of clause 14.2 of the Sale-Purchase agreement, the Government, divided the area covered by the Timber Licenses into three sub-parts, namely: • Industrial Tree Plantation (ITP) Areas vide JP (KSG)107/96(CO); • Tree Plantation areas under Titled Land vide No.195317803 and No.195317821; • Natural Forest Management (NFM) areas under License JP (KSG) 108/96.
2	16th Oct 1990		SFI was issued a Timber License (No. SK 7/90) by the state of Sabah for an area of 258,524 ha of Alienated Land (state land-non forest land) for timber extraction, value addition and plantation, to ensure optimum continuous yield. In the same year, SFI was also granted Timber License for 29,961 ha of Forest Land. The total concession area stood at 288,485 Ha. Apart from the Pulp and Paper unit, SFI also processed commercial wood at its Integrated Timber Complex (ITC) consisting of a saw mill and a plywood mill which was commissioned in 1999. However, the pulp and paper unit has always been the primary business unit with contributions of almost 98% to the company's total business.
3	28/1/95		In 2012, BILT invested approximately USD 250 million for the pulp mill expansion, post which the capacity of the mill was raised from 120,000 ADMTPA to 240,000ADMTPA. Presently, SFI operates across three divisions, i.e. Industrial Timber Plantation (ITP); Integrated Timber Complex (ITC); and Pulp and Paper Mill (PPM). The company's finished products which comprises of wood free fine quality printing and writing paper, sawn timber, dried veneer and plywood are sold both in the local (domestic) and as well as Export (international) Markets.
4	7/2/95 to 10/11/95	Special Committee meetings	Lands & Surveys Department was asked to provide details on area under customary rights claims. • It was agreed that only genuine customary rights claims could be considered and this would be provided for in the Licence agreement

S.No.	Date	Reference	Content
			- Verification of customary rights claims took time and SFI was requested to give the undertaking that genuine customary right claims would be recognized by SFI. The State Government would proceed to issue the Timber Licence Agreement based on this undertaking. - No details were given for SFI to check and verify. SFI requested for complete information.
5	18/11/95	SFI/FOR/1035	Letter of undertaking from SFI on recognition of customary rights.
6	25/9/96	Meeting with Chief Minister of Sabah.	SFI commented that it had not objection if the customary rights claims were genuine. Based on the map provided by Lands & Surveys Department, SFI carried ground check on some of the accessible areas and most were found to be non-genuine.
7	From 19196 to 2010		Discussion with land and Survey Department on possible excision in the SFI Concession areas.
8	20/10/2000	SFI/FOR/3013	SFI wrote to Hasil Bumi to inform that it could not agree to the excision of as the proposed excision was not based on authenticated Customary rights claims. However, SFI would agree to the excise if the Government provide another area as replacement or compensate by monetary means.
9	23/10/2000	Minutes of Meeting dd 23/10/2000	Meeting at Hasil Bumi. Hasil Bumi informed that compensation to SFI by replacement area or monetary means was not possible and other alternatives had to be found. As there were already large areas of land designated for kampong use when the SFI project was implemented, Hasil Bumi requested Lands and Surveys Department. to provide a detailed report on the status of these areas (refers to attached map).
10	26/04/2004	SFI/ FOR/	SFI wrote to Chief Minister on the background and actions which have already been taken to solve the land issues issue.
11	18/08/2010	JPHTN/ TP (FSP) 700-2/1/1/15/KLT. 2(29)	The Letter was written by Director of Forestry which primarily summarised the notes of discussion of meeting to wrap up land use zoning, Supplementary License agreement, and Land use Plan etc. - Deployment of surveyors for completion of the survey; - Observations that rubber plantation inside SFI's area (kg. Tilli, P25) by the villagers remain as status quo and not expanding.
12	2012		Boundary survey was stopped in early 2013, owing to indecision about certain areas. This was also because of the impending elections. Since then the Boundary survey could not be started again.

Source: SFI

Review of the minutes of the meeting and consultations with the Forestry department suggests that 70% of the boundary survey for the SFI concession area was completed earlier; however 30% of the boundary survey could not be completed owing to certain reasons.

There is no documented evidence or records available to suggest how the local communities and IPs engaged/consulted during the historical boundary survey. Even the engagement process (*though notice Period of 3 months mandated as per Section 12 of Forest Enactment 1968*), while the engagement process pertaining to declaration of the Forest Reserve in 1996, cannot be commented upon. Consultations with communities in Kg. Mahunsop and Kg. Malutut suggested that they came to know of these developments either because some of them were involved in the demarcation process or somebody in knowledge of these developments informed them. However, reportedly the communities were not asked to join survey field work and/or verify survey results. The process of involving communities from the perspective of engaging with the community has been undertaken by BILT reportedly, as a part of their capacity building process and engagement process.

When SFI ownership passed over to BILT, the boundary survey was again taken on priority. At this time certain other developments had taken place on all fronts, which was based on understanding and realisation of issues on the ground which had implications for SFI plantation and logging activity and SFI (BILT) wanted improved relationship with the neighbours. Some of the steps that were undertaken to in parallel to sort various issues on the ground as well as improving community relations were as follows:

- Supplementary EIA, also covering the aspects including community concerns;
- Socio economic baseline of the Kampongs in the three districts of Tenom, Sipitang, and Beaufort which also highlighted community concerns including boundary issues, land issues and interaction with SFI over years;
- Based on issues being raised over by the people having NT in the SFI area, the issue of excision was raised by SFI with Forest Department and Land and Survey Department. Though it was established that these NT land will be excised, but no affirmative action were taken on the ground which was causing a lot of anxiety among people. Consultation with the Forest Department suggested that the stand on NT land is clear and the previous stand of excising such land will be undertaken in due course of time as per the procedure laid under law. Owing to the quantum of the land having NT is small; SFI is considering not claiming any extra land for the same.

In the mean-time it was also understood that though there were a variety of claims and issues of the community pertaining to the land, it became apparent that a lot of issues relating to land and associated claims are owing to lack of clarity on boundary demarcation, and understanding of the boundary on

ground. In some of the cases, SFI team, worked with the communities and used GPS to ascertain, if the claims were inside the SFI concession area or outside. In some of the areas (30 % of the SFI area), the boundary was just not demarcated, and hence status was difficult to ascertain. It was in this context that Boundary survey was started again in 2010. Initiative was taken to bring the Forestry Department, Land and Survey Department and others to complete the survey as early as possible.

- Especially the 2/3rd of the 30 % of the remaining boundary area fell in Tenom District, and most of the claims were coming from the Kampongs in these areas.
- Chief Minister in 2000 had declared that 12,463 hectares will be excised in Tenom towards making land available for usage by the villages in that area. However no official communication was made to SFI in this regard. There has been no final decision of the cabinet on this issue. Consultations with the forest department suggest that a whitepaper needs to be submitted to the Technical Committee and needs to get the clearance of the cabinet before the final approval from the Governor; this would follow a gazette notification declaring the status of the 12,463 ha of land. This process has however been delayed owing to variety of reasons including the possibility of frivolous claims as reported in the consultations. The way forward as suggested would be on ground verification of the land issues in the Tenom region to be conducted jointly by the Forest Department and land and survey department and the findings of the same will be shared with the Technical committee as Memo. This is also one of the reasons that boundary survey is getting delayed in the Tenom District concession area.
- The boundary demarcation which started in 2010 again could cover 80 km (approximately) and was discontinued owing to multitude of reasons including the previous point and elections in 2013. Consultations with Forestry Department and SFI suggested that it will be restarted soon.

Summary of the Boundary survey meetings is provided in **Table 4.5**. The shaded portion highlights some of the key observations in the various meetings.

Table 4.5 *Summary of Meetings and updates pertaining to Boundary survey started in 2010*

Date	Matters	Remarks
17.05.2010	Forestry Department Land Survey Department SFI meeting at Forest Department office	- Sipitang area (Lakutan/Lumaku Region) including Kg. Solob, Pakiak, Tunas Baru and Pengarawan close to compartments L23, L30, L31, L32, L33 and L36 are related to boundary disputes between SFI and Kampung gazetted areas, communities in these villagers claimed that most of their land falls within the Forest Reserve. For example recent incident involving SFI survey team was blocked by communities from Kg. Slob while performing block survey at L31/L30 and the recent construction of new house at P43. - Ulu Padas area consisting of Kg. Ulu Bole/Lumampau, Meligan/Rundulang, Long Miao, Long Pasia close to compartments P2, P12, P13, P18, P20, P26, P27, P28, P43, P52, P55. Similar issues were raised pertaining to unclear boundary and current status of titled land within SFI concession (FR). Communities in these areas raised their concerns through the baseline survey, requesting the authority to give explanation and urgent solutions to the current land right problems. - In addition, communities in other areas not yet covered by baseline at Kg. Karangan, Beaufort close to L10 and others at Kg. Mendulong, Muaya, Kelangsat, Kebawang and Ganui, Sipitang has also raised similar concerns. SFI informed that titled land within the Forest reserved will be returned to land owners and will be excised from SFI concession area. However, the process will take sometimes and will be carried out step by step. On other claims, SFI stand still remained as contained in the licence agreement that, if any area is excised from SFI concession it will be either replaced (equal land contiguous to the concession) or monetary compensation by the authority.
8/3/2010	SFI Conference Room Attended by SFI Fishery Department Land Survey Department	- According to the letter from Director of Forestry the titled land in forest reserve reported by SFI were 3,429.24 ha, however in Forestry record only 1,430.00 ha. Registered title land will be excluded from boundary survey. - Discussion and brainstorming to be done on the right approach to inform the kampong people about the boundary surveys before the survey started. Forestry Department Sipitang suggested there's another meeting for this after Raya. CSR department to list all possible questions that might be expected during the dialogue sessions with the community. It was agreed to conduct a dialogue session with the kampong people where YB, JKKK and Village Head must invited to attend the briefing. - CSR SFI presented the various options to the approach of community engagement for everyone to ponder or consider.
17.05.2010	1st meeting on Monitoring Committee of Land Issues and Claims in Sipitang Forest Reserve	Presentation on land issues and forest reserve boundary survey

Date	Matters	Remarks
	Attended by Sipitang DFO & ADFO, Beaufort & Sipitang L&S, SFI.	
23.07.2010	2nd meeting on Monitoring Committee of Land Issues and Claims in Sipitang Forest Reserve	Presentation on land issues and forest reserve boundary survey
	Attended by DFO - Sipitang, MCEE - KK, MCEE - Keningau, SFI	
26.08.2010	3rd meeting on Monitoring Committee of Land Issues and claims in Sipitang Forest Reserve	Presentation on land issues and forest reserve boundary survey
	Attended by FD - HQ, FD - Sipitang, FD - Beaufort, FD - Tenom, L&S - Beaufort L&S - Keningau, SFI	
22.09.2010	4th meeting on Monitoring Committee of Land Issues and Claims in Sipitang Forest Reserve	Discussion on community engagement through briefing/ dialogue. Proposed schedule for briefing and dialogue. The agreed entry strategy for Boundary Survey was outlined as follows: 1. SFI (CSR) provide listing of kampong leaders (JKKK Chairman, JKKK Secretary, Headman) to FD 2. The surveyors provide schedule of survey works to FD 3. The respective DFO invites heads of departments, leaders in the district for a meeting at DO's office including surveyors, SFI 4. The respective DFO invites kampong leaders for a dialogue at DO's office including surveyors, SFI (SFI assists to despatch the letters to kampong) 5. FD/DO brief the community heads including surveyors on possible recruitment of villagers in the survey works 6. DFO writes notification to kampong leaders based on the boundary survey schedules 7. SFI brief surveyors on safety and CSR prior to boundary survey 8. Surveyors commence survey works at the designated area. The total area of (Native Title) Titled Land to be excluded from the boundary survey is 1,430 ha. It was informed that 70% of the boundary had been surveyed only 30% of the boundary is to be surveyed. Chairman has to explain this to the Beaufort District Surveyor so that the approval of RSP can be obtained within 2 weeks.
29.10.2010	Boundary meeting at Sipitang Forest Reserve & Ulu Padas Forest Reserve at Forestry office, Kota Kinabalu	Villagers need to write a letter of objection/appealing to Forestry Office. Briefing on survey works progress by Peter Mopilin & problem with boundary at Solob/Sipitang

Date	Matters	Remarks
17.08.2012	Sabah Forestry Department HQ Attended by Department of Fishery, SFI, Forestry department (various district), MCEE, SFM, FRM	- According to the land survey department, the total area that is supposed to be taken out from SFI concession due to land title is 3429.24 hectare but according to the information given by Department of Forestry, Sepitang and SFI, the total area is only 1430 hectare. - Any titled land will be excluded in land survey to be demarcated for forest reserved but forested state land will be included in the survey. SFD accepted the supplementary agreement for timber licence with slight variation as follows: - To take out 300 acres (121.4 ha) land title within Solob area for community forestry. The chairman also suggested an additional 300 acres (121.406 ha) within L32, 33 and 40 to satisfy the community demands and to be classified for community compartments. - Ganui FR Class 1 (which is not part of license area) will be taken out from the concession - Mendulong (L42, C41) area will be of the community forest programme. - Department of Forestry and SFI will make sure the rubber plantation inside SFI's area (Kg. Tilis, P15) by the villagers remains as status quo and not exceeding. Changes in riparian reserves: - Permanent water courses up to 5 metres width require riparian reserves of 5 metres on both banks. - Streams or rivers more than 5 metres in width require riparian reserves of 30 metres on both banks.

Source: SFI documentation records of Boundary Survey meetings, 2014

On the whole, the issues pertaining to the Sipitang Forest Reserve fall within the domain of the Forestry Department or Land and Survey Department. A lot of the issues presently are owing to non-completion of the boundary demarcation in certain areas, declaration of the Forest reserve in 1996 and validity of claims in the forest reserve, issues of community forestry, issue of titled land, lack of understanding of boundary on the ground by Kampong, lack of disclosure by FD on soft approach for fear of further encroachment, etc. while issues of opportunistic encroachment also cannot be ruled out.

Consultations with the Forestry Department and SFI management suggest that there is a tacit understanding on most of these issues between the Government Departments and SFI. The following table provides an understanding of the issues associated with the Native Claims and claims (owing to submission of land application, or by dint of use of land for a long period of time, or just claiming land for future generation) in the SFI Concession area is shown in *Table 4.6*.

Table 4.6 *Summary of the Claims in the SFI Concession Area*

S. No	Nature of Claim	Summary of Issue	SFI Current Position on issue
1.	Issued Native Titles	There were certain Native Titles already issued in the area allotted to the SFI concession area. SFI post 2007 has taken over the issues of excision of such land from the SFI concession area.	All parties acknowledge the rights of Native Titles and once the title is issued, the area is automatically excised from the concession. Therefore, it is not a land issue and has no bearing ITO livelihood mitigation. It should also be removed from the list.
2	Claims surrounding boundary demarcation	Some of the claims pertaining to the SFI concession area date back to late 1980s when the demarcation of the boundary on ground was started for the first time in the area (which is presently the SFI concession area). In some of the cases such claims were not responded to for years. Such claims still claimed by the families together (though with increased family members claim has increased the number of the applicants for the land falling within the SFI concession area. The boundary survey of the 70 percent of the concession area was undertaken in 1990 or late 80s. However this ongoing process was stopped owing to multitude	The valid claims, if any will be dealt as per the guidance of the Land and Survey Department and the provisions of Timber licence Agreement signed by SFI and the Government.

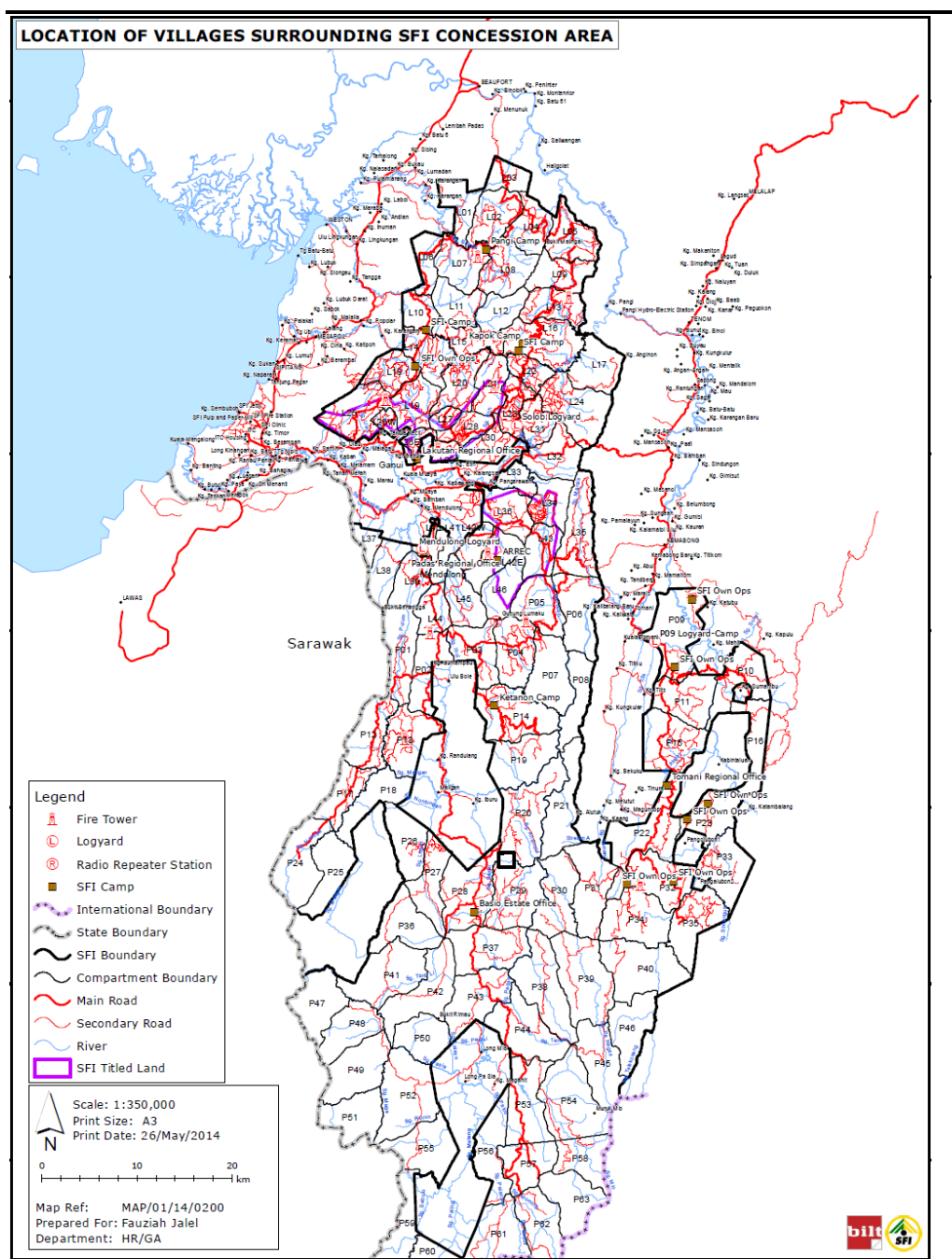
S. No	Nature of Claim	Summary of Issue	SFI Current Position on issue
		of reasons including opposition from Kampongs. Since BILT took over in 2007, there was a renewed attempt to complete the 30 percent of the remaining concession boundary. Review of the minutes of the meeting (joint meetings of Forest Department, Land and Survey Department and SFI from 2010 to 2012) suggests that sizeable attempts were made to complete the survey jointly including opening up communication channel.	
3	Land Applications & Opportunistic Encroachment including:	There are also claims from the community in terms of usage of land within the concession area for the purposes of cultivation over a number of years. These claims include those who have filed a land application for a title on the land in question as well as those who have been unable to do so as the land was declared a forest reserve. Most of this land is presently being used for cultivation by the applicants. This is on the basis of a common understanding between the Forest Department and the land and survey department that such opened up areas by the individuals with plantation or paddy crops should be left as it is, albeit without titles or legal rights.	a. Existing crops and some structures – Illegal but dealt with soft approach. May trigger livelihood mitigation when area reverts to SFI through FD action. b. Land Clearing, “unworked” areas and land for future generations – Illegal and might trigger livelihood mitigation in some cases.
4	Perhutani (Community Forestry) claims- not exactly land issues	There are also claims pertaining to the issues akin to community forestry based on the interpretation and understanding of the community of their rights (e.g. the claims in the village Mendulong). According to the information made available it is understood that SFI had initiated a program of community forestry, in which SFI would facilitate the local community undertaking plantation activities in the concession area, and would pay the community wages for the activity and harvest the timber at	There is no claim to the land, only the timber, dealt with on a case by case basis, commercial compensation may take place.

S. No	Nature of Claim	Summary of Issue	SFI Current Position on issue
		the end of 7 years. When SFI was sold to Lion's Group there was no closure to the Community Forestry project, this resulted in a case of conflict with the community viewing the land and plantation as their property. SFI has treated this as an isolated case and has agreed to pay compensation to the community with an agreement that community forsakes all rights on the piece of land.	

The details of the claims and the existing known status are provided in *Annexure 5*.

This section provides an overview of the socio-economic baseline profile around SFI's concession area in the state of Sabah, Malaysia. The socio-economic baseline drawn from secondary and primary sources, describes the prevailing status of demographic trends, ethnicity, livelihood profile and infrastructure access across a study area of 22 villages (primary survey May 2014) within the districts of Sipitang (13 villages), Beaufort (3 villages) and Tenom (6 villages).

Figure 5.1 *Location of Villages around SFI's concession area*



*Source: SFI

In addition to available secondary information on the province of Sabah and the Population and Housing Census of Malaysia (2010), the description of the socio-economic baseline has utilised the community profiles from SFI's baseline studies in 2007-2012, for Kampongs (Tenom district, 2007 and, Beaufort and Sipitang districts, 2012) that have either a shared boundary with Forest reserve or are located in the close proximity of it. This information was supplemented with the primary survey of villages undertaken in May 2014 as described in the Approach and Methodology in *Chapter 2*.

5.1 SOCIO ECONOMIC CONTEXT IN THE STATE OF SABAH

5.1.1 Demographic Trends

Sabah is the second largest state in Malaysia with a total population of 3,206,742 (Population and Housing Census in 2010) and an area of 73,902 km². The share of Malaysia's population in the state of Sabah doubled from 5.6% in 1957 to 11.5% in 2005. Consequently, the density of population also increased from 23 persons/ km² in 1991 to 43 persons/km² in 2010. Key demographic indicators for the state of Sabah and the districts of Sipitang, Tenom and Beaufort are provided below:

Table 5.1 Population Growth

Statistic/Year	Sabah	Beaufort	Sipitang	Tenom
1991 (Town Planning Department)				
Population	1,734,685	48,742	24,349	37,954
Total Households	337,002	9,133	5,283	7,311
Household Size	5.1	5.3	4.6	5.2
Rural Population	1,158,359	48,742	24,349	37,954
2010 (Population and Housing Census)				
Population	3,206,742	64,340	34,862	55,553
Sex Ratio	941	964	986	943
Number of Households	533,374	11,727	17,312	26,963
Household Size	6.0	5.5	2.0	2.1

*Source: <http://www.townplanning.sabah.gov.my/iczm/Reports/Coastal%20Profile%20Sabah/ch08/08-SOCIO%20ECONOMIC%20BACKGROUND.html>; Population and Housing Census (2010)

UNDP's Forest Management Report (2008) attributes the rapid population growth in Sabah to the relatively high fertility rate of the indigenous communities and the high levels of international labour migration from southern China, from Sulawesi and Kalimantan in Indonesia, and from the islands of the southern Philippines. From 1990 to 2000, many labour migrants that were working on the state's oil palm plantations and timber industry have become Malaysian citizens.

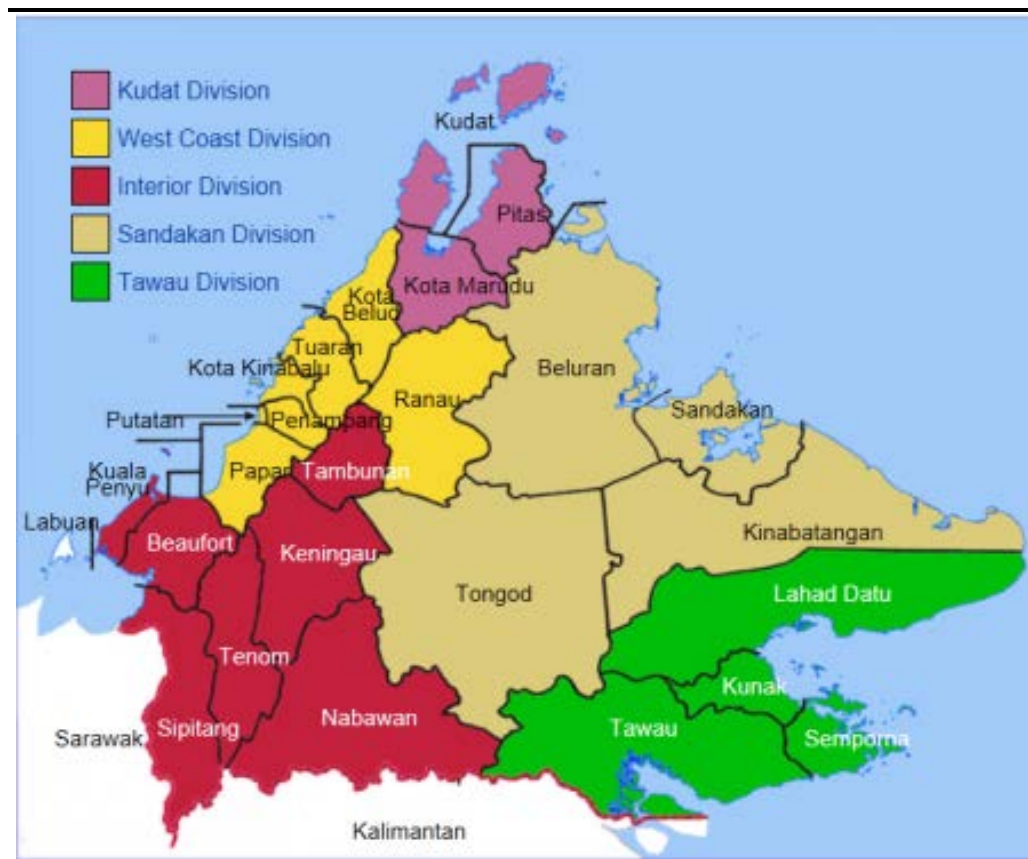
Administrative Divisions

Prior to the formation of Malaysia in 1963, the North Borneo interim government submitted a 20-point agreement to the Malayan government as conditions before Sabah would join the Federation and on the conditions that these state rights were

safeguarded. These state rights included issues such as forest management, land management, immigration and religion. Thereafter, Sabah hence entered Malaysia as an autonomous state.

Administratively, Sabah consists of five administrative divisions, which are in turn divided into 25 districts. Sabah is headed by the Governor who is also the ultimate decision authority on any aspects related to the 20-point agreement, including land and the excision of land. The Chief Minister and the Cabinet are the executive authorities under the Governor, followed by the District Administration. Each district is headed by a District Officer.

Figure 5.2 *Administrative divisions in Sabah*



Source: <http://upload.wikimedia.org/wikipedia/commons/0/01/Sabah-Divisions.png>

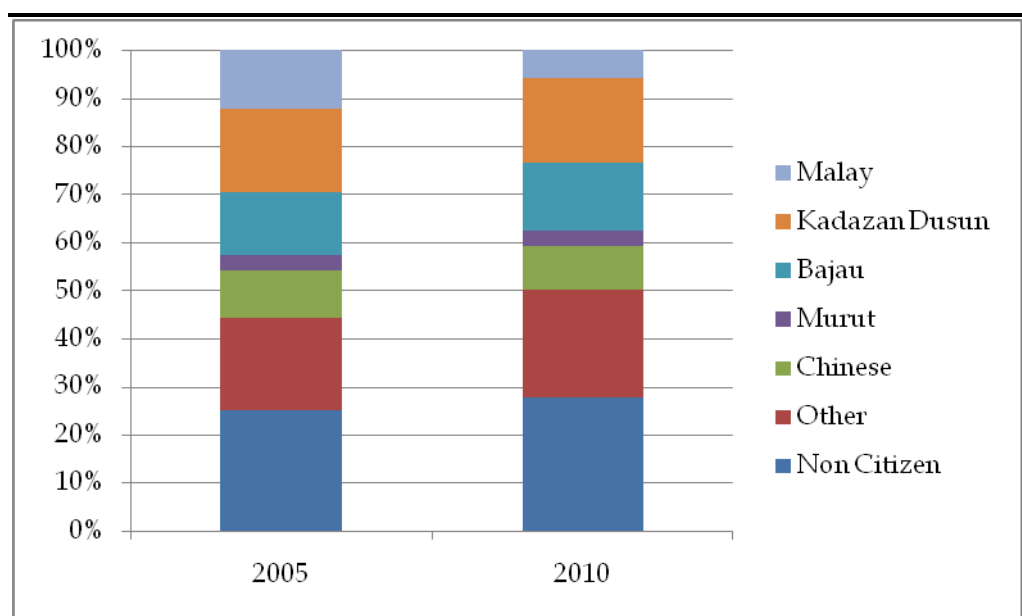
Ethnic Composition

The people of Sabah are ethnically more diverse than the population of Peninsular Malaysia. The Population and Housing Census (2010) indicate that 50% of the population is made up of the three major groups of the Kadazan-dusun, Murut and Bajau and 'Other Bumiputera'.

In Sabah there are 39 major ethnic groups that include the Murut, Kadazan-dusun, Lundayeh, Bisaya, Brunei, Kedayan, Iban, Chinese and Bugis. These together make up 61.22 % of the State's total population.

The indigenous people or “Orang asal ⁽¹⁾” comprise many distinct groups with differing characteristics and settlement patterns. The largest indigenous community, the Kadazans/Dusuns, are mainly Christians. The Bajaus are a predominantly Muslim community located along Sabah’s east and west coast in Kota Belud, Petagas and Putatan. The Bajau community is nomadic in nature and are primarily engaged in fishing and smallholding farming.

Figure 5.3 *Ethnic Composition of Sabah (2005 and 2010)*



*Source: UNDP (2008) and Statistical Handbook of Malaysia (2012)

The Non-citizens in the above figure are primarily comprised of migrants from countries such Indonesia, Philippines, Sri Lanka, India, Nepal etc. these non-citizens while residing within Sabah are differentiated from the local population in regards to the fact that they are mostly there on a work visa (usually 2-3 years) and in the limited rights in terms of ownership of land and property in the state.

The Chinese mostly arrived during the period of British colonial rule and are mainly located in and around the main urban areas. The ‘Malay’ category included *Bugis* groups whose migration can be traced to the post-World War II period or earlier, to work in logging camps and in the 1960s in the oil palm plantations of Sabah.

5.1.2 *Natural Resources*

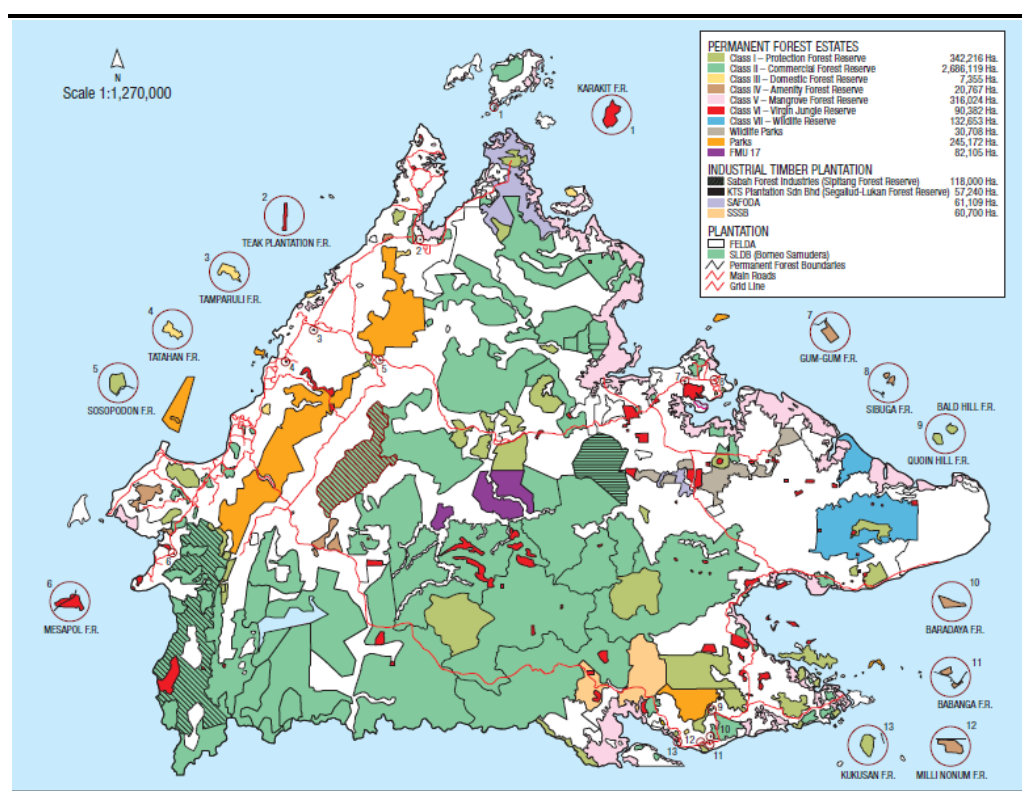
Geographically, Sabah has a coastline over 1,440 km in length along two-thirds of its borders with the South China Sea to the north-west, the Sulu Sea to the north-east and the Sulawesi Sea to the south-east. Sabah also has over

(1) The Malay language term “Orang Asal” is often used by indigenous peoples of Malaysia as a collective term to refer to the Orang Asli of Peninsular Malaysia and the natives of Sabah and Sarawak. This term is accepted and used by the Human Rights Commission of Malaysia, but there is still some debate among the government agencies.

497 islands including Malaysia's only oceanic island (*Sipadan*). The topography can be described as rugged with cultivated coastal plains, while further inland areas constitute forests and mountain ranges. For the most part, alluvial plains are succeeded inland by undulating hill country and a sharply rising mountainous interior. Most of the state's settlements, road and river transport network is concentrated within the river valley flood plains and coastal plains.

As of 2005, 59% of Sabah's land mass of 7.34 million hectares was covered with forest. Sabah's forest reserves are an integral part of the 20 million hectares of equatorial rainforests demarcated under the 'Heart of Borneo' tri-government (Malaysia, Indonesia and Brunei Darussalam) initiative aiming at conserving and managing the tropical forest biodiversity sustainably. The composition of Sabah's forest (known as forest estate) is classified into seven classes as illustrated below.

Figure 5.4 *Forest Reserves in Sabah*



*Source: UNDP (2008)

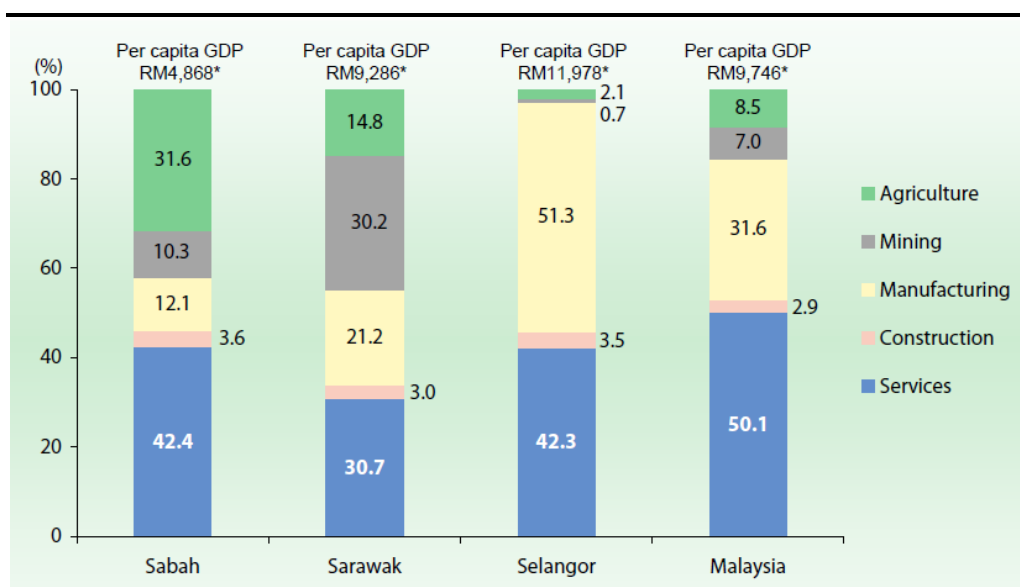
UNDP's Forest Management Report for Sabah (2008) has noted that over the last 30 years, Sabah has experienced rapid economic growth relying heavily on its forest resources to finance its socio-economic development programmes. There has been an acceleration of forest conversion, particularly outside the forest reserves, as well as forest degradation within the forest reserves associated with overharvesting of resources.

Sabah's economy records an annual average growth rate of 4.7% between 2008 and 2012 (Department of Statistics, Malaysia). Agricultural production has become increasingly based on oil palm plantations and logging, and to a lesser extent on rubber and other crops; however in many of the kampongs covered in the primary survey, rubber plantation is still the preferred cash crop with better returns. Among agricultural sectors, the gross value of crops and livestock accounted for RM 11.3 billion (Department of Statistics Malaysia, 2009).

Sabah has large oil and gas reserves that are being utilized, but has attracted only modest levels of investment beyond this sector and plantation agriculture. The manufacturing sector is very small and has tended to concentrate on natural resource-based industries.

In recent decades, forests have provided an important source of revenue for the state, contributing in excess of 50 percent of the state total from the 1970s through to the early 1990s. In 2006, total forest revenue was RM 505 million, contributing 22.3 percent of Sabah's total revenue, and generating approximately 47,200 jobs (UNDP, 2008).

Figure 5.5 *Contribution to GDP by economic activity (2004)*



*Source: UNDP (2008) <http://www.undp.my/uploads/SabahHumanDevp.pdf>

As can be seen from the above graph, the Sabah economy is characterised by a significant share of agriculture and service industry with the mining sector being the lowest, with only 10.3% of the per capita GDP being contributed by the sector. In comparison to the states of Sarawak and Selangor, Sabah has the highest proportion of agriculture and service industry, though the same is lower than the share of the industries at the federal level.

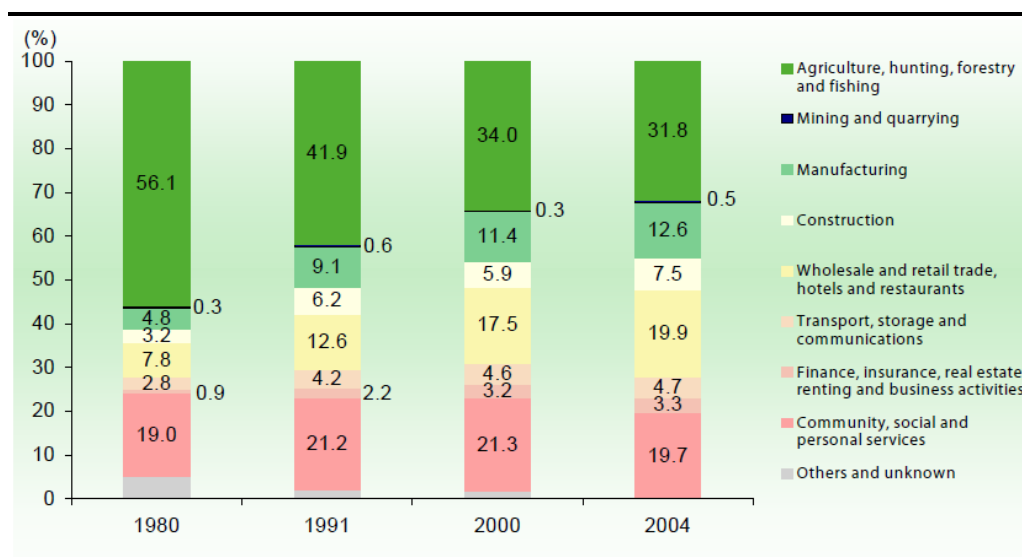
The plantation and commodities sector, comprising oil palm, rubber, timber, cocoa, pepper and tobacco has contributed significantly to Sabah's economic development for the past 30 years. The sector has become one of Malaysia's major exports earnings. Exports values of these commodities and commodity based products in 2012 constituted 18.2 per cent of total export earnings. Within these exports, palm oil accounted for 4.3 percent of Malaysia's GDP ⁽¹⁾. Although Sabah's oil palm industry is flourishing; it relies heavily on low-cost immigrant labour from Indonesia to maintain its competitive advantage.

Employment Profile

The labour force in Sabah has seen an annual increase to 1,579,800 in 2012. The labour force participation rate has also increased. However, as indicated subsequently, the distribution of employment population by industry has been undergoing a change. The proportion of persons engaged in agricultural occupations has declined as urban areas have grown. Urbanization on a small scale has been concentrated in Kota Kinabalu and Sandakan.

The Agriculture, forestry and fishing sector has been recording a decline of employed persons from 1990 to 2004. In 2004, the sector accounted for 1.41 million as compared to 1.61 million persons in the previous year. Sabah recorded the third highest percentage of migration rate at 3.5% for the period 2010–2011. Majority of the migrants contributed to the intra-state movement at 2.9 per cent, while the inter-state migrants and international migrants at 0.4 and 0.3 per cent.

Figure 5.6 *Employed Population Distribution by Industry in Sabah*



*Source: UNDP (2008) <http://www.undp.my/uploads/SabahHumanDev.pdf>

With the passing of the peak of the timber boom of the 1970s to early 1990s, lack of effective economic diversification, and low investment, unemployment rates rose to about 6 % in 2000–2005. With the launch of the Sabah

(1) http://humanityunited.org/pdfs/Modern_Slavery_in_the_Palm_Oil_Industry.pdf

Development Corridor (SDC) program, there has been an impact on the unemployment rate which reduced to 4.9% in 2008.

Box 5.1

Sabah Development Corridor

The Sabah Development Corridor (SDC) is an initiative from the Prime Minister of Malaysia to achieve the objectives of economic growth, bridging the urban-rural divide and ensuring the sustainable management of the state's resources. By 2025, the SDC initiative aims to triple Sabah's Gross Domestic Product (GDP) per capita and increase its GDP by four times through the implementation of the prioritised programmes. In total, more than 900,000 new jobs are expected to be generated during the SDC implementation period. The main implementation authority of the SDC is the Sabah Economic Development and Investment Authority (SEDIA) in Kota Kinabalu that has been approved through an enactment on 26th February 2009 by the Sabah State Legislative Assembly. Some of the key development projects that have been planned for the districts of Beaufort, Sipitang and Tenom include: (a) the establishment of power plants such as Kimanis; (b) the Sipitang Oil & Gas Industrial Park and terminal; (c) Sabah Agro-Industrial Precinct in Beaufort; and (d) Development of the Interior Food Valley in Tenom. Another flagship project in the SDC is the Keningau Integrated Livestock Centre (KILC) that has planned to increase the breeder population in Sabah by enabling the selection of high-yield traits in both beef and dairy cattle. In terms project allocation, in accordance to the SEDIA Annual Report for 2012, a total of 38% of the budget has been allocated towards infrastructure development, 22% towards the development of agriculture and approximately 34% towards the manufacturing sector.

*Source: <http://www.sedia.com.my/>

Agricultural Development

The agricultural sector has expanded for small-scale subsistence farming and estate-type plantations. There has been a concerted government effort towards commercialising the agricultural sector towards cash-cropping systems. The strategy for modernisation of Sabah's agricultural sector has involved the foundation of large settlement schemes in an attempt to increase rural development and crop diversification – the Sabah Rubber Fund and the Federal Land Development Authority being the main implementing agencies.

Sabah has thus seen an introduction and spread of new crops like cocoa, coconut, rubber and oil palm; the latter currently being the most important economically and in terms of area. This has been promoted through training, seedlings, fertilizers at the village/kampong levels through agencies such as the Department of Agriculture and Rural Development Corporation (KPD).

In conjunction with the Vision 2020 strategy, the state of Sabah has put forward a new proposal for further development of the agricultural sector into a fully developed intensive and commercial farming sector (Second Sabah agricultural policy, 1999-2010). This is to be achieved through strategies for optimal utilization of agricultural resources and promotion of agro-based industries, research and efficient marketing systems.

Sabah is one of the states in Malaysia with the highest incidence of poverty. According to the Seventh Malaysia Plan, household poverty¹ is at 22.1% in Sabah. Compared with the other states of Malaysia, poverty and inequality are by far the most severe in Sabah, which has experienced modest growth rates in GDP compared to the national average, and in relation to its rapid population growth. The rural indigenous communities in Sabah remain Malaysia's most impoverished groups, despite the abundance of natural resource wealth, including forests and oil and gas. These communities have not benefited noticeably from the New Economic Policy's affirmative action provisions (Leete, 2007).

Key Contextual Information for the state of Sabah:

- The density of population which has increased from 23 persons/ km² in 1991 to 43 persons/km² in 2010. In the same period, there has been a decline in the household size in the districts of the study area. For instance, for Sipitang, the household size declined from 4.6 in 1991 to 2.0;
- The ethnic composition in Sabah has shown increased diversity due to in-migration from Indonesia and the Philippines. Some groups that have shown an increase from 2005 to 2010 include non-citizens, whereas groups such as the Malays and Muruts have shown a decrease;
- There has been an acceleration of forest conversion, particularly outside the forest reserves, as well as forest degradation within the forest reserves;
- The Agriculture, forestry and fishing sector has been recording a decline of employed persons. The proportion of persons engaged in agricultural occupations has declined as urban areas have grown;
- Agricultural intensification has witnessed rapid changes since the introduction of new crops like cocoa, coconut, rubber and oil palm.

5.1 SUMMARY OF THE SOCIO-ECONOMIC BASELINE PROFILE FOR THE STUDY AREA

This subsection provides a summary of the socio-economic profile of the community in the study area, which is discussed in detail in the following sub sections.

The Kampongs in the vicinity of the study area are characterised by a low population density and a favourable dependency ratio. The predominant ethnic groups comprise of Kedayan, Muruts (Tagal and Kolov), Kadazan-Dusun, Lundayeh, Malay, Philipino, and Chinese. While presently 76.76% of the population ⁽²⁾ is reported to have at least some education up to primary school, the proportion of the population with higher education has been

¹The poverty levels in Malaysia are measured through the concept of absolute poverty, and are defined by reference to a threshold poverty line income (PLI). The PLI is based on the minimum standard of living a household ought to enjoy in terms of an index based on food and non-food components. The proportion of households living below this threshold PLI determines the poverty rate. Households are deemed to be living in hardcore poverty if their total income is below the food component of the PLI

(2) This statistic refers to the population covered by the household survey in Sipitang and Tenom

increasing over the last 2 decades. The younger population is increasingly pursuing higher education in colleges and technical institutes.

This has been accompanied by a shift in the livelihood profile of the community, with the younger generation showcasing a preference for employment in the service sector and migrating to the cities such as Kota Kinabalu, Sandakan and Kuala Lumpur. The agricultural practices have also undergone a significant change in the last two decades, with rubber and coffee being introduced in the area in the 1970-80s followed by palm oil. Apart from this, a number of activities such as fishing and timber logging have undergone a process of organization. Another important trend reported in the area is in terms of the residential structures, with the number of concrete houses increasing in number over the last two decades.

These trends are in part seen as the result of a larger process of change in the districts witnessed in the last 2-3 decades. This process of change has been attributed to the development of infrastructure and connectivity in the region with the rest of the state. This has allowed the younger generation to not only pursue employment opportunities in the city but has also allowed for higher education opportunities to be accessed by increasing number of students.

Another important change has been the organization of activities such as fishing and timber logging. Prior to the demarcation of the forest boundary and SFI operations, these activities were undertaken on the basis of convenience. However, over the last two decades, a reduction in available resources and the reducing ease of access of the same has resulted in a reduction in the number of households undertaking these activities and an organization of the same in terms of allocating areas and months in which these can be undertaken, for eg, the *tagal* system in fishing. SFI operations have resulted in a reduction in the overall area available for provisioning of timber for the community. On the other hand, through the CSR initiatives, SFI has made an effort to assist in the systematization of activities such as the *tagal* system, handicrafts etc. with the aim of allowing the community to receive maximum benefits from such activities.

5.2

PROFILE OF THE COMMUNITIES

The description of the socio-economic baseline profile is to be considered in the context of the following limitations:

- The Population and Housing Census (2010) information at the village level in Sipitang, Beaufort and Tenom was not accessible in the public domain;
- SFI was able to facilitate a prior communication of less than one week for a majority of the villages that were included in the sample. This posed a constraint in the number of persons that were available to participate in the survey;

- The survey period from 22nd May 2014 up to the 28th of May 2014 coincided with the preparations for the Harvest Festival that was to be observed from 30th May 2014 onwards. As a result, several representatives of the government departments, such as the Land and Survey Department, were not available;
- The participation and availability of the local community in the villages chosen for the sample survey was dependent upon their involvement in social events such as weddings, festivals, funerals or even on political meetings in Sipitang or Beaufort towns.

Overall, 22 *kampongs* (villages) have been covered under the primary survey either by way of community surveys, household surveys and/or focused group discussions as summarised in the subsequent table. The household survey for 52 families was carried out across fifteen Kampongs in Sipitang and Tenom districts. The total population covered in this survey stands at 343:

Table 5.2 **Primary Data Collection**

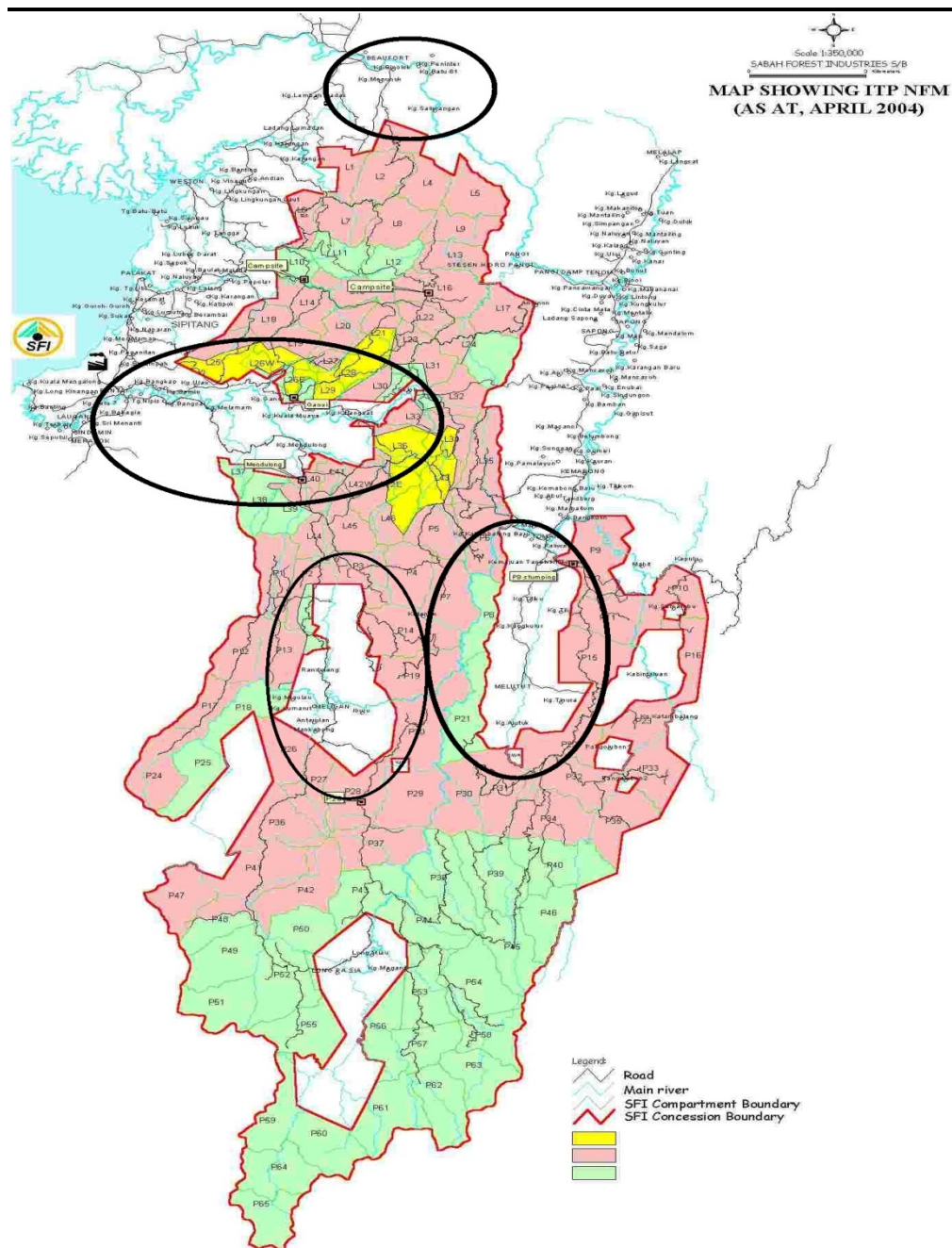
S. No	District	Kampong	Community Profile and Focus Group Discussions	HH survey
1	Beaufort	Haligolat	Community profile	0
2	Beaufort	Saliwangan	Community Profile	0
3	Beaufort	Karawangan	Community Profile	0
4	Sipitang	Meligan	Community Profile	3
5	Sipitang	Ulu Bole	Community Profile	0
6	Sipitang	Rundulang	Community Profile	0
7	Sipitang	Bamban	Community Profile	0
8	Sipitang	Kebawang	Community Profile and Women FGD	3
9	Sipitang	Mendulong		9
10	Sipitang	Kuala Muaya	Community Profile	0
11	Sipitang	Kaban	Community Profile	1
12	Sipitang	Solob	Community Profile	1
13	Sipitang	Tunasbaru		1
14	Sipitang	Pangarawan		2
15	Sipitang	Pakiak	Community Profile and women and youth group FGD	1
16	Sipitang	Kelangsar	Women FGD	5
17	Tenom	Bekuku	Community Profile and Women FGD	7
18	Tenom	Kaang		2
19	Tenom	Melutut	Community Profile and Ethnic Group FGD	1
20	Tenom	Alutuk	Community leaders FGD	9
21	Tenom	Magunsop	Community Profile and Women FGD	3
22	Tenom	Tenura	Community Profile	4
Total		22 villages	16 Community Profiles and 8 FGDs	52*

Source:ERM Survey, 2014

*Note: This includes surveys of both individual and representative of groups of applicants

The following figure depicts the areas where the surveys and consultations were undertaken, in the three districts of Beaufort, Sipitang and Tenom.

Figure 5.7 Study Area



Note: Circles showing location of Kampongs where study was undertaken

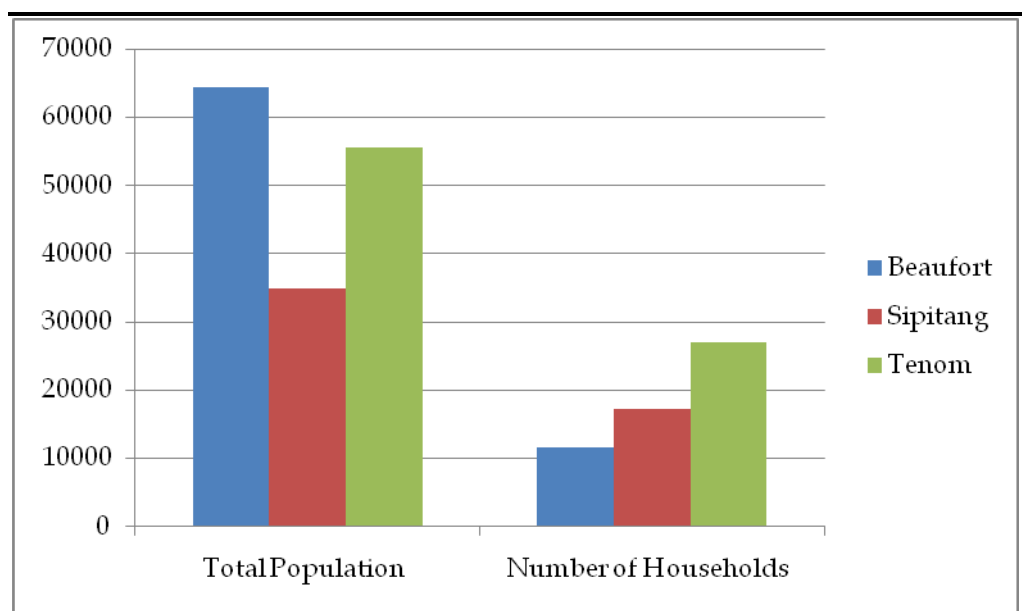
Through these samples an attempt was made to cover the kampongs within the vicinity of the concession area, covering all three districts of Sipitang, Tenom and Beaufort. While the kampongs closest to the concession area and having the most interaction with SFI, certain kampongs could not be covered as part of this survey, such as the Kampongs of Long Pa sai and Long Mio, due to accessibility, distance and weather condition-(floods) and short notice especially as the harvest festival was ongoing

5.2.1

Population and Number of Households

The total population across the three districts in the study area was approximately 154,755 in accordance to the Population and Housing Census (2010). Beaufort is the most populous district, followed by Tenom and Sipitang. The average household size varies from 2.1 in Sipitang to 5.5 in Beaufort. The average household size is less than that of Sabah at 6.

Figure 5.8 *District Population (2010)*



*Source: Population and Housing Census (2010)

The following table indicates available information on the total population and number of households for the kampongs in the study area.

Table 5.3 *Demographic Profile of the Kampongs (2013-14)*

Kampong	Year of Formation	Population	Households
Beaufort district			
Haligolat		312	NA
Saliwangan		545	NA
Karawangan		262	NA
Sipitang district			
Meligan	1911	1000	90
Ulu Bole		368	79
Rundulang		280	40
Bamban		470	62
Kebawang		263	35
Mendulong		422	NA
Kuala Muaya		345	200
Kaban	1960	200	30
Solob	1968	250	41
Tunasbaru	1968	NA	NA
Pangarawan	1970	310	30
Pakiak	After 1954	NA	NA
Kelangsar		500	NA

Kampung	Year of Formation	Population	Households
Tenom district			
Bekuku	1950	505	67
Melutut	1960	392	27
Alutuk and Kaang	1961 (AT) and 1964 (K)	382	92
Magunsop	1979	287	42
Tenura	1979	493	61

**Source: Native Court (2013) and ERM Primary Survey (May 2014)*

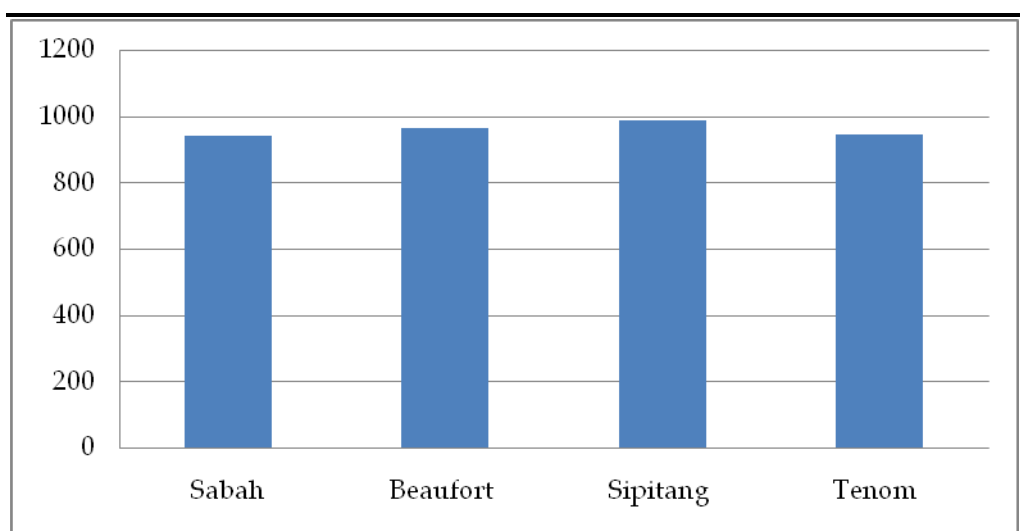
5.2.2 Vulnerable Groups

The vulnerable groups in the study are identified as individuals who due to their socio-economic status are more vulnerable to being disproportionately affected by the project activities such as old aged, women and disabled who may be disproportionately impacted due to their socio-economic status. Keeping in mind the dependence upon land resources within the community, the community members whose entire land or a significant portion of it falls within the SFI boundaries and have major dependence on that area for their livelihood, have also been identified as vulnerable groups in regards to the project. These groups are discussed in some detail in the following subsections.

5.2.3 Gender

The sex ratio indicated by the household survey is 928 females per 1000 males. This is lower as compared to the sex ratio at the district level or for Sabah as a whole which stands at 941 females per 1000 males. The sex ratio in Sipitang district is the highest among the other districts, at 986, in spite of the high in-migration of foreign male workers to the area.

Figure 5.9 Sex Ratio (2010)



**Source: Population and Housing Census (2010)*

Most women are engaged in household chores; however, in terms of division of labour, they are involved with both agriculture (paddy, vegetable growing), and plantation activities (rubber planting and tapping, tending to fruit trees,

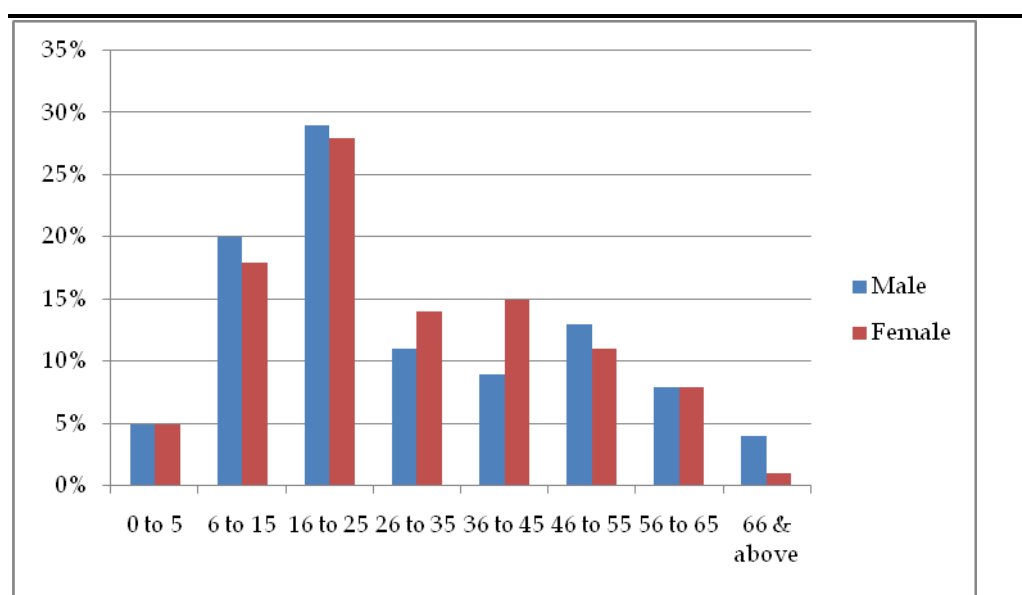
harvesting etc). Other than hunting, women and men shared all cultivation and livelihood related activities. The decision making in terms of the crop to be cultivated is based on a mutual decision from both women and men. Women are now exploring options of income through handicrafts.

At a kampong or village level, the men seem to play a more influential role in decision making or community-level matters. Positions like the JKK and the headman are generally male.

5.2.4 Age Group

Age wise distribution of surveyed population as depicted in *Figure 5.10* shows that people in the age group of 16 to 25 records maximum proportion. This shows the trend of population distribution across the surveyed kampongs.

Figure 5.10 Age-Sex Distribution



Source: ERM HH Survey, May 2014

Using the above data, the dependency ratio ⁽¹⁾ for the study area is approximately 36.29%. This value is lower than that for the state of Sabah, which had a dependency ratio of 44% in 2011 as per the State Statistics Handbook (2012).

(1) Ratio of (Number of persons aged below 15 years + number of persons aged 65 years and over) in year t / Number of persons aged 15–64 years in year t) * 100

The villages in the study area all have a traditional leadership structure that is led by the Ketua Kampong and JKKK chairman. The JKKK is a politically appointed committee that is set up to look after development and security. A majority of the villages within the study area are officially recognised by the district office as they all village heads and JKKK Chairs assigned to their respective villages. In some cases, such as Kelangsat and Pangarawan (Sipitang) or Alu Tuk and Kaang (Tenom), the village headman and JKKK Chair are the same.

Some villages also have the WKAN (wakil ketua anak negeri) and KAN (ketua anak negeri). The organisations found in these villages are mainly from religious groups such as the mosques and church groups. Besides these government appointed leaders, the villagers also look up to leadership found within the religious structure, those who are working as teachers, government servants as well as former appointed leaders that have retired. Although some women leaders have come up within the church structure, there is still a big gender gap in leadership.

*Source: PACOS Community Survey

5.2.5

Social Stratification

A majority of the population across the kampongs are from the Murut ethnic group. The ethnic background of the people covered in households survey reflects that 71% of the surveyed people are from Murut community, 21% of the surveyed people belonging to Lundayeh community. It is reported that these two ethnic groups comprise of the biggest groups in the three districts, albeit with variations across the kampongs on the proportion of population represented. The religious practices of the surveyed population reflect that 97% people are Christian and the remaining 3% are Muslims. It is understood that the Muslim community is sizeable in the semi-urban and urban areas of the districts. The major languages spoken in the community include Malay and Murut. While most of the communities mostly communicate in their local languages such as *Lundayeh* or *Murut*; most of the community members have at least a basic understanding of the *Malay Bahasa* and are able to communicate in the same.

Table 5.4

Social Groups in the Kampongs

Kampong	Main Ethnic Groups	Main Languages
Solob	Murut, Dusun, Lundayeh	Malay, Murut
Rundulang	Murut Tagal	Murut Tagal
Ulu Bole	Murut, Dusun	Murut Tagal
Bamban	Lundayeh, Murut Tagal	Lundayeh
Kebawang	Murut Tagal	Murut Tagal
Bekuku	Murut Tagal	Murut Malay
Alutok (and Kaang)	Murut Tahol, Lundayeh, Kadazan Dusun	Murut, Tagal
Batu 66 (Hologilat)	Chinese, Murut, Kadazan, Dusun	Basah, Malay, Murut, Kadazan, Dusun
Tenura	Murut	Murut and Malay
Melutut	Murut, Kadazan Dusun, Lundayeh, Philipino	Murut, Malay
Mahunsop	Panglubon	Murut + Malay
Kuala Muaya	Murut Tagal Lundayeh Dusun, Bajau, Chinese, Australia	Murut Tahol, Malay, Australia

Kampong	Main Ethnic Groups	Main Languages
Kaban	Lundayeh, Murut, Dusun, Malay, Chinese	Lundayeh, Malay
Pakiak	Murut Kolov Murut Tagal – Chinese, Malay & Dusun	Murut & Malay
Maligan	Murut, Kadazan Dusun, Lundayeh, Philipino	Murut tagal, Dusun , Lundayeh, Bajau, Chinese

*Source: Community Survey, 2014

There are 9 ethnic groups living in these villages. They are: Dusun, Murut, Lundayeh, Malayu, Iban, Kedayan, Brunei, Bugis, Bisaya and Chinese. The Chinese, Malayu, Brunei, Bugis and Bisaya are found in small numbers. The rest of the ethnic groups have a collective identity as ‘Kadazan-dusun’. A short description of traditional socio-cultural leadership of the three prominent ethnic groups around SFI’s concession area is provided below.

Kadazan-dusun

Each Kadazan village is headed by a village head or Orang Tua. The village head managed the community affairs with the help of a team of other respected and elderly community members (*Mohoingon Tangabaa*) who advise the headman on *adat* (customs). The priestess (*Bobohizan*) played an important role in the community life. She gave advice on matters related to beliefs, customs and *sogit*. The membership to a village was voluntary and members were free to leave it and join another if the village headman of the other village was willing to receive him. The village head who is in the charge of overall administration of the village presided over community meetings and hearings.

Murut-Tagol

Similarly, Murut-Tagols lived in small clusters and formed a kampong under a headman. There was no supreme head of the group, each kampong head was treated equal. Hence, they consulted each other wherever required and did not order^[2]. The position of the headman was not hereditary. Persons interested for the position need to express their interest and the final decision is based on the choice of the community. The headman settled all violation of *adats* for his own kampong. All matters with neighbouring friendly communities are settled through the mediation of headman.

Lundayeh

Lundayehs are believed to be indigenous to highlands of North Kalimantan and Southwest of Sabah. Lundayehs means *upriver people* or *people of the interior*. Lundayehs also live in clusters and elect a headman who administers the *adat*. The membership to a particular village community is voluntary. One

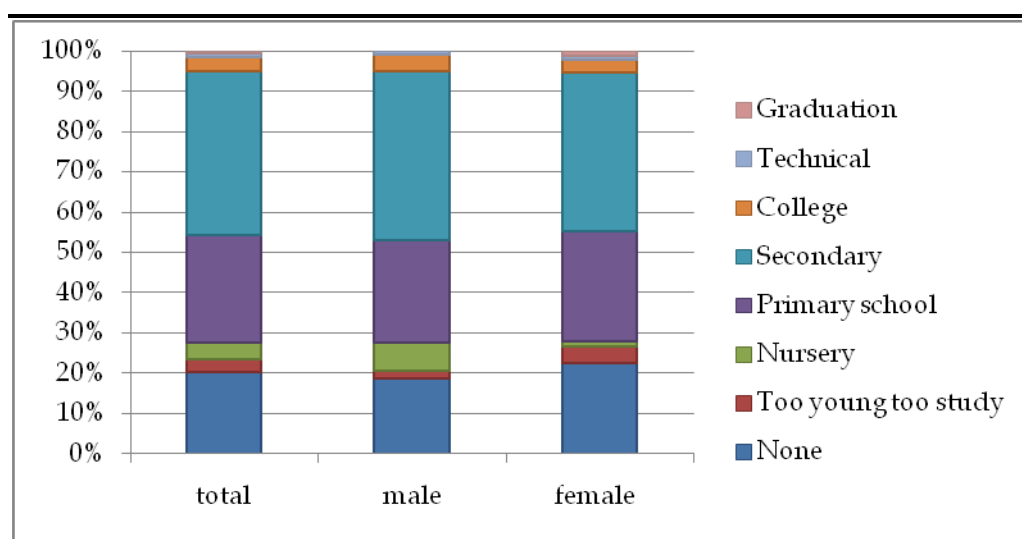
^[2] G.C. Woolley, The Timogun Muruts of Sabah, Natural History Publication (Borneo), Kota Kinabalu (2004), p.15.

needs take the permission from the village community through the headman to live within it. The permission to live with a community depends on the personal reputation.

5.2.6 Education level

The kampongs surveyed are reported to be characterised by a high level of literacy, especially amongst the younger generation, with most of the population having at least primary schooling. This is in keeping with the trends at the Sabah state level, which has 60% enrolment rate for the age groups of 6-18 years (2011). The literacy rate has increased over the last two decades, and is mostly attributed to an increase in connectivity and communications as well as the opportunities created by the presence of companies such as SFI and now Petronas. Of the households covered in the survey, 76.76% have at least some education up to primary school, with 40.81% of the population having secondary education and 5% having pursued higher education.

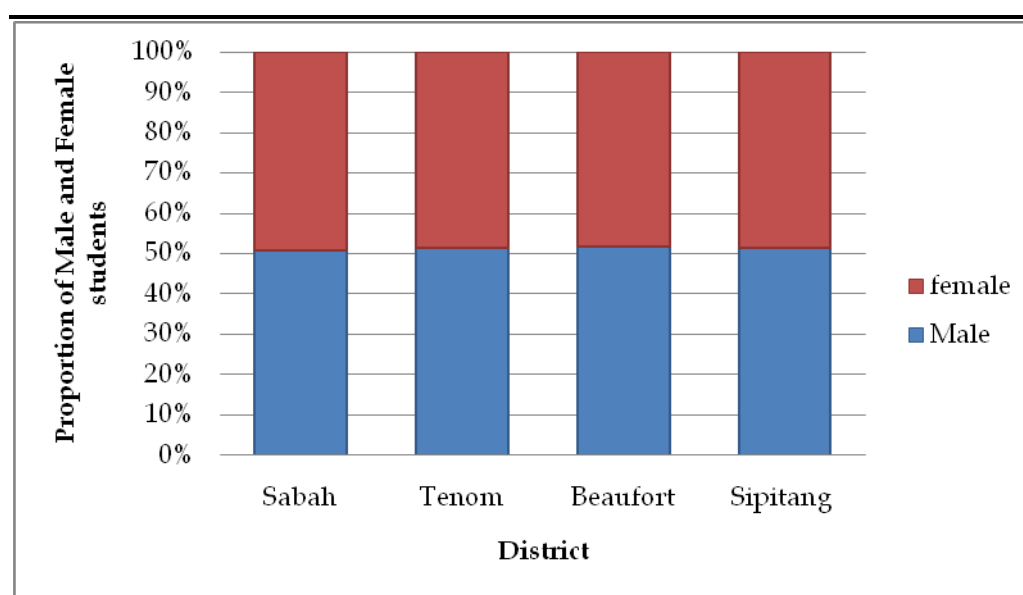
Figure 5.11 Educational Attainment Levels



*Source: ERM HH survey, May 2014

The education levels of the women population are observed to be comparable to that of men. While 22% of the women population are reported to have no education, the same for men is 18.5%. Furthermore, while the proportion of women with primary education (27.64%) is higher than that of men (25.5%), the proportion of women with secondary education (39.4%) is lower than that of men (42%). However, the proportion of women with higher education (college, technical and graduation) is approximately 5.3%, which is higher than that of men; which is 5%. This is attributed to the largely equal opportunities provided to boys and girls in terms of education.

Figure 5.12 *Boys and Girls School Enrolment Rates for Sabah (2011)*



**Source: Department of Statistics, State/District Data Bank, Malaysia, 2012*

The overall low proportion of population with higher education is attributed primarily to the distance at which such education services is available, and not necessarily the willingness of the community to pursue higher education. Furthermore, while the seats in the government institutes are limited and are based on merit, the fees for the private universities was reported to be very high, which limited the number of individuals able to pursue higher education.

5.2.7 *Settlement Patterns*

All villages across the study area were observed to have a common settlement pattern. There is communal land, usually a playground in the centre and houses are clustered around this area. There is no spatial segregation across ethnic groups. Typically, when the villages were officially recognised or gazetted, they were accorded with reserve land for expansion in the number of families; some of the kampongs are either not reserved or gazetted and lack clear understanding on the actual extent of the Kampong land and its boundaries. This is also the case in which the headmen are from some other kampong and information available at Kampong level lack clarity. Over time, there has been a lack of clarity in the overlap of boundaries either between villages (such as for Pangarawan and Kelangsar in Sipitang) or between the village the forest reserve boundary such as in Solob.

Figure 5.13 *Settlement Patterns in the kampongs*



*Source: ERM Field visit, May 2014

Historical Events

The hamlets of some of the main gazetted villages were established subsequent to the Second World War (i.e. after 1945 and well into 50s). Villages such as Bakuku (Tenom district) were initially along the border with Kalimantan, but they were asked to relocate by the British army. Similarly, in Kuala Muya (Sipitang), the community has informed that the village was established after the Japanese invaded Sabah region around 1941. In order to protect their lineage, the settlement took refuge in the forests and after independence, they returned to the erstwhile hamlet.

The following table provides some contextual information on key events and incidents that have had an influence on the present-day settlement pattern of some of the villages in the study area. The information provided was obtained on the basis of the PACOS community survey and the key events were corroborated (to the extent feasible) during the primary survey in May 2014. It is observed that each kampong has had some natural disaster or extreme event.:

Table 5.5 *Overview of Important Events/Timelines*

District/Village	Before 2000					After 2000				
	Floods	Drought	Disease Outbreak	Conflict	Shift in Livelihood	Floods	Drought	Disease Outbreak	Conflict	Shift in Livelihood
Beaufort										
Haligolat										
Saliwangan										
Karangan										
Sipitang										
Kuala Muaya										
Kaban										
Solob										
Kelangsar										
Bamban										
Kebawang										

District/Village	Before 2000					After 2000				
	Floods	Drought	Disease Outbreak	Conflict	Shift in Livelihood	Floods	Drought	Disease Outbreak	Conflict	Shift in Livelihood
Tenom										
Melutut										
Tinura										
Bakuku										

*Source: PACOS (2012) and ERM Primary Survey (2014)

A majority of the kampongs surveyed have indicated some impact subsequent to the El Nino effect that impacted the state of Sabah in 1996-97. The community mentioned periods of long droughts during which the impacts experienced included: drying up of water sources (surface and underground); destruction of crops; and widespread forest fires. The support received from the government was reportedly inadequate and there was a general prevalence of disease and starvation.

Residential Structures

The residential structures in Sipitang and Beaufort are made out of wood and bamboo with complete structure raised on stilts; however, usage of bricks sourced from the urban areas is also becoming a common sight in habitations along the road. On the other hand, districts like Tenom had a distinctive structure with houses made out of wood and bamboo and raised on stilts.

Figure 5.14 *Comparison of housing structures in Tenom (L) and Sipitang (R)*



Source: ERM Primary Survey (2014)

5.3 *LAND USE AND LAND OWNERSHIP*

The availability of reserve land and proximity to natural resource areas such as forests and rivers were critical for the settlement of all kampongs in the study area. Distance of the kampong to the nearest river was observed to be less than 15 minutes walking distance for the natives. The immediate surroundings of the Kampong area are mostly farming land which could be

either on Native Title Land or State land. Forest area for the Kampong was mostly seen on the State land.

5.3.1 *Land Utilization*

The predominant agricultural pattern in the study area comprises of paddy cultivation and palm and rubber plantations with patches of coffee and bamboo, banana etc. Paddy is cultivated mostly on private land which could be either NT land or land division done by family members but not registered with the government.

Figure 5.15 *Land Utilization in the Project Area*



Source: ERM Primary Survey (2014)

Paddy farming was observed to be practiced in a majority of the kampongs in Sipitang and Tenom. Some kampongs in Beaufort, such as Karangan were predominantly dependent upon plantations. The major plantation crops are oil palm and rubber. In addition, fruit trees are also a feature of the plantations. It is observed that the major crops cultivated in estates are rubber, oil palm and cocoa, whereas coconut and paddy are undertaken on small holdings.

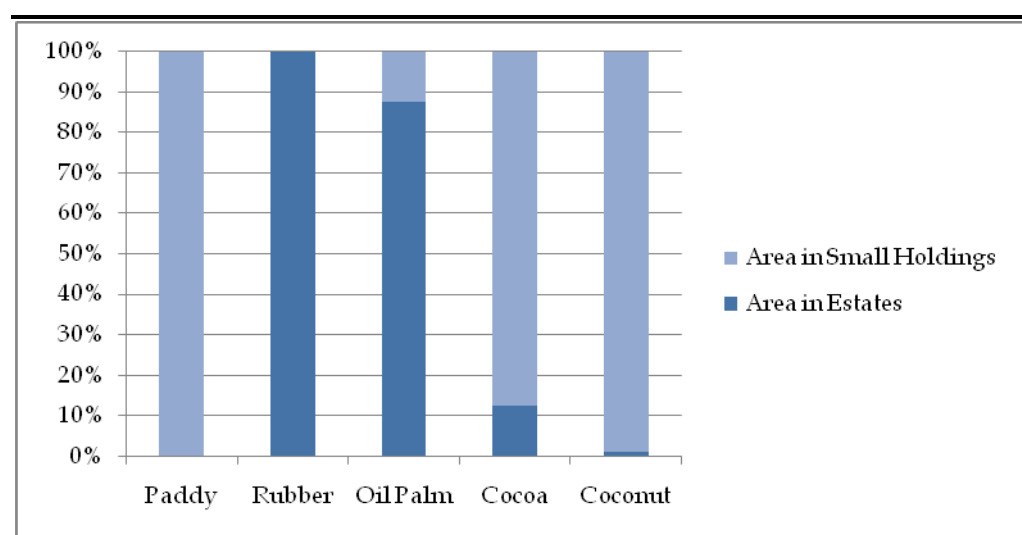
Table 5.6 *Planted Area of Major Crops in Sabah (2011)*

Crops	Paddy	Rubber	Oil Palm	Cocoa	Coconut
Total Area (ha)	42,907	88	1,431,762	7,108	18,412
Area in Estates (ha)	0	88	1,254,904	856	150
Area in Small Holdings (ha)	42,907	0	1,76,858	6,079	17,462

**Source: State/District Data Bank of Malaysia, 2012*

Reportedly paddy is used as a subsistence crop and rarely sold, while rubber and palm provide cash earnings. Paddy is either grown alone or in a cycle with rubber plantation. In some cases, especially in upland farming, paddy is grown along the boundaries of plantations.

Figure 5.16 *Proportion of Major Crops in Small Holdings and Estates (2011)*



*Source: State/District Data Bank of Malaysia, 2012

Table 5.7 *Land-based dependence of communities*

Kampong/Village	Land	Forest	River
Sipitang district			
Meligan	Agriculture and farming (to plant paddy and fruit trees, rubber, coffee, cocoa)	For livelihood Source of materials needed for making handicrafts Source of wood for building houses Source of herbs and medicine	Source of food and water Transportation
Rundulung	For agriculture & for housing A place to for the future generations For burial grounds Grazing ground for animals	For hunting A place to collect wood and rattan Source of herbs and medicine	Source of food and water Fishing Bathing & washing
Ulu Bole	For agriculture and farming For the future generations	A place for hunting and to collect sources of wood and rattan Tourism	Source of food and water Fishing
Beaufort district			
Saliwagan	Source of family livelihood (for short-term and long-term cultivation); Space to continue and maintain traditional agricultural practices Settlement for expansion	Source of MFPs; Water catchment area; Hunting area; A protected area	Source of drinking water, fish, shrimps, place to wash clothes and bath; A place for recreation; A means to get to the sea
Tenom district			
Kaang	Land is seen as not only a source of livelihood (to plant paddy and fruit trees, rubber,	Source of livelihood (for hunting area, for collection of forest produce);	Dependent on the river for their daily use such as bathing and washing their
Alu tuk			
Tinura			

Kampong/Village	Land	Forest	River
	coffee, cocoa ...) but also for their cultural practices (for burial grounds) as well as for their survival as a community in the coming generations	The forest is also a source of their knowledge on medicinal plants; The younger generation also sees the forest as a source for recreation and tourism	laundry; The river is also a source of livelihood where many depend on the river fish as their source of protein

**Source: PACOS Community Survey*

5.3.2 Land Ownership Patterns

The local community largely relies on individual land applications for land tenure rights, although communal land rights are recognized in the form of native customary rights and communal titles under the Sabah Land Ordinance (SLO). Land ownership is one of the most pertinent issues among the local community across all districts, with reported dissatisfaction that their land application has not been processed by the government authorities.

Box 5.3 *Overlap of community land in Pangarawan*

The reserve land of Kg. Pangarawan was agreed with the Forestry Department in the 1960s-70s. This land now overlaps with SFI's compartments L33 and L34 as illustrated in the figure. In the 1990s, SFI operated within this land reportedly without the villager's consent. Activities have been ongoing right up to 2-3 years ago.



Due to the large area, villagers continue to use this land primarily for paddy and some plantation activity (rubber). There is also communal use of this land, specifically in terms of division of this land with the neighbouring community in Kg. Kalangsar as well as use of the area as natural resource for forest gathering.

Source: ERM Primary Survey (2014)

The household survey indicated that of the 54 families, 74% reported access to alternate land in addition to the land that has been applied through the Land Survey Department. On an average land ownership ranged from 3 acres (1.21

ha) up to 25 acres (10.11 ha) for a household. Marks that indicate land ownership include ancestral graves (in caves), historical places, fruit trees, former farm lands, water catchment area, graveyard, area that was used to collect forest produce for building houses, rattan, bamboo etc.

Table 5.8 *Status of Land Ownership*

S. No	District/Village	Average Land Ownership	Remark
1	Beaufort District	(Status as on 2012)	
2.1	Haligolat	10-15 acres is the average household land ownership;	70% of them have land titles
2.2	Karawangan	2-30 acres is the average household land ownership	Majority have land titles
2.3	Saliwangan	2-30 acres is the average household land ownership	Majority have land titles
2	Sipitang District	(Status as on 2012)	
2.1	Maligan	Each family has 6-15 acre of land	120 people have land titles which was issued in 1985 Village that are inside SFI concession P26, P13, P18
2.2	Rundulang	Each family has 5-15 acres of land;	56 people have land titles issued in 1983; Estimated about 3000 hectare of village land is inside SFI concession;
2.3	Ulu Bole	Each family has about 8-12 acres of land	30 people have land titles issued in 2003 Village area that is inside SFI concession area P2 about 1000 acre
2.4	Kaban	Average land area per family is 0.5 acre – 1 acre	Since 1952 villagers had been here but they could tell how many have land titles;
2.5	Kuala Muya	Average land ownership is 5 acre	90% have land titles; has 1400 acres in SFI area;
2.6	Mendulong	Average land holding is 1 to 3 acres	50% have land titles; has 300 acres in SFI area;
3	Tenom district	(Status as on 2007)	
3.1	Kaang		Possessed LA since 1982 but still waiting for approval
3.2	Tinura		39 people have NT (1993) but still waiting for approval
3.3	Malutut		Possessed LA since 1980s but still waiting for approval
3.4	Alu Tuk		Possessed LA since 1983 but still waiting for approval Church building has a title (5 acres)
3.5	Mahunsop		10 people have land titles since 1983, 22 have land titles since 1992 20 people has RSP 150 people has LA registered between 1983-2006

*Source: PACOS Survey (2007 & 2012)

The livelihood profile of the community is comprised of a primary dependence on cultivation and farm based activities. However there is reported to be shift amongst the younger generation towards service based livelihoods, which is accompanied by a migration to urban areas in the state. Consultations across Kampongs suggested that the livelihood pattern has undergone changes in the last three generations (approximately). Paddy cultivation has been there since beginning, but Rubber plantations more so, in the last 30-40 years, Palm oil followed rubber plantation. The youth are now more interested in out migration to Kota Kinabalu and Kuala Lumpur for employment and a more modern way of life. The following tables provide an understanding of the seasonal patterns of the key sources of income identified above.

Table 5.9 *Seasonal Calendar across districts*

Section B. SEASONAL CALENDAR												
Activities	Months											
	January	February	March	April	May	June	July	August	September	October	November	December
Beaufort												
Paddy												
Vegetables												
Fruit harvest												
Rubber tapping												
Palm oil peak season												
Harvest festival												
Tenom												
Paddy												
Rubber tapping												
Coffee harvest												
Fruit harvest												
Bamboo harvest												
Ideal time for hunting												
Ideal time for fishing												
Sipitang												
Paddy												
Vegetable												
Ideal time for fishing												
Ideal time for MFP collection												

**Source: ERM community survey, May 2014*

5.4.1

Agriculture

Agriculture plays an important role in the sustenance, food security and income generation for the community in the kampongs surveyed. A small proportion of households also reared livestock (mostly chicken and pigs) for household consumption and sale at the kampong level). Those who did not rear livestock hunted or fished to supplement their diet. 67% households indicated that they rear livestock, whereas, 17% indicated that there is not enough grazing land.

Figure 5.17 Cultivation in the kampongs surveyed



*Source: ERM field visit, May 2014.

Rain-fed agriculture is undertaken on an individual, household level on state lands, with a few plots of land being located within the forest reserve, on land believed by the community to be communal land. The dependence upon rain for irrigation is primarily attributed to the average nine- ten months rainfall received by the area, which also allows for two-three cycles of crop to be undertaken without a source of irrigation. The major crops grown by the community in the kampongs include paddy, corn, beans, chilli, pumpkin, coffee, sweet potato, rubber, palm oil, fruits such as mango, durian, rambutan, jackfruit, coconut, banana, pineapple (annanas), among others.. The farming practices comprise of mostly traditional methods of multi-cropping for paddy, vegetables etc and plantations for crops such as rubber, palm, coffee and fruits. While the cultivation of paddy and vegetables is reported to be mostly for self-consumption, plantation crops are for commercial purposes.

Hill rice is cultivated on rotation according to the agricultural cycle of the types being grown. The *tumo* (in Dusun), *umo* (in Murut and Paitan) refers to farming land which is currently planted, while *tomulok* (in Dusun), *amug/ naumoh* (in Murut) or *repa* (in Paitan) refers to land left fallow on which there is secondary growth (1 – 5 years). Areas that have undergone jungle regrowth (5-10 years) but still considered part of the fallow period in the traditional agricultural cycle are referred to as *kapanggor* (in Dusun), *katanaan* (in Murut) or *nokakas* (in Paitan). The following table provides an understanding of the average yield per hectare in the state.

Table 5.10 *Planted Area and production of Paddy in Sabah (2011)*

Season	Planted Area (ha)	Average Yield Per Hectare (kg)	Production (Tonnes)
All Season	42,907	3,023	129,722
Main Season (Oct -Dec)	32,101	3,074	98,687
Off Season (May – July)	10,806	2,892	31,035

*Source: State/District Data Bank of Malaysia, 2012

The average area of land cultivated by a household is 15 hectares. While the average area cultivated with paddy is approximately 2-4 hectares, the larger land holdings are mostly cultivated as plantations of palm and rubber. The seeds are preserved by the farmers to be used in subsequent seasons. They do not use any external fertilizer or manure in their farmland. Soil fertility is restored using branches and other vegetation cleared from the farmland. Rubber trees are often attacked by insects. They buy and use insecticides to kill these insects. Rubber trees, if wasted by insect attacks, are mostly used as fire-wood.

5.4.2 *Fishing*

Fishing is another major source of sustenance for all communities across Beaufort, Sipitang and Tenom. The two main resources for fishing are natural streams and rivers and individual ponds maintained by households. The community reported a usage of drift nets, fishing rods and cast nets for the purpose of fishing. The most prominent of the traditional resource management system for fisheries is reported to be *Tagal* in the area. “*Tagal* system”, in the local language means “fishing in rivers is prohibited by the concerned communities for a certain pre-agreed period of time”¹

Box 5.4 *Incorporation of Tagal into State law*

After 1960s in Sabah state of Malaysia, river fish population began to deplete due to excessive habitat destruction from logging, illegal fishing using poisonous chemicals, explosives, electro-fishing and over fishing in order to meet increasing demands. To address the issue of declining fish population, the Fisheries Department stepped up to revitalize the “*Tagal* System”.

While the incorporation of the system as a provision within the Fisheries Enactment was commendable, it was weakened by not recognising that this is an indigenous peoples’ system. This response to ensure sustainable management of fish in rivers was made ineffective as the responsibilities were transferred from a traditional institution to a Committee which may not necessarily have the interests of the community or to continue the original *Tagal* concept. Also, by not recognising *Tagal* as a traditional practice of indigenous peoples, and incorporating the concept within the Fisheries Regulations often posed jurisdictional conflicts typical of legal compartmentalisation

Source: Wong et al. 2009 Towards Sustainable Community Based Fishery Resources Management

¹Wong et al. 2009 Towards Sustainable Community Based Fishery Resources Management

The Tagal system is community-based fisheries resource management and it is aimed at sustaining the fish resources of a river, while allowing for controlled harvesting to be undertaken by the community. Within this system, certain sections of the river are made off-limits for fishing activities for a certain period of time. Within the community, a management committee is established, which is authorised and empowered to protect and manage their riverine fisheries resource. The leaders of the Tagal committee are elected by the community themselves and all households within the concerned Tagal zone automatically become ordinary members of the committee. District Fishery Officer acts as advisor to the Tagal committee. The Tagal committee formulates rules which will be beneficial for the community such as demarcation of boundaries of rivers in their jurisdiction, duration and time for 'closed' season, permissible gear for fishing, and penalties and fines.

Figure 5.18 *Tagal Fishing System*



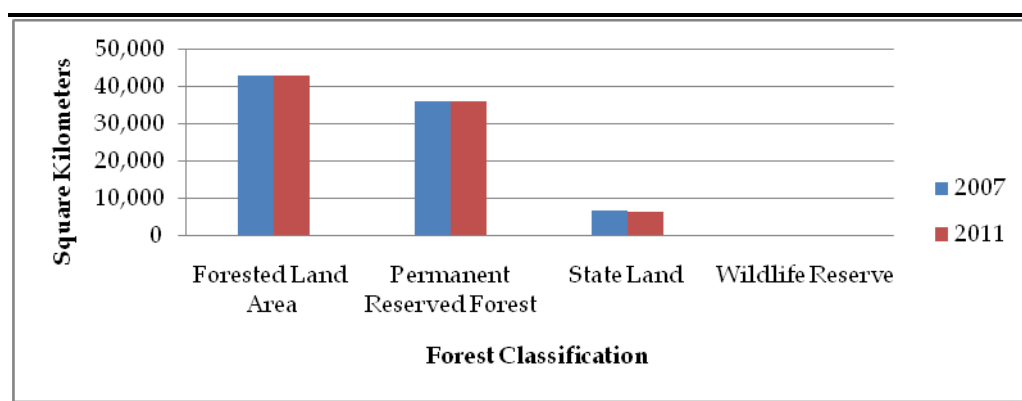
**Source: ERM Field Visit, May 2014*

This system allows for the sustainability of fishery resources in the river, while providing a source of income and food for the concerned community. The average harvesting cycle in the kampongs surveyed was reported to be four years. The target species has been identified as the Greater Brook Carp (*Tor tombroides*), known as *Kelah* in Malay. This fish was identified for its importance as a food source, its market value and its declining population.

5.4.3 *Forest Dependence*

Forested land in Sabah (2011) was at 57.4% with permanent reserved forest at approximately 36,000 ha.

Figure 5.19 Forest Classification in Sabah (2011)



*Source: State/District Data Bank of Malaysia, 2012

The Permanent Reserved category of forest includes forest plantation, peat swamp and mangrove.

For the indigenous communities in the study area, the forests they have traditionally lived in or near continue to be of significant to them in meeting their needs through hunting and gathering. While the traditional forms of shifting cultivation have declined, fishing and hunting are still practised, more for self-consumption, than commercially.

Minor Forest Produce

In some areas communities also derive a modest income from non-timber forest products (NTFP) and minor forest products (MFP) such as durian, bamboo, rattan and other flora. In addition to the prevalence of health clinics and institutional medicine, some people from the community still use barks and leaves of trees as medicinal herbs for common maladies. The following table provides a list of the Minor Forest Produce (MFP) identified by the community during the assessment:

Table 5.11 Minor Forest Produce in the Project Area

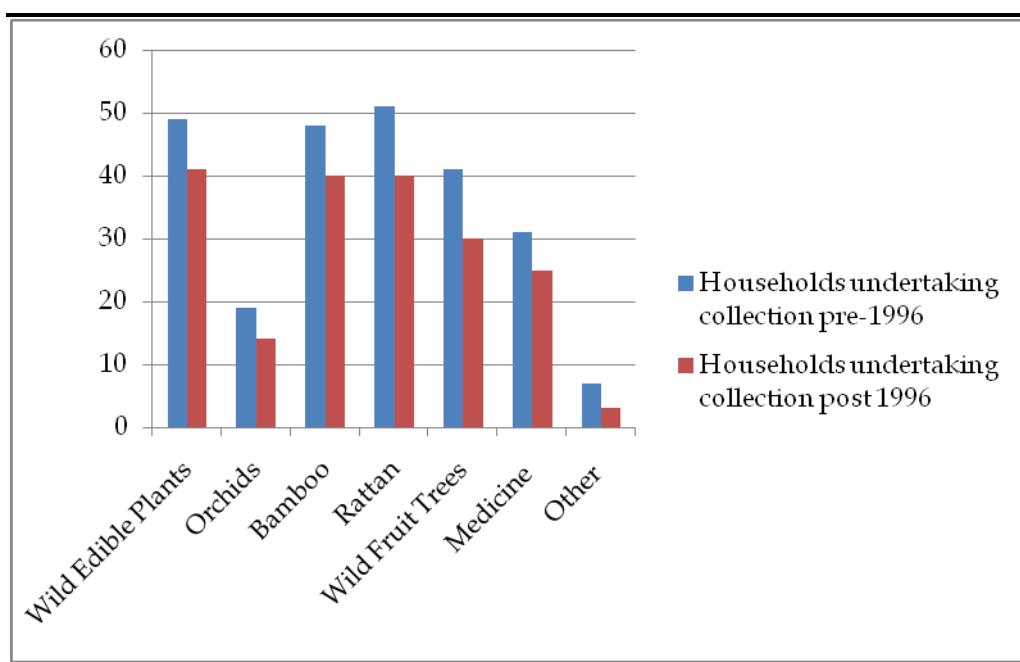
S. No	Local Name	Type of Produce	Use/ Dependence
1	Seraya	Tree	Timber for House structure
2	Agathi	Tree	Timber for House structure
3	Uvol	Tree	Black dye for handicrafts
4	Bubung	Vine	Handicrafts
5	Bamboo	Grass	Handicrafts
6	Rattan	Tree	Handicrafts
7	Kayubund	Tree Bark	Medicine for bloated stomach
8	Kindas	Tree Bark	Medicine for clearing of throat congestion
9	Kamanges	Herb	Repellent for Mosquitos and ghosts
10	Ansasaru	Herb	Medicine for cough and flu
11	Ginsing	Root	High Blood Pressure & general health
12	Tongkatali	Root	Medicine for High Blood Pressure and Malaria
13	Buntung	Leaf	Medicine for jaundice and bloated stomach
14	Panawa	Root	Anti-venom
15	Palih	Tree sap	Poison for hunting
16	Pitaga Payun	Root	Medicine for kidney pain
17	Kadip- Fatima	Root	Medicine for general health

S. No	Local Name	Type of Produce	Use/ Dependence
18	Apah	Leaf	Food flavouring
19	Orchids	Flower	For decoration and ornamental purposes
20	Wild fruit	Fruit	Wild consumption

*Source: Community consultations, May 2014

The primary surveys of households across the villages have indicated that the collection of forest produce has declined as indicated in the following table. This decline in the usage of forest produce may be in part due to the decline in the knowledge of forest produce amongst the community, where the younger population in kampongs in Sipitang and Beaufort tend to be less knowledgeable on the subject.

Figure 5.20 *Trends in MFP Collection*



*Source: ERM HH Survey May 2014

Community Access to Forest Areas

UNDP's Forest Management Report for Sabah (2008) indicated that the creation of State Forest Reserves has resulted in non-recognition of forest rights which has led to impacts on livelihoods, health, education, mobility, security and collective identity. However, consultations indicate that there have been no restrictions on entering the forest for activities such as occasional gathering and hunting. However, communities have not been allowed to practice agriculture and plantation activities on forest reserve land.

Box 5.5 *Legal Safeguards in Use of Natural Resources*

The following legal provisions have been highlighted to indicate the existing safeguards for the rural communities in accessing natural resources:

- The Sabah Forestry Enactment 1968 under section 41 allows communities to harvest forest produce for its use. Section 15 of the Sabah Land Ordinance also recognises isolated fruit trees, and sago, rattan, or other plants of economic value that can be claimed by individuals as part of their NCR;

- The Sabah Inland Fisheries and Aquaculture Enactment 2003 recognise the traditional Tagal system. Under Part V of the Enactment on Riverine Fishing and Fisheries, Sections 35, 36 and 37 relate to Community Fisheries Management Zones;
- The Wildlife Conservation Enactment 1997 recognises community hunting areas (section 32) and honorary wildlife wardens (Section 7) from the community. As in all the other Ordinances and Enactments to reserve land for specific purposes, the Wildlife Conservation Enactment under Section 9 outlines the necessity for a notice to explain the purpose and call for settlement of claims;
- The Sabah Water Resources Enactment 1998 recognises private water rights, which include the water rights of indigenous peoples. It takes into consideration the economic and social impact on the owner or occupier of the land when making a water resources management decision, implying the necessity to examine land ownership and occupation rights of indigenous peoples;
- The Sabah Conservation Enactment 1997 recognises community hunting areas (Section 32) and honorary wildlife wardens (Section 7) from the community;
- Protection of traditional knowledge associated with conservation of biological resources is very clear in the Sabah Biodiversity Enactment 2000 with provisions for protection of resources in NCR land. It also recognizes rights to biological resources in land claimed under NCR and has provisions to ensure that any activities related to the collection of biological resources do not negatively impact the livelihood, quality of life and the way of life of indigenous peoples;
- The Sabah Land Use Policy (SLUP) which was adopted in 2010 was an attempt at providing a land use orientation that balances social, environmental and economic functions. The Policy is conventional in the sense of adopting the 'administrative view' in considering all lands that are yes un-titled as State land. However, the Policy advocates for the formalisation of the concept of native community domain. As a concept, native community domain refers to a need for policy to be more sensitive to 'the traditions and needs of native communities'. With respect to security of tenure, the Policy supports the formation of more Native Reserves (under the existing section 78 of the SLO 1930) so that traditional farming of hill rice could continue;
- The positive amendment to the Sabah Parks Enactment (and Rules) approved in 2011 has enabled communities to participate in the Park management through the Community Use Zones (CUZ).

*Source: Suhakam (2012) Report of the National Inquiry into the Land Rights of Indigenous Peoples

Handicrafts

The community also depends on the forest for sourcing raw materials such as rattan, bamboo, vines and dye for handicrafts. While handicrafts were earlier for personal use, since 2006, communities in Tenom and Sipitang are also developing these for commercial sale. SFI's CSR Department has been working with communities in Tenom in developing *Murut* traditional handicraft products such as *lanjung*, *tikar*, *silaung*, *tapan*, *kappa*, *saluir*, *pisau* and *kalong*. The tourism potential of Tenom and Beaufort districts has enabled the community to access market linkages for their handicraft products.

Figure 5.21 *Examples of Handicraft Products*



Source: ERM community survey, May 2014

Hunting

Hunting is usually undertaken in the forests in the immediate vicinity of the kampong, with each community thus having their preferred hunting areas. The community requires a hunting permit from the Forest Department and they make use of vehicles such as boats, cars (four wheel drives) and motorcycles to access the hunting areas. While most of the communities have moved to guns, certain sections still use the traditional tools such as spears, traps, blow pipes and hunting dogs.

Figure 5.22 *Hunting in the Kampong*



*Source: ERM field visit, May 2014.

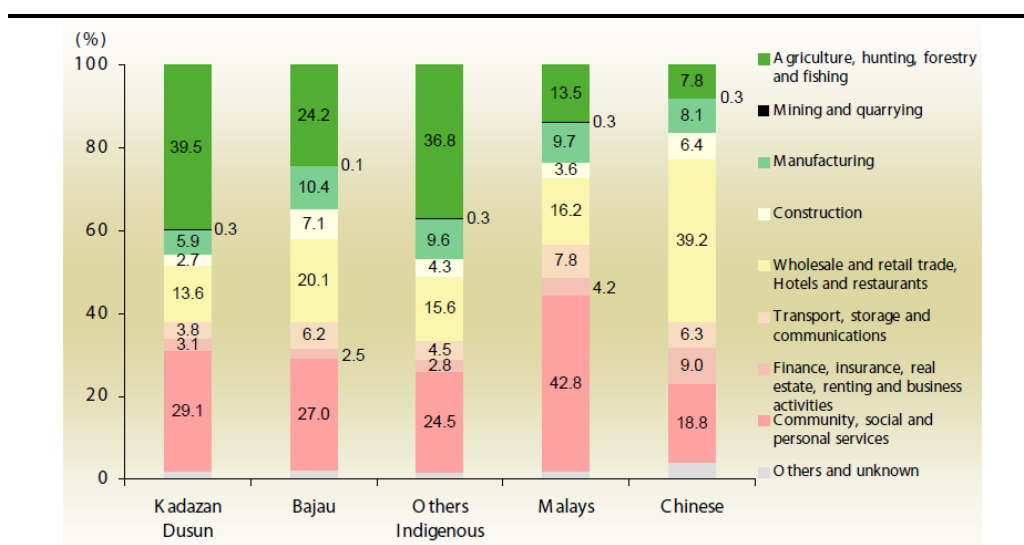
The main animals hunted are the wild boar, sambar deer, mouse deer as well as monkey, pangolins, flying lemur, flying fox, porcupine and squirrels, with wild boar being the preferred species. Community consultations indicate that bush meat is either used for special occasions or festivals, such as a marriage or it is sold (even though sale of bush meat is illegal). Demand for bush meat is high among the workers in the labour camps of SFI's contractors and other foreign workers in oil palm plantations.

5.4.4

Occupational Profile

The state of Sabah observed a gradual decline among all ethnic groups in the primary sectors of agriculture, hunting, forestry and fishing.

Figure 5.23 *Employment Population Distribution by Industry and Ethnicity (2004)*



*Source: UNDP (2008) <http://www.undp.my/uploads/SabahHumanDevp.pdf>

There is a noticeable shift towards service-oriented sectors that include wholesale trade, construction, finance etc.

A similar trend is observed in the villages within the study area which have shown a shift towards the service sector as their main source of livelihood. This shift is attributable to an increase in connectivity, literacy levels and the unreliability of agricultural yield:

Table 5.12 *Change in Livelihood Structure in the Kampongs surveyed*

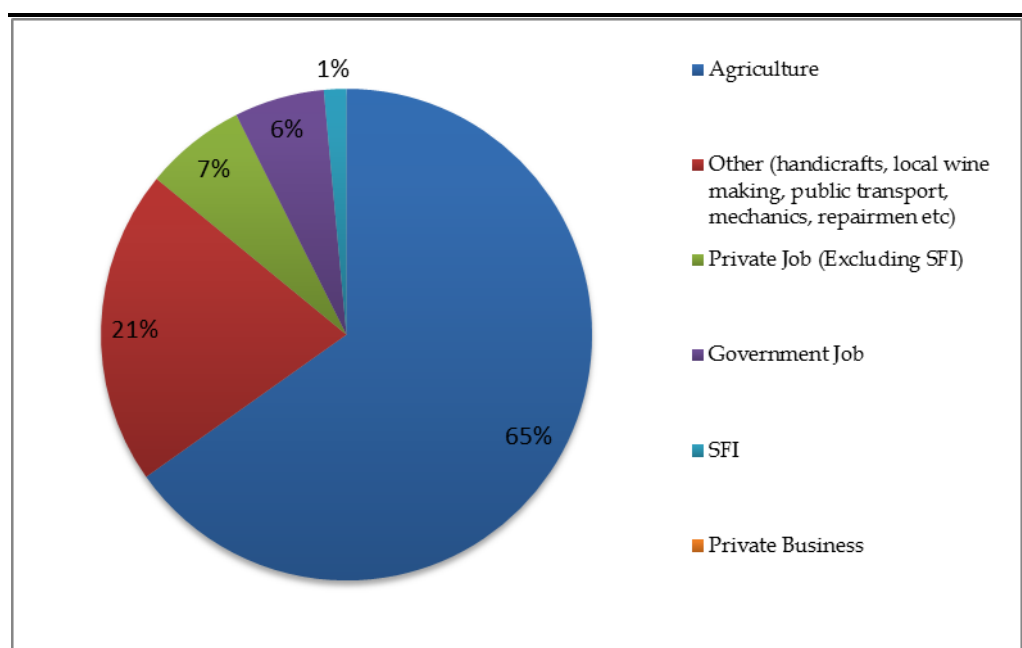
Source of Livelihood	Before 1996		After 1996		Change
Plantation	44	81.5%	51	94.4%	+13.0%
Hunting	44	81.5%	25	46.3%	- 35.2%
Food grain cultivation	49	90.7%	45	83.3%	- 7.4%
Fishing	41	75.9%	30	55.6%	- 20.4%
Agriculture Labour	11	20.4%	5	9.3%	- 11.1%
Collection and selling of NTFP	34	63.0%	28	51.9%	- 11.1%
Selling of timber	8	14.8%	4	7.4%	- 7.4%
Private job	11	20.4%	13	24.1%	+ 3.7%
Govt. Job	0	0.0%	6	11.1%	+ 11.1%
Other	0	0.0%	2	3.7%	+ 3.7%

*Source: HH Survey May 2014.

It is observed that the share of plantation has witnessed an increase of 13% since 1996. On the other hand, engagement in cultivation and agriculture has shown a decline by 7.4%. The decline in agriculture is accompanied by an overall reduction in the share of farm based and forest dependent livelihoods, including hunting, fishing, and collection and selling of NTFPs and selling of timber. On the other hand, the private jobs and government jobs have seen an

increase, with the share of these livelihoods increasing from 20.4% to 35.2% of the total livelihood share.

Figure 5.24 *Occupational Profile of the Kampongs surveyed*

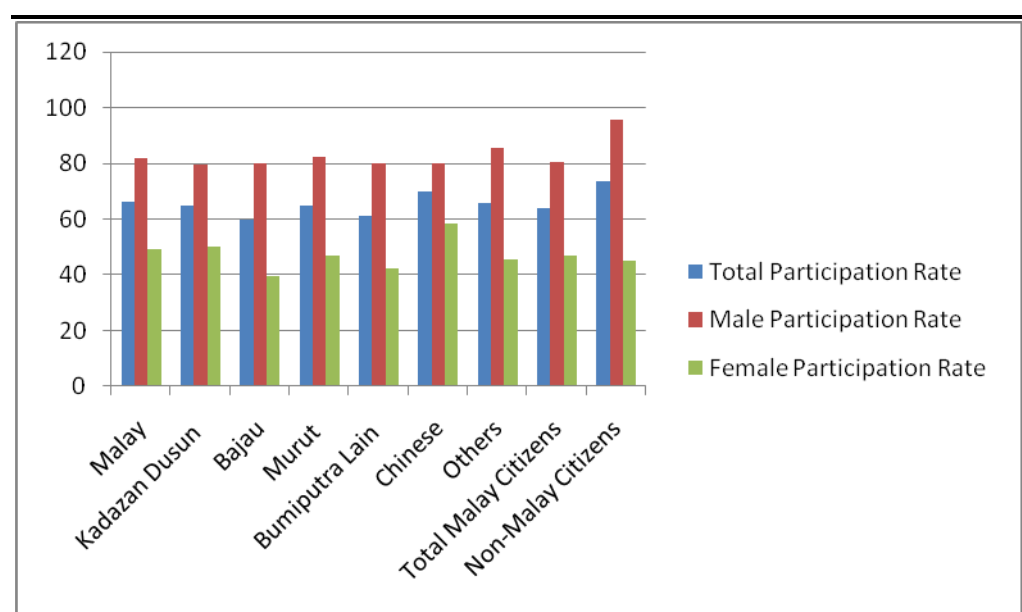


*Source: HH Survey, May 2014

It is observed that of the individuals involved in non-farm based activities, more than 50% are involved in activities such as handicrafts, local wine making, operating public transport and providing services such as mechanics, repairmen etc. Employment in SFI and other private jobs comprise 24% of the population engaged in non-farm based livelihoods.

The labour force participation in Sipitang was 67% in 2011. Discussions with villagers in Kg. Bamban and Kg. Solob indicated that there are limited formal employment opportunities in the Sipitang, Beaufort and Tenom districts. In addition to SFI's operations, there is presently an under-construction Petronas project in Sarau as well as several palm-oil plantations and small processing units that provide some formal employment sources. Under the SDC initiative, there is likely to be an increase in the offshore oil and gas sector around the coastal areas of Sabah, notably in Sipitang and Beaufort.

Figure 5.25 *Labour Force Participation by Ethnic Group in Sabah (2011)*



*Source: State/District Data Bank of Malaysia, 2012

According to the consultations undertaken with the community it is understood that while the younger population is moving towards non-farm based livelihoods, there is a higher preference towards migrating to the cities (Kota Kinabalu, Sandakan and Kuala Lumpur), instead of seeking employment in SFI. This is reported to be largely attributed to the association of the working in the city with a higher social standing and the reluctance to engage in hard labour as that required in SFI operations. The out-migration of the youth also results into remittances for the village community.

5.4.5 *Income and Expenditure*

Sabah statistical handbook (2012), reports that the average monthly income in the state grew from RM 3,102 in 2009 to RM 4,014 in 2012 showing a growth rate of 8.6%. The income levels in the districts within the study area are significantly lower as compared to the state-level average as indicated below:

Table 5.13 *Income and Expenditure Levels*

District	Number of Villages	Average HH Monthly Income (RM)	Average HH Monthly Expenditure (RM)
Beaufort (2012)	9	1111	922
Sipitang (2012)	25	862	640
Tenom (2007)	5	590	425

*Source: PACOS Community Survey (2007 & 2012)

Unlike, the change in the income of the state, the districts have not reported a significant shift in terms of the income ranges from 2007 to present. This is primarily attributed to the continued dependence upon agriculture as a the primary source of income.

The following table provides an understanding of the key sources of income amongst the community and the average household income per month from the same.

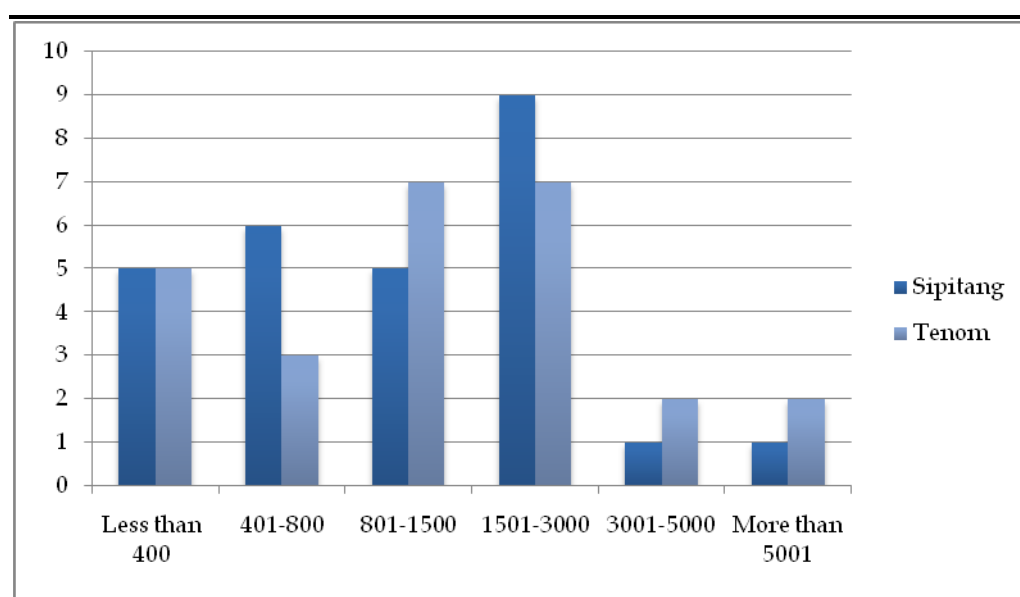
Table 5.14 *Sources of Income and Average Monthly Income in the districts*

Name of Kampong	Sources of Income	Range of monthly HH income (RM)
Tenom		
Bakuku	Rubber tapping, coffee & cocoa planting, selling of forest produce - (game, rattan)	500-1,000
Melutut	Rubber tapping, coffee & cocoa, paddy planting, Hunting & fishing, Sale of rattan & bamboo, Gaharu, Sale of orchid	100-1,000
Alutok	Rubber tapping, coffee & cocoa, paddy planting, Hunting & fishing, Sale of rattan & bamboo, Gaharu, Sale of orchids, sale of handicrafts, sale of fresh water fish	50-500
Mahunsop	Rubber tapping, coffee & fruits, vegetable, paddy planting, Hunting & fishing, Sale of rattan & bamboo, Gaharu, Sale of orchids, sale of handicrafts, sale of fresh water fish	300-1000
Sipitang		
Solob	Vegetable farming rubber tapping, coffee, fruits and collection of forest produce, SFI workers	100 - 500
Pengarawan	Rubber tapping, paddy planting, farming fruits and vegetable, collecting forest and river produce	300-1000
Kebawang	Rubber tapping, planting fruit, banana, cassava, paddy, government servant and company workers	200
Kelangsar	Rubber tapping, planting fruit, cassava, banana, paddy, government servants and company workers	150-900
Kuala Muaya	Rubber tapping, planting paddy, cassava, banana and fruit, government servants and company workers	400-500 and 100 per fruit season
Mendulong	Rubber tapping, planting paddy, cassava, banana and fruit, government servants and company worker	500-800
Beaufort		
Karawangan	Farming, rubber tapping,	1000-2000
Saliwangan	Farming and rubber tapping	1000-2000

Source: PACOS baseline, 2007 and 2012

Within this, the highest concentration of households (52.8% of the HHs) is in the income range of 800 to 3000 RM, as can be seen in the following figure. On the other hand, only 11.3% of the household survey have reported a monthly income of more than 3000 RM, and 18.86% have reported a monthly income less than 400 RM.

Figure 5.26 *Stratification of household income levels (in RM)*



*Source: HH survey, May 2014

Most of the households in the Sipitang and Tenom district (33.33% and 27% approx. respectively) reported a monthly income in the range of 1500-3000 RM. However, Sipitang has reported a higher proportion of households with income in the range of 1501- 3000 RM in comparison of Tenom. On the other hand, the households in Tenom reported a higher proportion of households with income more than 3000 RM (15.38%) in comparison to Sipitang (7.41%).

Sources of Income

As has been mentioned earlier, the main sources of income amongst the community comprise of farm based and forest dependent activities, with an increasing proportion of service sector or non-farm based activities. The following table summarizes the key sources of income in terms of the income levels.

Table 5.15 *Sources of income according to strata of income*

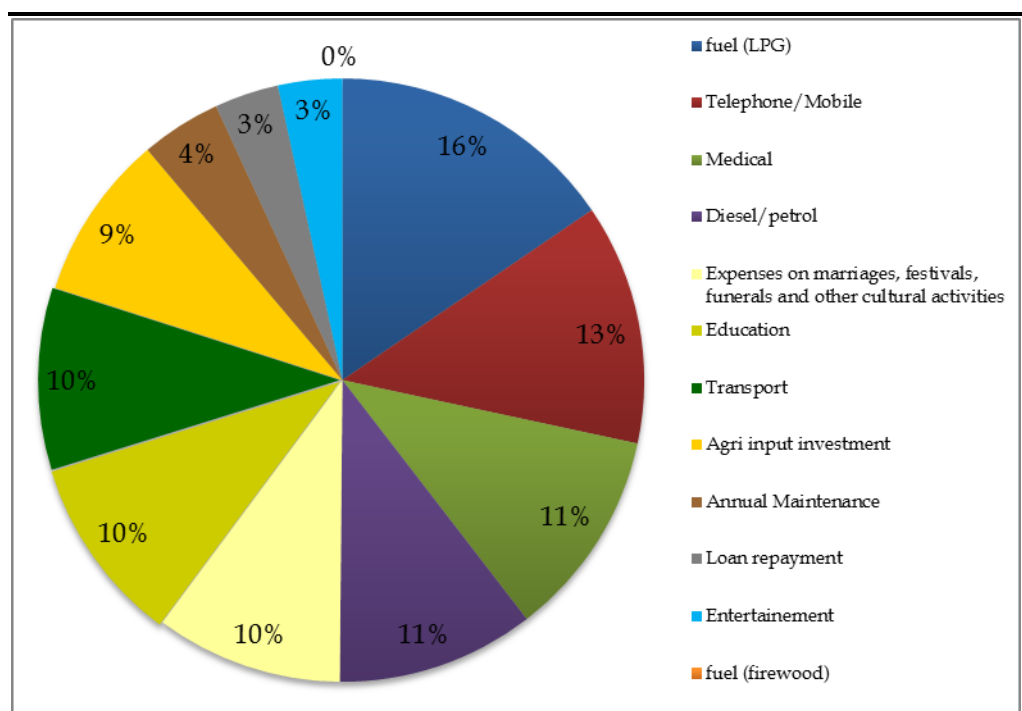
Income in (RM)	Cultivation	Food grain production	Forest dependent income	Private jobs	Private business	Government jobs	Other service sector
Less than 400	13	5	0	0			3
401-800	11	3	1	0	1		3
801-1500	19	5	7	1		2	5
1501-3000	20	4	8	6	1	4	7
3001-5000	4	1	1	1	1	1	2
More than 5001	4	0		3		1	4

*Source: HH survey, May 2014

As can be seen in the above table, the proportion of service sector livelihoods is reported to higher amongst the households who have reported a monthly income of more than 3000 RM.

Expenditure

Figure 5.27 *Expenditure heads across households surveyed*



*Source: HH survey, May 2014

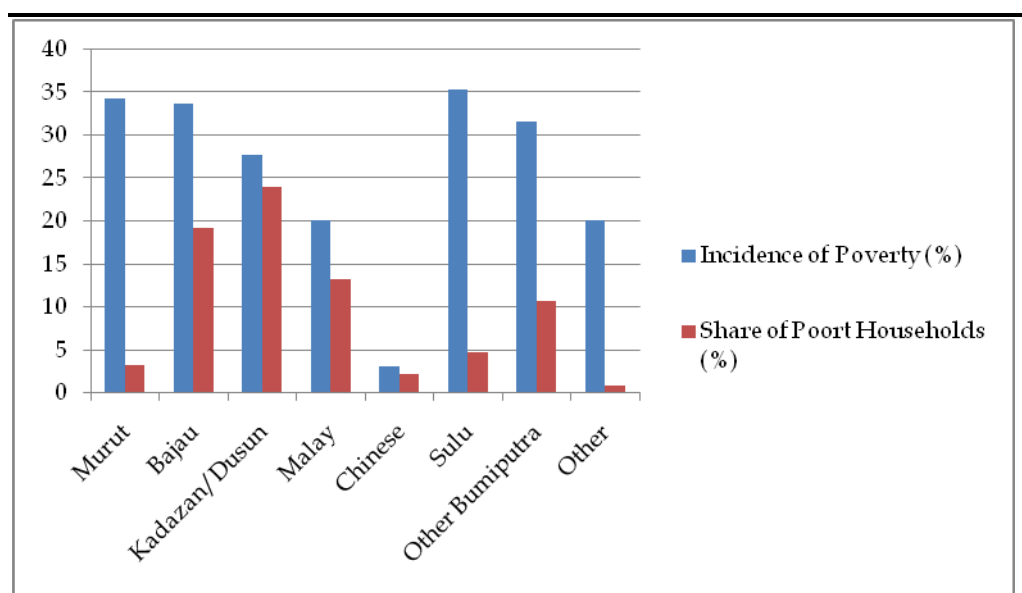
As can be seen in the above figure, the major expenditure heads reported by the households include expenditures for LPG, education, agricultural inputs, telecommunication, cultural expenses, fuel, medical expenses and transport.

Income and Ethnicity

Few Chinese households and Malay households are below the poverty line in Sabah. Poverty levels exceed 20 percent among virtually all of Sabah's indigenous ethnic groups, and are commonly above 30-40 percent. With an incidence of over 30 percent, the Murut groups are among the poorest communities in Sabah.

Similar trends were also observed in the study area, with the Murut group reporting a higher proportion of households with monthly income less than 800 RM, as can be seen in the following figure.

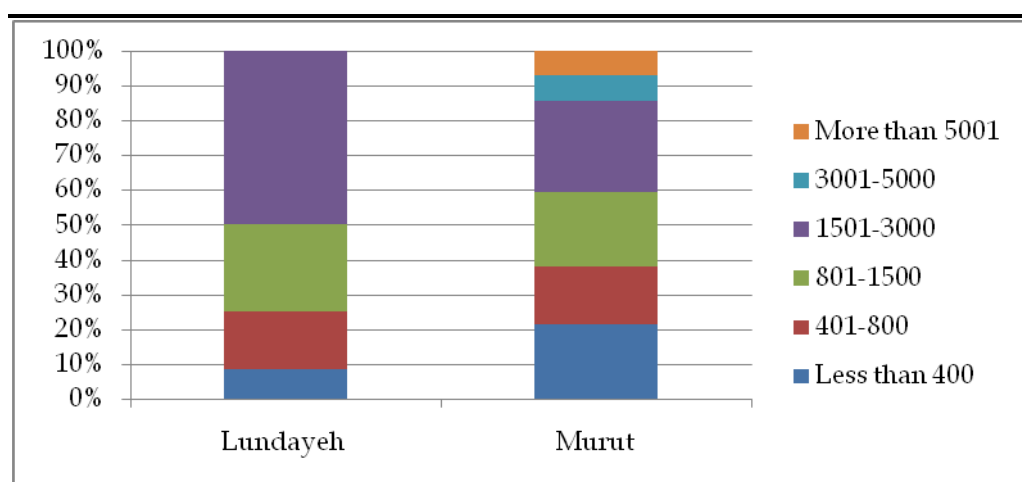
Figure 5.5.28 Poverty among ethnic groups in Sabah (2004)



*Source: Forest Management in Sabah (2008), http://www.undp.org.my/uploads/Forest_Mgmt_final.pdf

However, it should be noted that while the highest proportion of households in the income range of 1500-3000 RM belong to the Lundayeh community, the households with a monthly income more than 3000 RM belong to the Murut group.

Figure 5.5.29 Income stratification across ethnic groups in study area



*Source: HH survey, May 2014

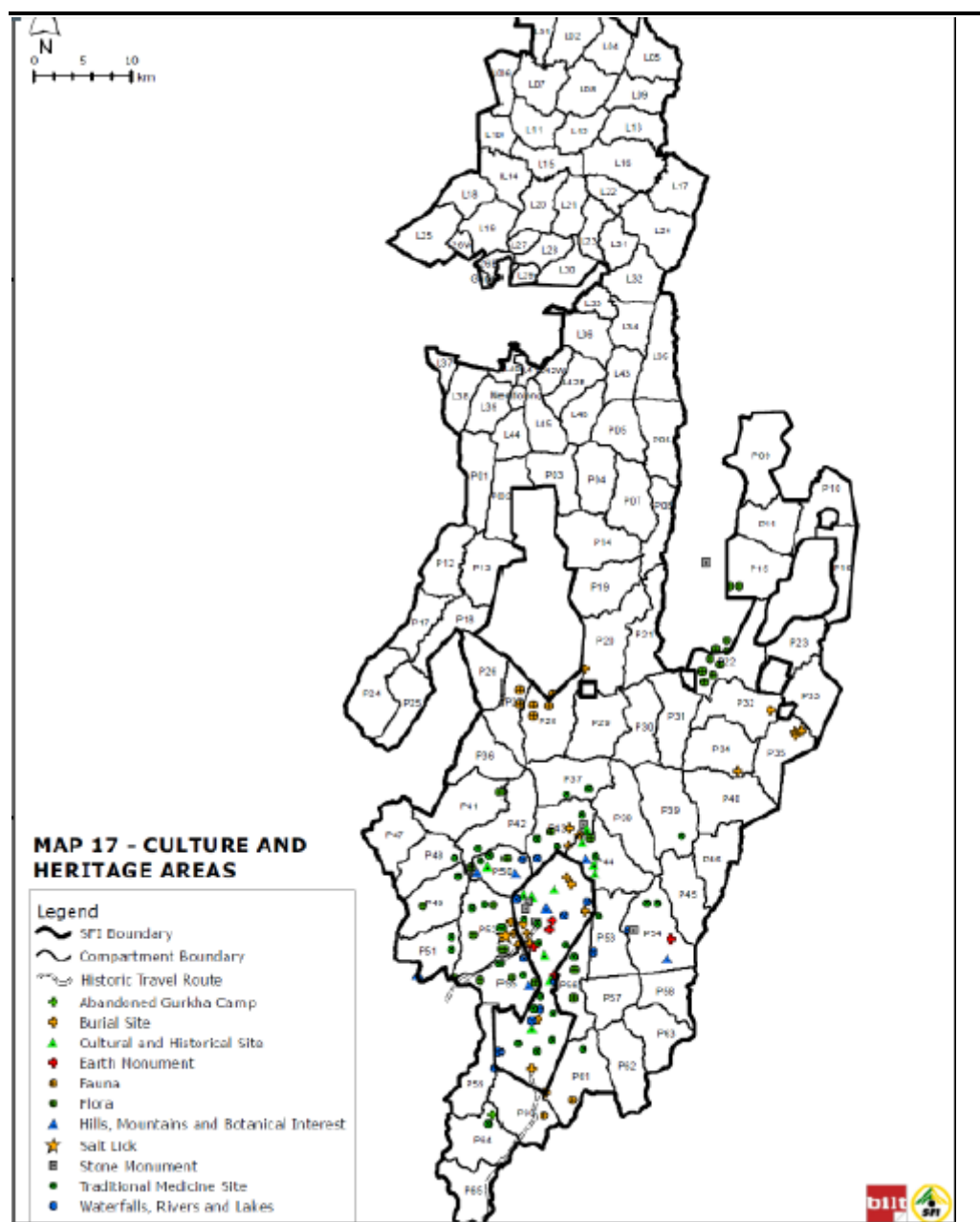
5.4.6 Cultural and Heritage Resources

The cultural and heritage resources within and around SFI's concession were identified during earlier community needs assessments and studies on high conservation areas.

Some of the significant cultural heritage sites identified in the study area are discussed subsequently:

- In the Ulu Padas area today, several crocodile and snake mounds are still visible. There are sites serving as burial grounds for the villagers upstream of Ulu Padas. These sites, which are well protected, are located in state land and no disturbances have been reported;

Figure 5.30 Mapping of Cultural Resources within SFI's Concession



*Source: HCVF Report (March 2011)

- Several sites located within the SFI compartment served as burial grounds for the villagers from this village. These burial sites are located at Sg (river). Bubuluh, Sg. Mangkop, Tinudop, Napairon and Kuala Sg. Laogon;
- Several archaeological sites at Kg. Maligan such as the carved stones are believed to have been carved by seven men using supernatural powers. One of the known carved stones, named Batu Binatikan, is located about one kilometre from the village. Batu Tinundob (footprints from the seven brothers) is located within the village area and is also one of the

archaeological sites. Batu Tinara is another legendary stone believed to have been broken up by the seven brothers;

- In the Tenom district, it is reported that in Kg. Alutok, Kg. Kaang and Kg. Malutut that the remains of the carved stone called 'Batu Berukir' which is linked to the folk heroes known as seven brothers. It takes about half an hour to walk from the main road of Malutut Village to reach the carved stone. The burial ground for villagers from Kg. Alutok and Kg. Kaang is found within the state land upstream of Sg. Segamut. Villagers from Kg. Malutut have their own burial site within the village far away from SFI operations;
- In Kg. Tinura, villagers revere three stones called Batu Marak, Batu Gong and Batu Teriak which give them signs before any death occurred among the villagers. For Kg. Tinura, there is a site in the village compound that serves as their burial ground. For villagers from Kg. Lalang, an area near to Sg. Titindakon is their burial site and this is located within the state land;
- The archaeological site in Kg. Magunsop is a big cave from which the water flows into Sg. Magunsop. This is unique for the village and is located about half a kilometre from the village. Within the village compound, there is a site that has served as their burial ground for generations and no disturbances have been reported.

It is understood that some of these cultural sites and burial grounds had been disrupted/affected during the operations of the Lion's Group or SFI operations before 1994. However, in the recent past, since 2007, there has been an effort from SFI's side as well as their contractors in identifying and demarcating these cultural sites. SFI's Operational Checklist of Forestry Practices for the Plantation Department also includes provisions to ensure that a minimum safe distance is maintained from any areas identified for cultural sites. The checklists are attached as *Annexure 5 B*. Cultural sites such as burial grounds and shrines are covered by the Native Customary Rights within the Sabah Land Ordinance, 1954 (amended in 1994). Villagers have reported that there has been no disruption of access to these cultural sites and resources from either the Forestry Department or SFI.

5.5

ACCESS TO INFRASTRUCTURE AND SERVICES

This section provides an overview of the physical infrastructure and social infrastructure in the villages within the study area. Physical infrastructure includes facilities that are essential for maintenance and supply of basic services and amenities for economic and social well-being. Social infrastructure is among the most important indicators of human development with the indices of health and education facilities that are instrumental in policy formulation and planning.

Table 5.16 Overview of Public Amenities in the Study Area Villages

District/ Kampung	Public Amenities						
	Cultural House	Water supply	Electricity	Road	Toilets	Primary School	Church
Beaufort							
Haligolat	✓	✓	✓	✓	✓	✓	✓
Saliwangan	✓	✓	✓	✓	✓	✓	✓
Karangan	✓	✓	✓	✓	✓	✓	✓
Sipitang							
Meligan	✓	✓	✓	✓	✓	✓	✓
Ulu Bole	✓	✓	✓	✓	✓	✓	✓
Rundulang		✓		✓	✓		
Kuala Muaya	✓	✓	✓	✓		✓	
Kaban	✓	✓	✓	✓	✓	✓	
Solob	✓	✓	✓	✓	✓	✓	✓
Pakiak	✓			✓	✓		✓
Kelangsar	✓	✓	✓	✓	✓		✓
Bamban	✓	✓	✓	✓	✓		
Kebawang	✓	✓	✓	✓		✓	
Mendulong	✓	✓	✓	✓	✓	✓	✓
Tenom							
Melutut	✓	✓	✓	✓	✓	✓	✓
Alutuk	✓	✓	✓	✓	✓	✓	✓
Kaang	✓	✓	✓	✓	✓	✓	
Mahunsop	✓	✓	✓	✓	✓	✓	✓
Tinura	✓	✓	✓	✓	✓	✓	✓
Bakuku	✓	✓	✓	✓	✓	✓	✓

Source: ERM HH survey, 2014 and PACOS baseline 2007 and 2012

Overall, the primary survey has indicated that large public sector investments are needed, especially in social infrastructure. Such investments, coupled with improved education and health facilities, will help create decent employment opportunities and contribute towards eradication of extreme poverty in these communities.

5.5.1 Water Supply

The water supply for domestic purposes in the kampongs surveyed is through individual taps at the household level. The kampongs are primarily dependent upon surface water bodies (streams and rivers) for the supply of water, through the usage of “gravity flow water supply systems”. Hence, the water supply system is dependent upon rainfall. The kampongs also have set up their own mechanisms for rain water harvesting that allow for water to be stored in tanks and made available for communal use. While in 2007, a number of kampongs existed without access to piped water supply at the household level, the situation has changed in the last 7 years, with all kampongs now having access to piped water.

A majority of the kampongs reported good supply of water throughout the year. However, kampongs in Sipitang reported a shortage of water during the dry months from June to August. This is primarily attributed to the topography as Sipitang is located at a lower altitude as compared to Beaufort and Tenom, which poses a challenge for the “gravity-based systems”. As a

result of this, these kampongs make daily trips to the streams or rivers during these months for fetching water for domestic needs.

Figure 5.31 *Rain Water Harvesting structures in the Kampongs Surveyed*



*Source: ERM Field Visit, 2014

While the water supply was largely reported to be of a good quality, the kampongs of Sipitang reported an increase in the turbidity in water in the dry months, which made the water supplied through the gravity systems unfit for consumption. This was also corroborated by plantation workers in SFI as a similar system has been used for the labour camps within the concession area. The reasons attributed to this pertain to the reduction in the water levels in the rivers during the dry months and logging activities in the water catchment areas for these villages. SFI undertakes annual monitoring of the water quality in the water catchment areas; however the same is not disclosed to the community presently as reported during consultations.

Figure 5.32 *Comparative turbidity in rivers in Sipitang and Tenom*



5.5.2 Sanitation Facilities

Most of the kampongs in the study area are reported to have access to sanitation facilities.

Figure 5.33 *View of Sanitation Facilities*



Source: ERM field visit, May 2014

A majority of households reported use of the “pour flush” latrine system. Community toilets are also available in the kampongs. These are maintained by village-level institutions such as the church or the headman and JKK representatives. This is a significant change from the 2007 status, where a majority of the kampongs did not have access to sanitation facilities, with a limited number of kampongs having community toilets while the others were dependent upon open defecation. Open drainage systems and storm water drains were observed to be a characteristics feature of kampongs. Toilet blocks and individual latrines have a soak pit.

5.5.3 *Educational Facilities*

The primary and secondary schools in the area are mostly government or government-assisted schools. While most of the kampongs surveyed have primary schools, the secondary schools cover a cluster of kampongs. In instances where the schools are located at a distance from the kampongs, hostel facilities are made available to those who have to travel long distances.

Figure 5.34 *Schools in the Kempongs Surveyed*



Source: ERM Field Visit, May 2014.

The following table provides an understanding of the educational facilities in the districts covered:

Table 5.17 *List of Government-aided Primary and Secondary Schools in the three districts in Sabah*

District	Primary	Secondary

District	Primary		Secondary		Total	
	Total	Academic	Technical	Vocational		
Tenom	46	0	0	0	0	6
Beaufort	41	8	0	1	1	9
Sipitang	25	4	0	0	0	4
Sabah (total)	1070	206	4	3	3	213

Source: Department of Statistics, State/District Data Bank, Malaysia, 2012

The higher education in Sabah is comprised of universities, colleges and technical schools, which are mostly owned by the Government. However, as illustrated subsequently, most of these are located in the urban areas of Sandakan and Kota Kinabalu.

Figure 5.35 *List of Universities and Colleges in Sabah*

No	Name of College	Type	Discipline/ Programme	Location
1	University Malaysia Sabah	Government	5 Schools/ Degree	Kota Kinabalu
2	MARA Institute Technology	Government	Business/ Diploma	Kota Kinabalu
3	Agricultural Institute	Government	Agriculture/Certificate	Kota Belud
4	Agricultural Training Centre	Government	Agriculture/Certificate	Putatan
5	Stanford College	Private	Business Management /Diploma and	Kota Kinabalu
6	Kolej Ibukota	Private	?	Kota Kinabalu
7	Kinabalu Commercial College	Private	Business and Management/ Diploma	Kota Kinabalu
8	Inti College	Private	Diploma/Degree	Putatan
9	Gaya Teacher's Training College	Government	Diploma	Kota Kinabalu
10	Kent Teachers Training College	Government	Diploma	Tuaran
11	Keningau Teachers Training College	Government	Diploma	Keningau
12	Sandakan Teachers Training College	Government	Diploma	Sandakan
13	Nursing School (QEH)	Government	Certificate	Kota Kinabalu
14	Chung Sing Pre University	Private	-	Kota Kinabalu
10	Likas Vocational School	Government	Certificate	Kota Kinabalu
15	Likas Polytechnic	Government	Certificate	Kota Kinabalu
16	Kudat Vocational School	Government	Certificate	Kudat
17	Sabah Institute of Arts and Design	Private	Certificate	Putatan
18	Sabah Institute of Technology	Private	Certificate & Diploma	Kolombong, KK

Source: Yearbook of Statistics of Sabah, 1997.

The technical and vocational schools comprise of institutes providing training in the fields of agriculture, mechanical skills, information technology, arts and graphic design and engineering.

Box 5.6 *Stateless Children in Sabah*

The plantation sector in Sabah is dominated by a large migrant workforce that comprises of Indonesians, Filipinos and Nepali nationals. Illegal trafficking of a large number of these migrants has been identified as a key issue in the plantation sector. Men, women and children are targeted by labour brokers who make false promises of good wages and working conditions.

The government of Sabah does not allow children of foreign workers to enrol in government schools. According to the Indonesian National Commission for Child Protection (INCCP), cases of forced labour of migrant workers and their children on plantations in Sabah involved an estimated 72,000 ⁽¹⁾. The issues related to child labour are more acute in this state as there are a

(1) http://www.earthisland.org/journal/index.php/elist/eListRead/labor_abuses_common_in_palm_oil_industry/

large number of stateless children (i.e. children of undocumented plantation workers). In 2009, there were 52,000 stateless children in Sabah.

These children do not receive the benefits for the government schemes related to education ⁽¹⁾ and therefore end up working at the plantations with their parents. In certain cases where the plantations do not directly employ underage workers, their unattainable production quotas lead to the workers bringing their children to assist them in work.

5.5.4 *Transport and Communication*

The districts of Tenom, Sipitang and Beaufort are connected to each other and the rest of Sabah through a diverse network of roads and rail. The districts have concrete all-weather/motorable roads connecting them to the urban areas of Kota Kinabalu, Sandakan, Ranau and Tuaran (see below):

Figure 5.36 *Road Network in Sabah*



*Source: <http://www.mysabah.com>

Within the districts, the kampongs are connected through a network of concrete and dirt mud roads which connect to the main highway running across Sabah. The dependence upon public transportation is low, with most of the households in Sipitang and Tenom kampongs surveyed reported owning cars (four wheel drive) and motorcycles. However, the community in Beaufort expressed a heavy dependence upon the rail network for commuting, due to the lack of all-weather/motorable roads.

While most of the kampongs now have access to communication systems through telephones, internet and audio-visual media, the quality of

(1) <http://www.socialwatch.org/node/10932>

communication is dependent upon the proximity of the network towers, electricity supply and the weather conditions. All kampongs surveyed are reported to have electricity supply through the government. However, it was reported that the kampongs face a number of power outages, especially during heavy rainfall.

5.5.5 *Rural Banking and Credit Facilities*

The economy in the study areas of Beaufort, Tenom and Sipitang is predominantly based on the agricultural (cash-crop) and services sector. Each kampong is reported to have access to informal and formal credit facilities in the form of banks, self-help groups, community groups and relatives, friends and neighbours. The most preferred sources of credit amongst the community are through the self-help groups and community groups.

Owners of oil palm and rubber estates are one of the main money lenders in the community. Often, it is understood that these estate owners use the local community to work within their plantations to pay off debts that are owed by the households. Some households that work for SFI's contractors also reported to take advance wages for their work on a need basis which was then paid off through deductions in the monthly pay.

It is understood that a system of fund collections exists in every kampong for the purposes of social events such as meeting the expenses of the rite of passage activities, marriage and funerals. As a part of these funds, at such occasions, every household in the kampong contributes towards a common pool, which is then made available to the individual household incurring the expense. In turn the household receiving the contribution is expected to make equivalent contributions to the fund when another household requires the support. Such funds do not involve any system of repayment or interest and allow for the buffering of major expenses at the household level by sharing the expense at the community level.

It was reported that most of the population in the kampongs surveyed have access to banking facilities and have individual bank accounts. While the women engaged in income generating activities utilize the bank accounts for their own wages, housewives use their bank accounts for managing the money earned by their husbands, as well as money earned through cash and informal sources (e.g. sale of bush meat).

5.5.6 *Village-level Organisations*

A majority of the village-level organisations are linked to religious institutions. These include mosque committees and church groups. The church group was noted as one of the key institution that has also been working on development issues, such as sanitation access.

Livelihood groups include the Kadazan Association, Murut Association and the Lundayeh Cultural Association that are involved in the sale of handicrafts.

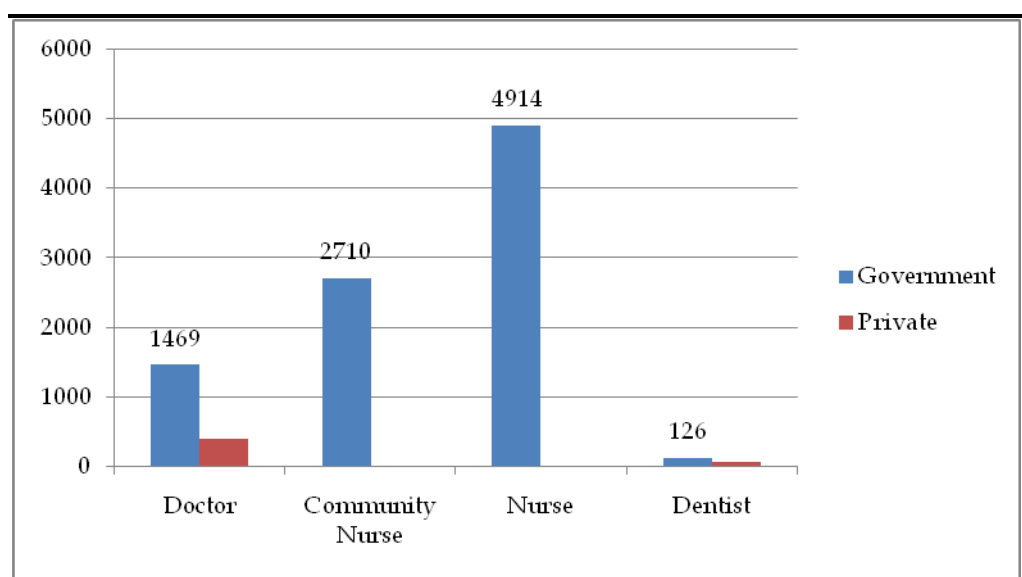
Some villages in the study area also had members from the PLKN which is a group of mutual aid.

There is no major NGO activity in the area. Villagers recalled PACOS that had been engaged by SFI in previous community-needs assessment. In addition, MARA also provides assistance to womens' group to conduct small business. Other committees have also been formed for development support. These include the Amanah Ikhtiar, the Water Committee, RELA and health clinics.

5.5.7 *Community Health Profile*

As per the statistics department, for the state of Sabah, in 2011, the population per doctor was 1,770 as against 791/ doctor for Malaysia; the population per nurse in Sabah was 675. The medical and health facilities in Sabah and the study area are owned by the government. These include three General Hospitals in Sabah and 14 major district hospitals. Data obtained from the Yearbook of Statistics 2011 indicated that there are 81 Fixed Health Clinics, 187 rural clinics and 7 private hospitals in Sabah. In 2011, Sabah had 134 hospital beds per 100,000 population as against 133 for Malaysia.

Figure 5.37 *Medical Health Practitioners in Sabah (2011)*



*Source: State/District Data Bank of Malaysia, 2012

Health Seeking Behaviour

At the village level, the following information is available on the access to health care facilities:

Table 5.18 *Access to Healthcare*

Village/District	Access to Govt Clinic	Use of Traditional Medicine	Specific qualitative comment on access to healthcare and change in health profile of the community
Beaufort			
Haligolat	No	No	• Villages in Beaufort reported an increase in
Saliwangan	No	No	

Village/District	Access to Govt Clinic	Use of Traditional Medicine	Specific qualitative comment on access to healthcare and change in health profile of the community
Karangan	No	No	nuisance from air and water pollution; However it was also confirmed that Oil palm plantation which are very close to the villages could have also contributed to the changes. There was limited awareness on use of MFPs as traditional medicine.
Sipitang			
Maligan	Yes	Yes	- Villages in Sipitang have reported use of SFI's Clinic at the housing complex; - Cases of goitre and gastro-intestinal infections have increased; - There were general concerns over the high costs of trips to Sipitang to access quality health care facilities (one round trip is reported as RM 50);
Ulu Bole	Yes	Yes	
Rundulang	Yes	No	
Kuala Muaya	No	Yes	
Kaban	Yes	NA	
Solob	Yes	Yes	
Tunasbaru	No	NA	
Pangarawan	No	Yes	
Pakiak	Yes	Yes	
Kelangsar	No	NA	
Bamban	Yes	No	
Kebawang	Yes	NA	
Mendulong	Yes	Yes	
Tenom			
Melutut	No	Yes	- Community has observed incidences of lifestyle diseases such as high blood pressure, diabetes and even some cases of cancer; - Use of traditional medicine is common the villages of Tenom
Alutuk	No	Yes	
Kaang	No	Yes	
Magunsop	No	Yes	
Tinura	Yes	Yes	
Bakuku	Yes	Yes	

**Source: Primary Survey and PACOS Baseline (2007, 2012); NA = Not Available*

The community's health seeking behaviour has been towards institutional medicine since the past two-three decades, especially the district hospitals in Sipitang, Beaufort and Tenom. Common year round maladies were identified as malaria, typhoid, and diarrhoea.

In terms of changes in the health profile of the community during SFI operations, the incidences of asthma, high blood pressure, goitre and gastric problems have reportedly increased; however if this could be ascribed to the SFI operations cannot be commented upon owing to lack of related records or any such study done to establish the same. There are also reported to be cases of cancer being reported amongst the community. This change in the health profile is attributed to a number of reasons such as change in lifestyle, increase in pollution and diet.

There is still a preference for traditional medicine for common maladies. However, consultations indicated a difference in the ability of communities to identify minor forest produce (MFP) for the use of healthcare. In Tenom, female group discussions were able to provide details on the common MFPs used for treatment, however, the same was not the case for discussions in Beaufort and Sipitang. MFPs used for treatment of common maladies include:

- **Roots:** *Ginsang* (flu and general health), *tong katali* (high blood pressure and malaria), *panawa* (anti-venom), *pitaga/payun* (kidney pain), *kacip* (general health);
- **Leaf:** *Kamanges* (malaria), *ansasavu* (cough), *bunting* (gastric), *apah* (gastric);
- **Bark:** *kayubunt* (bloated stomach), *kindas* (respiratory infections).

Community Health Exposure

Communities working in oil palm and rubber plantations are exposed to fungicides, pesticides and weedicides that can lead to long-term health risks in case of extended exposure. Within SFI's workforce and among the contractors, local women from Sabah as well as foreign female workers from Indonesia have been engaged for activities such as planting, land clearing and working in nurseries.

Academicians in Universiti Kebangsaan Malaysia and Universiti Teknologi MARA undertook a study ⁽¹⁾ to investigate the patterns of ongoing work-related musculoskeletal disorders (WRMDs) and exposure risk to musculoskeletal injuries for various body regions among plantation ⁽²⁾workers. The common pattern of WRMDs was back pain (40%), followed by shoulder pain (19%). Occupational Health and Safety issues are reportedly worse for women, which are predominantly responsible for the spraying of herbicides and pesticides in these plantations.

Sabah has also experienced high incidence of malaria with ongoing transmission and outbreaks in many plantations. It is also understood that the Sabah Health Department has been working with other non-governmental organisations and institutions like the Malaria Control Programme (MCP) to support the development of onsite clinics within the plantations.

The subsequent sections undertake the analysis of the stakeholders for the project along with the impacts for the project and proposed mitigation measures for the same.

(1) <http://aph.sagepub.com/content/early/2013/02/12/1010539513475657.abstract>

(2) While the study focuses on the oil palm plantations, the results can be transposed to the general plantation sector.

The present study discusses the stakeholder identification, engagement and analysis process which have been undertaken by ERM to identify the key stakeholders for this project and their level of interest and influence on SFI's activities.

As a part of the retrospective SIA, ERM has also reviewed the existing stakeholder engagement mechanism that is in place at SFI and the way stakeholder engagement was done since inception and in due course of time when privatisation happened and ownership passed on to Lion's group and subsequently to BILT.

The present stakeholder study begins with a historical review & context for stakeholder engagement by SFI. It is then followed by the identification of the key stakeholders of the company and their categorization into primary or secondary stakeholders, mapping their profile and influence and gauging their priorities. The subsequent section on consultation and disclosure discusses the key incepts from the stakeholder consultations as undertaken by ERM as part of the SIA study as well as the key issues and outcomes from the engagement process.

The study is concluded with recommendation for stakeholder engagement along with the disclosure and consent mechanism that is required to be undertaken by SFI for future project related activities.

6.1

HISTORICAL REVIEW & CONTEXT FOR STAKEHOLDER ENGAGEMENT

From the context of this study, a stakeholder has been defined as "a person, group, or organization that has a direct or indirect stake in a project/organization because it can affect or be affected by the Project/organization's actions, objectives, and policies". The first step towards active and formal stakeholder engagement in SFI was started back in July 2007 when after its acquisition by BILT, SFI established a Corporate Social Responsibility (CSR) Department to identify and address the needs of the stakeholders of SFI. At that time, this was specifically for the communities living adjacent or within its large 288,000 concession areas. One of the stated objectives of CSR department was to build a strong mechanism through which the company could interact with these communities in order to improve the quality of life of the neighbouring communities by increasing their socio-economic status, maintaining their cultural values as well as protecting the environment. This in turn would lead to the development of long lasting relationships with these stakeholders. Over the years, this has been done by developing participatory programmes such as modular community development workshops, leadership training, and joint community resource management projects, all of which have been planned in agreement with the

community. Through such as engagement an attempt has been made to not only inform the community on the activities in the adjoining concession areas, the process to be followed but also to involve the community in the formulation of the management plans, the solutions to the conflicts and claims and the CSR programs.

Prior to 2007, stakeholder engagements and communication reportedly took place only when there were disputes or conflicts which were mostly over land ownership and road access which indicated a reactive approach to stakeholder engagement. These are not well documented and sometimes anecdotally communicated to the ERM team. The community consultation process in the pre-BILT years was led by “enforcement” department or ‘liaison’ department of the Lion’s Group. The consultation process was triggered through a ‘grievance’ from the community. Hence, most of the community engagement was part of the grievance management process. In most cases, the prime concern of people is on their land issues and boundary of the SFI. Other issues that have community concern are conservation of the catchments of their springs and rivers, quality of the water they use and availability of land for their future generation. Though, discussions are held on these issues and SFI responds to these concerns, the consultations do not culminate in any mutually agreed action plan. The community engagement process prior to the logging or plantation works was initiated in the newer areas (mostly Tenom and Long Pasia) as well. In these new areas the documentation though is not very organized, SFI shared the copies of presentations made to the community on activities planned and capacity building material on their right to land and forest. The minutes of these consultations give a fair idea of discussions held with the community (*Annexure 6 B*).

The CSR team do take initiatives for promoting welfare and community development initiatives. The planning of these CSR initiatives is done in three stages. As the first step, an independent agency is engaged to undertake a socio-economic baseline study. PACOS has been involved to undertake these studies from 2008 to 2012 and covered almost the entire concession area. The socio-economic baseline study gives an overview of the local economy, infrastructures available, key concerns etc. It identifies potential areas of intervention. The second step involves a validation meeting with the community. At this stage a copy of the baseline report is shared with the community and various recommendations are discussed with community representatives. After due deliberation, priority areas are identified. The third stage is to prepare an action plan around the issues prioritised and implement it. However, it has been observed that there have been associated grievances and conflicts pertaining to these schemes as well. The following box highlights one such instance with respect to the *Perhutani* scheme.

An example reviewed by ERM was SFI's engagement with community for the Perhutani scheme. ERM examined the files related to Perhutani program. This community forestry program was implemented in participation with communities in pre-BILT times. When SFI wanted to harvest the logs from the area, it faced resistance from the community. The community which had planted these areas laid a claim on the timber. SFI refuted their claim on the basis that these plantation works were done with a paid-labour from them.

However, in order to develop a clearer understanding of the issue and the position of the community, the CSR department undertook a series of engagements since 2010. The aim of this engagement was to allow for the grievances to be identified and addressed and find a solution acceptable to all parties.

The CSR team took the lead in this in terms of initiating meetings, communicating with village elders acting as a mediator between the community, forestry department and SFI. ERM team examined the documentation of the negotiation process which was made available to them. The documentation included the letters for invitation to the meeting, minutes of the meetings held at different dates, the resolution based on mutual acceptance, the copies of the transactions made as compensation agreed.

The process of this participative process for CSR intervention is loosely integrated to the environment and social impacts of the SFI activities. These participative processes do not conclude with a clear 'agreement' and are not widely disclosed in the community. This may be attributed to the wide variation of community satisfaction on the community engagement process of SFI. The following table indicates some of the feedback that was received from the community during ERM's field assessment.

Table 6.1 *Sample community feedback on the stakeholder engagement process carried out by SFI*

Date	Meeting Place	Community Feedback
22 nd May 2014	Ulu Bole	No one from SFI has come to consult them in past two years. There is no fixed system of communicating their grievances. The water supply and native customary rights issues are significant issues by the community. However the field staffs used to communicate on behalf of SFI. It is reported that the CSR team began its engagement with the community in Ulu Bole in 2009 during the baseline survey by PACOS. This was accompanied by presentations to the community by the plantation/production team regarding the field operation management and plan. These presentations were also aimed at identifying land issues and their possible solutions. The community elders are reported to be in constant communication with the CSR team or the operational teams in regards to the pending land issues. CSR team has documented and SFI operation knows about the NCR issue and water supply. Production harvesting has also supplied water tanks to the community of Meligan and Ulu bole to assist with addressing this problem. However, when community engagement process happens it is undeniable that some of these people are away from the state or village whenever it happens SUHAKAM and PACOS have discussed with them on these issues and have promised to help them on asserting their rights.

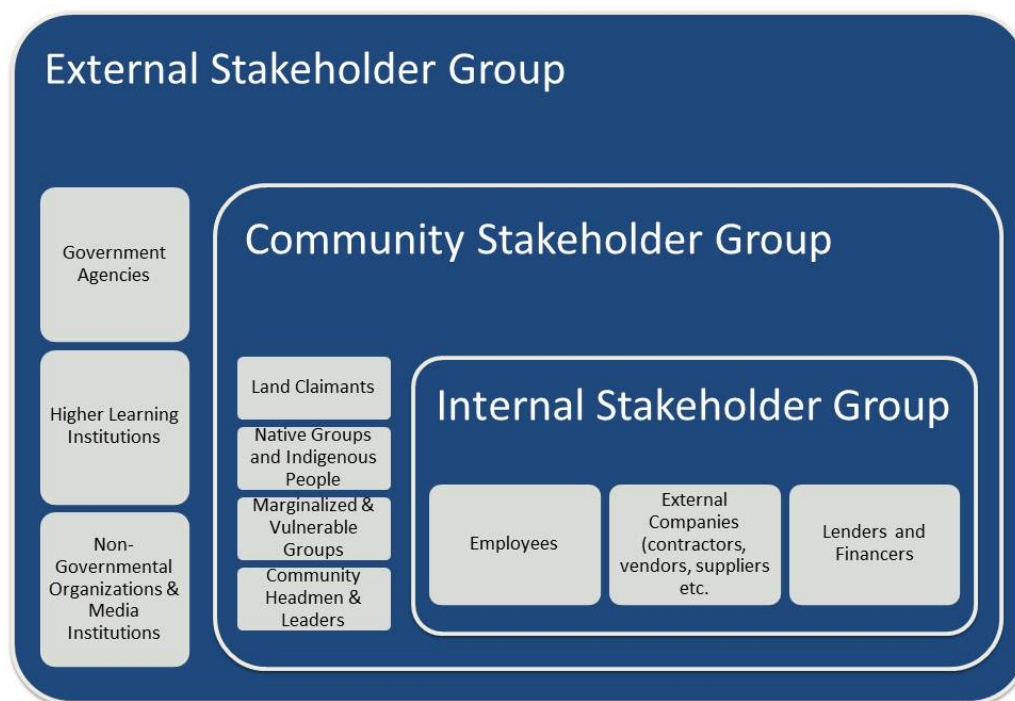
Date	Meeting Place	Community Feedback
21 st May 2014	Halogilat (& M-70)	The community members suggested that no formal meeting was held by SFI in their settlements. As the headman lives in a different hamlet, they are not sure if SFI organized any formal meeting at any other place. In the recent times, the CSR department has made several visits and consulted with different people to identify community development activities in which they can be involved. The CSR Team of SFI reported that Community engagement in these areas just started late 2013 after the baseline study done by Pacos. Invitation to villages was given and briefing carried out in the main community hall. However, owing to just starting of the engagement, people may feel the need of more consultations, which SFI CSR team will undertake in due course of time.
24 rd May 2014	Solob	The community members were not aware about the boundary demarcation work by SFI. SFI's engagement with the community is quite sporadic; however, they have reached out to Ms Angelica or Mr Kelho regarding their grievances. The Village Headman Mr Lekei understands that SFI depends on forest department to confirm on the status of the land. The land and boundary issues are stuck with the Government Agencies which is taking a long time.
23 rd May 2014	Rundulang	Consultations with the community were mostly linked to the boundary survey. They were shown a map with SFI boundary long back. However, they do not remember if their headman received the final version of the map. According to some of the participants, the consultation meeting was almost 4 years back, since then no consultation meeting is held with them by SFI.

Presently CSR team of SFI has identified some local volunteers from different villages as local mobilisers who are acting as regular interface between CSR team and communities. These community mobilisers enable CSR team to maintain good flow of the communication with communities surrounding SFI areas and to seek community feedback for continuous improvement over CSR interventions made. The community mobilisers submit a monthly report to CSR team. A copy of this report has been presented as part of **Annexure 6 C**.

CSR Manager of SFI has a long history of social connectivity in the three districts where SFI is operational since 1980s and knows the dynamism of the communities through her previous experience as Rural sociologist in the area. It is mandatory for all the new staff of CSR to undergo a week long orientation immersing with the community after joining the company with the objective of understanding the dynamics of the community. This process helps the new CSR staff to observe and understand structure of the community and sensitivity surrounding the communities. Further, there is a process of consensus building for identifying development project for the community in which finalisation of TOR for any development project requires at least 50% participation of the targeted community. This process helps in curtailing monopoly of elite group of the community over decision making process of development project which is extended by the SFI.

The following *Figure 6.1* highlights the key stakeholders identified for the project and SFI's operations. These stakeholders are in alignment with the stakeholders identified by SFI as per their SOP on Stakeholder Engagement.

Figure 6.1 Stakeholders identified for this project as part of this SIA process



The above mentioned stakeholders have been further categorized into *Primary* and *Secondary* stakeholders in the following *Table 6.2*. This categorization is based on the this definition that the stakeholders who have a direct interaction and influence on the project or SFI's operations are known as **Primary Stakeholders** and those who have limited interaction or influence are known as **Secondary Stakeholders**.

Table 6.2 Stakeholder Group Categorization

Stakeholder Groups	Primary Stakeholders	Secondary Stakeholders
Internal Stakeholders Group	- Permanent Employees - External Companies including contractors, vendors, suppliers etc.	Contractor Employees
Community Stakeholders Group	- Community with Land issues - Individual/families affected by economic loss, loss of access to livelihood resource/community resource, - Vulnerable groups (deemed landless due to conversion of state land to forest land for SFI concession, old aged/women/disabled/handicapped impacted back in 1996)	General community living near the concession area

Stakeholder Groups	Primary Stakeholders	Secondary Stakeholders
External Stakeholder Group	Community chiefs and heads	
	- Project Financiers- Lenders, Banks and Development Financial Institutions - Governmental Agencies and departments such as forest department, land and survey department and district office - Local judiciary including native courts, civil courts	- Non-Governmental Organizations include Partners of Community Organization (PACOS) Trust, Sabah Women Action Group (SAWO, PDK(Community based Rehabilitation Centre), World Wide Fund (WWF) etc. - Media Institutions

For this retrospective SIA, the stakeholder analysis only covers Community Stakeholder Groups and External Stakeholders that have direct interest and influence on land and community rights issues such as governmental agencies, local NGO and other community based institutions.

6.3 *STAKEHOLDER MAPPING & ANALYSIS*

The aforementioned stakeholders have been mapped and analysed on the basis of their profile and nature of the stakes and understanding of each group's specific issues and broader concerns or expectations from the project and SFI's operations.

On the basis of such an understanding, the stakeholders are categorised into High Influence/Priority, Medium Influence/ Priority and Low Influence/Priority. The stakeholders who are categorized as high influence are those who have a high influence on the project or are likely to be significantly impacted by the project activities, and are thus high up on the project proponent's priority list for engagement and consultation. Similarly, the stakeholders categorized as medium influence are those who have a moderate influence on the project or even though they are to be impacted by the project, it is unlikely to be substantial and is thus neither high nor low in the project proponent's list for engagement. On the other hand, the stakeholders with low influences are those who have a minimal influence on the decision making process or are to be minimally impacted by the project and are thus low in the project proponent's engagement list. In fact the project may choose not to have a separate engagement process with this category of stakeholders. The following *Table 6.3* provides the mapping of stakeholder for SFI's operations.

Table 6.3

Stakeholder Mapping for SFI operations

SNo	Stakeholder	Category of Stakeholder	Profile	Level of Influence	Priority	Basis of Influence/Prioritization
1.	Community Stakeholder Group					
1.1	Community with land issues	Primary	Community members who have land titles for plots of land within the SFI boundaries ;	High	High	- Are one of the primary external stakeholder for BILT and SFI's operations - These stakeholders have customary and legal claims on the land within SFI boundaries, thereby creating a possibility of legal implications in the future - Regular engagement with these stakeholders is critical for ensuring smooth functioning of the SFI operations and mitigation of any business and reputational risks for the operations. Engagement is also essential to ensure the SFI does not impact any livelihood activities without mitigating the same.
1.2	Individual/families affected by economic loss, loss of access to livelihood resource/community resource	Primary	- Local community members who have filed for land titles but have either been rejected by the forest department or are still pending - Local community members who have a dependence on the land falling within the SFI boundaries in terms of cultivation or agricultural use, without filing for land titles on that land; - Community members who have claim on certain patch of land within SFI area on the ground of usage of that particular land by their forefathers and they are in the process of filing application for the same; - Community member who intend to get certain portion of SFI land excised and reserve that for future expansion of the Kampong without any legal claim; - Community members who have native customary rights on SFI land, in terms of dependence for agriculture or for forest produce.	High	High	While, due to the soft approach adopted by SFI presently there are no economic losses suffered by the community, these stakeholders are the ones who have a possibility of future impacts in terms of restriction of access to the land within SFI boundaries, if such an action is decided by the FD,
1.3	Vulnerable groups (deemed)	Primary	This group is comprised of individuals who due to their socio-economic status are more vulnerable to being	Medium	High	This stakeholder group is likely to be disproportionately impacted due to their socio-

SNo	Stakeholder	Category of Stakeholder	Profile	Level of Influence	Priority	Basis of Influence/Prioritization
	landless due to conversion of state land to forest land for SFI concession, old aged/women/d isabled/handica pped impacted back in 1996)		disproportionately affected by the project activities such as old aged, women and disabled who may be disproportionately impacted due to their socio-economic status. These include those community members whose entire land or a significant portion of it falls within the SFI boundaries and have major dependence on that area for their livelihood.			economic standing Regular engagement to identify the specific vulnerabilities and dependence upon the land in SFI boundaries will be critical for mitigating the impacts of the project,
1.4	Community chiefs and heads	Primary	- This group comprises of the village Head Men, the JKKK, religious heads or priests and other community elders - These individuals are extremely important role in the decision making process of the community	High	High	- This stakeholder group is important in regards to the role played by them in the decision making process and the opinion formation amongst the community members - Engagement with these stakeholder groups is also a critical part of the cultural process of interacting with the community, as any external individual/group needs to approach the community chiefs and heads to request permission to gain entry to the kampong and interact with the community members
1.5	General Community	Secondary	This group comprises of the local community in the vicinity of the project, who may not have direct claims on the land within the SFI boundaries but may be impacted by the project by proximity to the project activities and due to any restrictions on access to the neighbouring forests	Medium	Medium	- This stakeholder group is important in regards to the business and reputational risks associated with the relationship - This group plays an important role in the formation of public opinion towards the project - Focused and regular engagement with this group is critical in order to ensure the smooth functioning of the project
1.6	Local community groups and associations	Secondary	This group comprises of groups or associations formed by the local community for specific purposes. These include groups such as the women's handicraft groups, youth groups, church groups, Tagal groups and in some kempongs, hunting groups	Medium	Medium	- These groups play an important role in the carrying out and managing of certain activities at the community level. - The engagement with these groups would be important in terms of implementing the CSR programs, undertaking skill and capacity building at the community level as well as opinion formation towards

SNo	Stakeholder	Category of Stakeholder	Profile	Level of Influence	Priority	Basis of Influence/Prioritization
						the project
2.	External Stakeholder Group					
2.1	Project Financiers –	Primary	- Project financiers Financiers at corporate level of BILT and operations level of BILT - May include local and regional banks, national banks, development banks etc.	High	High	- Are one of the primary shareholders in BILT and SFI's operations - Investment directly translates into successful continual of business operations - Specific financiers such as IFC have specific requirements and conditions example environmental and social sustainability that are over and above statutory requirements and have to be complied by SFI for continuous engagement with the financiers
2.2	Governmental Agencies and departments such as forest department, land and survey department and district office	Primary	This group comprises of the government agencies which may be involved in various stages of the project in regards to the permissions, approvals and regulatory requirements. These officers and departments include, the Land and Survey Department, Forest Department, district office, Collector of Land revenue, Director of Land and Survey, Registrar of Titles, Ministers of State, Director of Forestry etc.	High	High	- This stakeholder group has a high influence on the working of the project in regards to the approvals, permissions and meeting of other legal requirements for the project. - Furthermore, due to the regulatory provisions pertaining to land in the state, it is the land and survey department and forest department who have the authority to make the decisions pertaining to the land for SFI and any claims on the same.
2.3	Local judiciary including native courts, civil courts	Primary	- The local judiciary in the state of Sabah is comprised of a structure of native courts and civil courts. - The judiciary of Malaysia provides for two High courts, the High Court of Malaya and the High Court of Sabah and Sarawak. - The system of native courts are involved in in the cases involving in the indigenous community of the four main ethnic groups in the state, namely the Kadaya Brunei, Murut, Delundaya and the Kadaza- Duhsuns.	High	Low	These stakeholder groups will play an extremely important role in the settlement of disputes and claims which may exist presently or in the future pertaining to the land within the SFI boundary. However SFI does not need to actively engage with this process and will primarily implement instructions from these courts
2.4	Non-Governmental Organizations	Secondary	- PACOS Trust, Partners of Community Organisations in Sabah is the main NGO active in the immediate vicinity of the project. - Other NGOs include LEAP that have been playing a	Low	Medium	These groups play an important role in the public opinion formation towards the project and also are an excellent resource for community studies and stakeholder engagement processes. SFI has already

SNo	Stakeholder	Category of Stakeholder	Profile	Level of Influence	Priority	Basis of Influence/Prioritization
			facilitator role in dialogues between the community and the Forest department and working on community forestry and conservation issues. The other NGOs which are active in the areas around the districts of Sipitang, Beaufort and Tenom and the regions of Borneo and Sarawak are WWF, Greenpeace amongst others			engaged with PACOS on the baseline studies conducted in 2007 and 2010. They will need to continually engage and partner with such organisation for bot CSR as well as community engagement activities.
2.5	Media Institutions	Secondary	This stakeholder group is comprised of both the print and audio-visual media active in the area. due to the sensitive nature of the area in terms of biodiversity and the indigenous community, media is known to be an active presence in the state	Medium	Medium	The stakeholders are likely to play an important role in the opinion formation amongst the other stakeholders towards the project

6.4

STAKEHOLDER CONSULTATIONS

As part of the SIA study process, ERM engaged the aforementioned stakeholders and undertook direct consultations, Focussed Group Discussions (FGD)s and meetings. The following table provides details of the consultations that were conducted across various stakeholders.

Table 6.4 *Details of Stakeholder Consultations undertaken as part of SIA and Key Outcomes*

SNo.	Stakeholder	Date (DD/MM/YY)	Place of Consultation	Method/Type of Consultations	Key Objectives of Discussion	Key Issues/Points from Discussion
1.	Community with land issues	Selective consultations carried out during field visits between 22/05/14 to 26/05/14	- Maligan - Kaban - Kg Pakiak kampong - Kelangsat	- Focussed Group Discussions (FGD) - General Consultations	Status of land issues within the villages	- The community was having land issues on the SFI concession area and having few documents and maps; however most of these claims are rejected by the state government - The decision with respect to land issues on reserved forest land coming under SFI concession area is still not finalised and applicants are looking forward to resolve these issues as soon as possible. - The issue of the boundary of SFI was also an emotive one. - In Pakiak kampong, the community believes this village falls entirely (including the communal and NCR areas) within the SFI boundary. they continue to use the lands and NCR with no problems of access (later SFI reported that the area was to be excised from the concession but this has not been disclosed to the community) - They recalled two separate exercises where the community had been involved in 'painting lines" (first in Red, and in the next round, after a year, in yellow) to define boundaries for SFI and the Kampong. They also mentioned another category of 'blue

SNo.	Stakeholder	Date (DD/MM/YY)	Place of Consultation	Method/Type of Consultations	Key Objectives of Discussion	Key Issues/Points from Discussion
2.	Vulnerable groups (deemed landless due to conversion of state land to forest land for SFI concession, old aged/women/disabled/handicapped impacted back in 1996)	Selective consultations carried out during field visits between 22/05/14 to 26/05/14	- Kg Pakiak, (Kg Solob) - Mahunsop - Bekuku	FGD with women FGD youth groups FGD with ethnic groups	- Identification of any specific vulnerable group - Key issues or concerns amongst these vulnerable groups	lines' for riparian rights. They appeared to believe that this exercise was part of the boundary survey exercise and also that it left them confused and suspicious of the intention of the exercise. - Most women in the discussion identified themselves as housewives though they were involved with both agriculture (paddy, vegetable growing), and plantation activities (rubber planting and tapping, tending to fruit trees, harvesting etc). - Sizable number of the youth and they are generally engaged in agriculture, fishing, hunting and jobs. After completing the primary education, most of the youths at the age of 16 and above they generally start contributing in their family occupation. - Although most of the youth are desirous of getting gainful employment in services sector but due lack of proper qualifications most of them are not able to find suitable jobs. Although few are able to get petty jobs such as driver, delivery boy and salesmen and hardly able earn 700- 800 Rn. But generally most of them return to the village and continue their tradition occupations.
3	General Community and Discussion with Community chiefs and heads	Selective consultations carried out during field visits between 22/05/14 to 26/05/14	24 villages	General Community Consultations	- Community profile - Key issues from operations of SFI	- Most of the communities are heterogeneous mixtures of different ethnicities that include Murut Tagols, followed by Muruts Kolor , Dusun, Malayai, and Chinese. - Most of the people are occupied in agriculture, hunting, fishing , services and collection of NTFP and major sources of income includes selling of rubber , palm oil and hunted meat for SFI labours - Community members are generally aware of

SNo.	Stakeholder	Date (DD/MM/YY)	Place of Consultation	Method/Type of Consultations	Key Objectives of Discussion	Key Issues/Points from Discussion
						SFI operations such as plantation and logging. Further community has informed the present management is having strong community relationship. And most of their issues are adequately discussed with CSR team. • However they expressed the desire to get some financial contribution for celebrating festivals which was earlier practised by Lion's management. • Community members have expressed their desire to work for SFI in non-technical grades and they strongly feels that if the jobs are given to local it will certainly improve the socio – economic status of the villagers • Community members perceive that the activities of SFI are creating environmental misbalances .The air and soil pollution has negatively affected the production of crop. And soil erosion resulting due to logging has badly impacted the quality of river. • Community is concerned about the negative health impacts which are likely to be caused due the extensive the usage of pesticides by SFI. Community perceives that the rain water carries the pesticides from the SFI concession area which generally located on the top and mixes with river water which also used for domestic purposes such as drinking and bathing. Therefore is can potentially cause cancer and other diseases as well as may enter into food chain. • The community is concerned about water pollution due to logging, damage of roads due to overloading and spraying of pesticides which might have negative health impacts in a

SNo.	Stakeholder	Date (DD/MM/YY)	Place of Consultation	Method/Type of Consultations	Key Objectives of Discussion	Key Issues/Points from Discussion
4.	Assistant District Officer	• 23/05/14	District Office Sipitang	Formal Meeting		long run. - The community have expressed the need for maintaining village roads and supply of drinking water for community development. - The community members were not aware about the boundary demarcation work by SFI. They saw SFI's engagement with the public as quite sporadic; however, they have reached out to Ms Angelica or Mr Kelho regarding their grievances. - District Officer is the head of all state land. Of the concession, a majority (i.e. approximately 188,000 ha) falls within the district of Sipitang; - Every three months there is a Land Use Committee meet chaired by the District Officer in Beaufort to discuss zoning, key projects and the status of claims; - The Land and Survey Department has records/applications of all persons (Bumiputra or non-Bumiputra) who have applied for a land title; - While the application process and approval through Kota Kinabalu takes 6 months, obtaining a land title itself can take 2-3 years; - All claims within SFI's concession have been forwarded by the Land and Survey Department to the Forest Department.
5.	PACOS	22/05/14	PACOS Office	Informal meeting	To understand their perspective of the impacts of SFI in the area	- PACOS conducted the baseline surveys for SFI and know the SFI concession area well. - Recalled how people reacted when the concession was declared. - Believed there are innovative experiments on joint management of forest resources that Sabah should adopt - Believed that community groups and NGO

SNo.	Stakeholder	Date (DD/MM/YY)	Place of Consultation	Method/Type of Consultations	Key Objectives of Discussion	Key Issues/Points from Discussion
6.	LEAP	22/05/14	PACOS office	Informal Meeting	Understand the historical engagement between the Forest department and communities and what needs to be done moving forward.	can work together to develop such approaches that are sustainable with a broader agenda of conservation and maintain traditional rights. • LEAP engages with the Forest Department and tries to provide forums of dialogue between communities and the FD. • A lot of legacy issues that have inhibited direct and open engagement. These need to be slowly addressed through continuous dialogue and thinking out of the box. • Possible to initiate such a dialogue in SFI area with participation of all stakeholder groups; • The Forest Department is now more open to hear about such initiatives.

Note: Detailed minutes of some of these consultation shave been provided in *Annex 6*.

6.5 *STAKEHOLDER ENGAGEMENT MECHANISM*

6.5.1 *Existing Engagement Systems and Protocols followed by SFI*

From the consultations held with SFI members and community members one gets a sense that stakeholder engagement process was formalised through adoption of SOPs. As part of the corporate strategy for stakeholder engagement, SFI has established standard processes and protocols for stakeholder engagement. The following section highlights four of these processes. The first process is the principal protocol for stakeholder engagement, whereas the subsequent three are associated protocols for engagement keeping the community in context as a stakeholder.

Standard Operating Procedure (SOP) for Stakeholder Engagement

The SOP for Stakeholder Engagement establishes the company's definition of a stakeholder, identifies the key relevant stakeholder groups to be engaged by the company, the roles and responsibilities as well as the method and procedure for undertaking successful stakeholder engagement.

Methods and procedures delineated by SFI in this SOP for stakeholder engagement are as follows:

- To obtain the details of the potential stakeholders; background, main activities, achievement, historical and social backgrounds etc.
- Interview potential stakeholders to see whether they meet the criteria set out by the company
- If they meet the criteria as required, stakeholders would be invited to sign a Memorandum of Understanding (MoU) or contract agreement or Memorandum of Association (MoA) with the company

The following responsibilities were assigned to staff from relevant department involved in stakeholder engagement.

- To obtain details of the potential stakeholders, background main activities, achievements, historical and social background etc.
- Arranging the interview with the potential stakeholders to see, whether they meet the criteria set out by the company;
- Formulate the Memorandum of Understanding (MoU) or contract agreement with the company or institution;
- The selected stakeholders will be invited, to sign a MoU or MoA;
- Ensure that the stakeholder listing is always updated

SOP for establishing a Mechanism for Land issues

An SOP for the purpose of handling land issues from the community has been established primarily for monitoring and recording of land issues within SFI's area of operations and providing a guidance framework for handling all land issues in SFI concession area.

The methodology prescribed within the SOP for handling of land issues are as follows:

- **Identification of Land issues:** that includes verbal or written registered claims directly from the villagers or the contractors. Forester In-Charge (FIC) to identify the applicants involved, location, amount of land, other NCR etc. within one week (1) of registration of the claim. Reporting would be done to the forest department and evidence submitted with respect to GPS points, documentary evidences from applicants etc.
- **Validations of the claim:** includes follow up of the claim by SFI with the forest department and joint inspection of the area by the SFI team and the forestry departments. The validity of the claim would be provided by the forest department
- **Surveillance:** in case the claim on land is held invalid, harvesting and plantation activities are resumed immediately
- **Titled Land:** in-case the claim is found to be valid, forester in charge along with the land and survey departments shall take necessary documents from the applicant. A negotiation process is resumed between the applicant and the forest department. Forestry department to give final decision on land ownership. Compensation is paid on the basis of agricultural department guidelines and land and survey departments

Separate consultations with the CSR team and the Operations team confirmed that this SOP is broadly followed and the documentation of the same is available in the local language. The operations team informs that the SFI moves into an area which has to be opened up 3 months prior to the activity. In those three months they go through the process of informing and consulting with the relevant community about the following:

- Boundaries;
- Claims; and
- Current activities on the ground and access to the same.

Typically a person from the CSR team accompanies the operations team. The team gathers all the claims in the area and conduct a ground verification of the same. The claims are then forwarded to the Forest Department and the team waits for the claims to be settled. If the claims are not settled they leave those areas along and work on other parts of the compartment without (reportedly) disrupting any existing use of the area. There are certain procedures (based in EIA EMP and Standard Forestry Practice of Sabah Forest Industries) following wherever there is evidence of use:

- 50 meters by 50 meters at the outer boundary of the actual burial site (also mentioned under created around graves;
- 5 meters buffer area created around individual or community plantation;
- 5 meters buffer created around paddy fields etc,

These measures are discussed in greater details in Section 7 – Impact Assessment.

SOP on Compliance to ILO Convention 169

SFI has established an SOP for providing guidelines and framework to ensure compliance to International Labour Organization's (ILO) convention 169 on the protection of indigenous rights of ownership and use of traditional land and rights (NCR rights in context of local legislations). Broadly the mechanism involves:

- Step1: Forest Management Planning: this step involves:
 - o Production and plantation department to ensure all operations are in accordance with approved Forest Management and Annual Work Plan
 - o Plan and implement collaborative natural resource development programme with involvement of affected communities through people's organization and NGO partners
 - o Production and Plantation department to provide CSR Forest Management Plan (FMP) and updated Annual Working Plan (AWP)
 - o CSR and Respective Departments to carry out community engagement programme as stipulated in CSR SFP for conflict resolution.
 - o Production and plantation departments to carry out pre harvest plan
 - o Executive of each department to carry out field or ground assessment to ensure no burial sites, orchard, farm, cave, waterfall, monuments carving or an area with cultural heritage, economical, aesthetic, historical, scientific and environmental value on site
- Step 2 Identification of Communal Land: including identification of:
 - o Megaliths or ancient monuments (including earth mounds, carving rock surface,)
 - o Abandon or active orchards, farm tress or paddy cultivation plots,
 - o burial grounds and markers
 - o old house or huts (building), excavation sites
 - o Hunting ground marked with hearth on the ground or trails, sightings of hunters and animal foot-prints and presence of salt sake
 - o Grazing land with or without fences
 - o Pikestaff, picket similar object set in the ground pointed at certain property as indication to the general public of ownership of such area
 - o Waterfall of significant size and heights, unusual sightings of fauna and flora and caves
 - o Ritual sites with stone slabs or monuments or other signage such as snake or crocodile mounds, birds and trees marked with symbolic sign etc.
- Step 3- Field methods for processing and validation of indigenous rights including

- o Survey crew and field executives to apply data collection methods as in CHP SFP
- o Demarcate area involved in the ground
- o Take photographs and note on location of such area to be recorded on GPS and transferred to GIS map for further verification with nearest community, land and survey and forestry department
- o Survey crew leader and foresters in charge to produce field report to be copied CSR and respective department heads for further action and decision
- o Production and Plantation department to write to relevant authorities on the findings and if required to assist in the verification process
- o Planning department to modify harvesting or planting plans after ground verification and endorsement by SFI including relevant government agencies and community affected are completed or resolved
- Step 4: Action plan for the continuous maintenance of community rights
 - o To further maintain traditional user rights of communities affected, communities are required to carry out joint inspection and demarcate area especially burial grounds, heritage and ancestral home sites
 - o If SFI has encroached communal land, SFI shall resolve dispute using conflict resolution procedures and refer to Native courts, Land and Survey, Forestry and Agriculture Department for compensation guidelines
 - o CSR to assist in the formulation of joint resource management programme for affected communities
 - o CSR to continue community engagement and other sustainable development programmes surrounding the operation areas

The following are the broad responsibilities of staff from relevant departments involved:

- To obtain policy endorsement from SFI board of directors and to keep documentation updated on relevant or potential conflict areas
- To refer to the approved Forest Management Plan (FMP), Plantation Development plans and updated AWP from production and plantation department
- Planning department to provide guidelines to field survey personnel on CHP inventory and AWP
- Planning and mapping to update GIS Map on communal areas and carry out field surveys inspection with liaison team as well as field executives
- CSR to train, field surveyors, liaison team as well as all field operations staff (plantation and production) to handle community related issues
- Conservation executives to train field operation staffs on the High Conservation Value Forest identification in relation to community heritage and important sites

- CSR to carry out yearly evaluation of development programmes and to update SFP and to communicate with stakeholders on current and future development of SFI forest management
- To obtain field report or investigation report regarding identification of communal land by respective departments (Plantation and Production department)
- Production and Plantation General Managers to update Forestry department, Natural resource department, Wildlife, Sabah Museum and land and survey department on the land issue development with regards to community land rights
- Production and plantation department to provide update progress report on any new findings or encounter by survey personnel throughout field work to ensure department heads are aware of any possible violation of indigenous rights
- To assist in the formulation of Joint Resources Management programme for affected communities
- CSR to continue community engagement and other sustainable development programmes surrounding the operation areas
- In case of any conflict or encroachment to traditional land or important sites such as graveyards, megaliths etc, operation staff to refer to CSR SFP on conflict resolution procedures and refer to Native Court, Land and Survey, Forestry and Agriculture Department for compensation guidelines.

Although specific responsibilities has been assigned to various department as described above with regard to compliance on ILO convention 169 requirements, however there is a need to have internal monitoring system to ensure this compliance and specify the responsibility for internal monitoring. As per ERM's assessment, CSR department of SFI is best suited for taking responsibility of overall internal monitoring process.

The process described in SOP for Land issues is also used while engaging with IP community and validation of IP rights.

SFI has also instructed the contractor to maintain this status quo. However, presently, there is no internal system in place at SFI for the monitoring of contractors that if they are in compliance to the above protocols.

These measures are discussed in greater details in Section 7 – Impact Assessment.

SOP on Conflict Resolution

For the purpose of identification of potential conflicts relating to land tenure or land use rights of traditional or indigenous peoples' groups of areas affected by SFI operations and handling and managing these situations, SFI has established an SOP for resolving these conflicts amicably and provide a mechanism for minimizing conflict scenarios in future. Broadly, the methodology as prescribed within the SOP involves:

- **Community Engagement:** which propagates the CSR team to present the single window for managing community grievances, partnering with NGOs for social development schemes, meeting community expectations with respect to job and employments, holding dialogue sessions for capacity building, consensus building etc.
- **Approaches to Conflict:** including dissemination of information, identification and verification of information, ground level engagement, discussions and negotiations etc.
- **Resolution & Decision making:** steps to be undertaken for resolution of complaints and arriving at decision or mutually agreed settlement
- **Implement Solution and Follow:** implementing the decision and follow-up

A record of past and previous community engagements carried out between 2012 and 2014 is presented in the following table.

Table 6.5 *Records of community engagement carried out between 2012 and 2014*

S.No	Name of Stakeholder	Date of Engagement	SFI Representative/ Department Involved	Key Points of Discussion/ purpose of meeting
1	Community members	Jan 2012	CSR representative of SFI	Discussion with participant of the defunct community forestry to find solution to his planted plot at L42.
2	Agriculture Pilot Project participants from Sipitang Community	16th January,2012.	CSR Manager and Executives	Discussion on Agriculture pilot project with the participant
3		30-31 January,2012.	CSR Manager	invited to attend the Native Land Rights symposium at UMS
4	Community members	Feb 2012	CSR representative of SFI	Discussion with participant of the defunct community forestry to find solution to his planted plot at L40/41
5	Community around SFI area in Sipitang & Beaufort District	7-14th February,2012	CSR representative of SFI and NGO	Baseline survey
6	enom District Forest Officer	21st February, 2012.	CSR Manager	discussion with Tenom District Forest Officer on conflict management strategies for Tomani area at Forestry Department office
7	NGOs	February	CSR Manager	SEEN quarterly meeting on Sabah World Environment day and meeting with KASIH on HIV/ AIDS program.
8	32 participants from community, trainer hired from PAUT	22nd-24th February, 2012	CSR representatives	Conduct training on Handicraft Development, Introduction of new craft innovation
9	community members	12th March, 2012.	CSR representatives	Brief villagers on the Forest Enactment rules at CSR office
10	60 parents and teachers for SUASINDAK's school	10th March,2012.	PACOS center	Conduct HIV/ AIDS training
11	Tagal Committee from communities	27th March 2012	CSR representatives	Meeting with the Tagal Committee was held at CSR Office to discuss on propose date for the training on organic fish feed processing
12	People's Organisation from Ulu Tomani	9th April,2012.	CSR representatives	discussion with the People's Organization from Ulu Tomani, regarding on the Ecotourism as a potential new project and updates of PO reports
13	Tagal System Committee (52 participants)	16th to 17th April 2012	CSR representatives, PACOS Trust	Conduct training on Fish Feed and Organic Fertilizer processing for Tagal System Committee. PACOS Trust was invited as trainer

S.No	Name of Stakeholder	Date of Engagement	SFI Representative/ Department Involved	Key Points of Discussion/ purpose of meeting
14	Fisheries Department	6th May 2012	CSR Manager	Meeting with Fisheries Department on 6th May 2011 to discuss the launching of River Tagal System in Ulu Padas.
15	Agriculture Department	6th May 2012	CSR Manager	Meeting with Agriculture Department to discuss the launching of Green Earth Campaign at SFI Housing Estate.
16	18 participants from Kg.Katubu and Kg.Patian	10th-12th May 2012	PACOS Trust as trainer, CSR representatives	Organizing Handicraft training at Kg. Katubu
17	10 women from Kg. Sumambu	13th May 2012	PACOS Trust as trainer, CSR representatives	Organizing Handicraft Training at Kg. Sumambu
18	Participants from Community	9th and 18th May 2012	CSR representatives	Delivery of agriculture inputs (3,100 pineapple seedlings) to agriculture trial project participants, costing RM1,550.00.
19	Elders, PO, and craftswomen from Balai Wawasan, Kg. Alutok, Ulu	May 2012	CSR representatives	Meeting and discussion with Elders, PO, and craftswomen about the rights to harvest of Non Timber Forest Production (NTFP) at the forest reserve area at Balai Wawasan, Kg. Alutok, Ulu Tomani on the 20th June,2012 At night discuss about land issues and the claims put forward to SUHAKAM and ways to put forward claims to the government without implicating SFI since communities understood that SFI has no rights over the land.
20	communities of Alutok, Kaang and Malutut	20 June 2012	CSR representatives	Brief the communities of Alutok, Kaang and Malutut on the current Fire Risks indicator and advice them of no open burning in support to plantation Fire prevention drive during this hot season. Distributed posters to communities
21	community members of Kg. Meligan, Ulu Padas	June 2012	CSR representatives	Meeting and Training with the Handicraft Association (PALMS) and Tagal Committee at Kg. Meligan, Ulu Padas on basic financial management skills and handicraft product price tagging on Products.
22	Communities nearby L21.	June 2012	CSR representatives	Assisted in resolving conflict arising from unclear boundary of Perhutani Project at L21. Communities felt that the total area involved is 80 ha not 60 ha. Negotiation was set up between Sr. SFI Surveyor and group leader Mr. Joseph Kaling Selutan to agree on the hectareage before any harvesting commence. The group leader requested the Sr. Surveyor to proceed with 60 hectare after minus buffer zone. Further discussion with Production harvesting after the area is marked on the ground.
23	elders from Kg.Katubu	1st August 2012.	CSR representatives	Networking meeting with the community elders pertaining on People Organisation formation and Ginger Herbal plant project

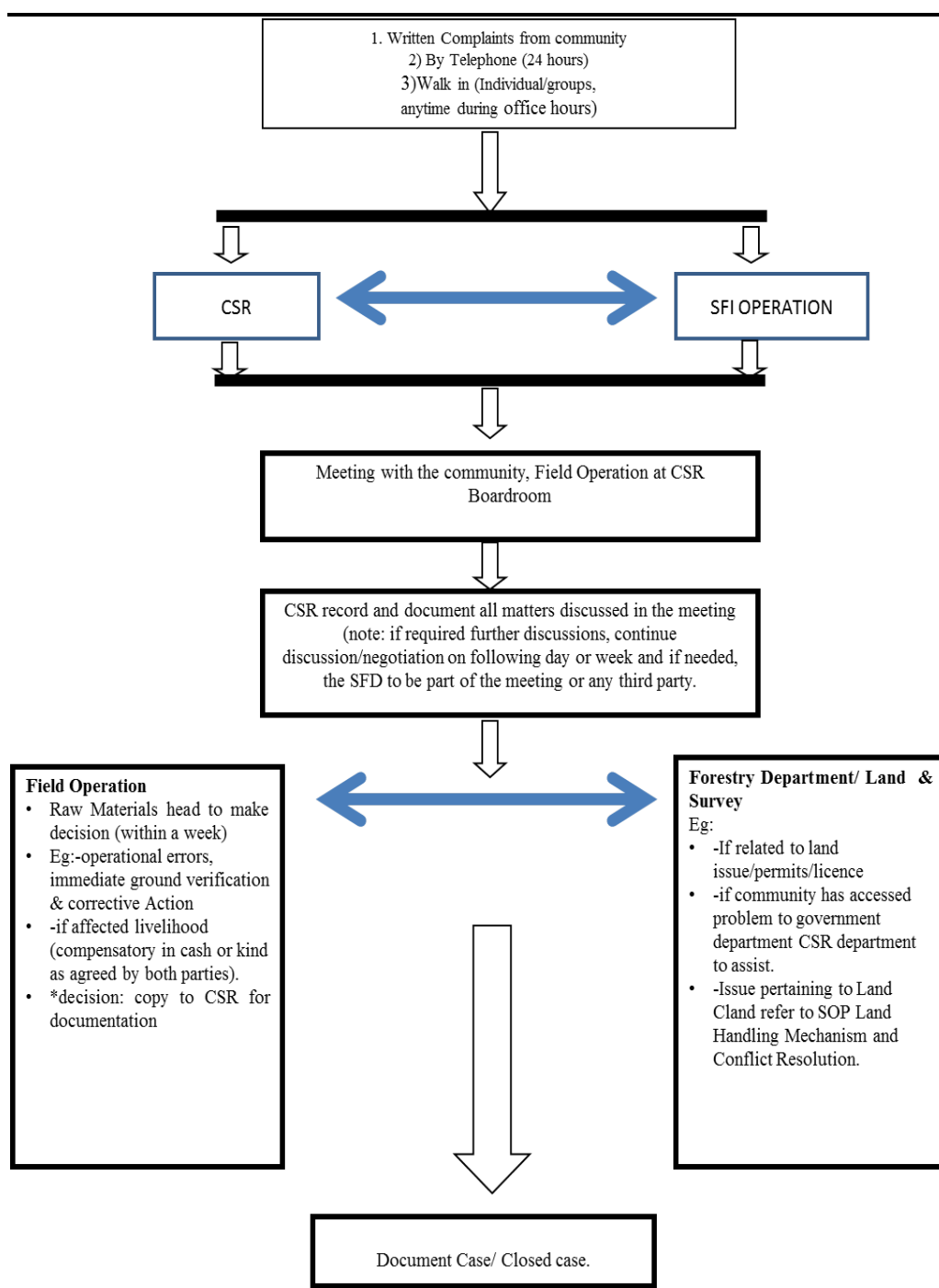
S.No	Name of Stakeholder	Date of Engagement	SFI Representative/ Department Involved	Key Points of Discussion/ purpose of meeting
24	community members from Kg. Alutok and Kg. Katubu	24th October 2012.	CSR representatives	Fieldwork and meeting with the Handicraft Group on progress of handicraft group at Kg. Alutok and Kg. Katubu
25	community elders at Kg. Katubu	5th November 2012.	CSR representatives	Field work and Meeting with the New Handicraft's group members and community elders at Kg. Katubu
26	elders of Kg. Solob	3rd December 2012	CSR representatives	CSR Manager and CSR Executive attended meeting with community elders of Kg. Solob's regarding on land issue
27		Jan 2013	CSR representatives	CSR department received about 6 complaints of non-fulfilment of payment to Perhutani project participants. Issues verified and in process of payout by raw material or production division.
28	Kg. Laboi headman	Jan 2013	CSR representatives	CSR Manager meets Kg. Laboi headman to discuss about CSR Program in the village for year 2013-2014.
29	Beaufort Fisheries Officers	7th February 2013.	CSR representatives	CSR Manager and Executive attended meeting with Beaufort Fisheries Officers at Beaufort
30	headmen of Kg. Meligan and Kg. Rundulang	25th March 2013.	CSR representatives	CSR's executives attended meeting with headmen of Kg. Meligan and Kg. Rundulang regarding on Production department-SFI operation at P12, P13, P17 & P24
31	representative of Kg. Tekula Besar	June 2013	CSR representatives & plantation team	CSR executive and Plantation team attended meeting with representative of Kg. Tekula Besar regarding on foreign worker issues with local community at L.24.
32	community from Mendolong	July 2013	CSR representatives	Discussion with community from Mendolong on proposed wood sale from their 'LA' land area. Referred to Production harvesting for further clarification.
33	community from P6	July 2013	CSR representatives	Meetings and discussion with community from P6 on the claim of NCR land status and extracting timber from the area. Referred to Forestry Department as NCR is not recognised in Forest enactment, 1968.
34	community member from Kg. Mendulong and Kg. Bamban	28 July 2013.	CSR representatives	CSR executives went to Kg. Mendulong and Kg. Bamban for the formation of new handicraft committee
35	community from Kg. mendolong	September 2013	CSR representatives	CSR Manager Meeting and discussion with defunct community Forestry "Perhutani" of Kg. mendolong on the intent to return land to SFI and selling acacia logs.

S.No	Name of Stakeholder	Date of Engagement	SFI Representative/ Department Involved	Key Points of Discussion/ purpose of meeting
36	Perhutani Farmer	22nd Oct,2013.	CSR representatives& Survey supervisor	CSR Manager and Survey supervisor discuss and negotiate with Perhutani Farmer's group on the boundary marking and the harvesting agreement on 156 ha of land to be return to SFI at compartment L42
37	community from Kg. Meligan	15th November 2013.	CSR representatives	CSR executive went to Kg. Meligan to update on Panel making by PALMS group and Tagal committee Meeting
38	5 community representatives from Kg. Ripanon, Kuala Tomani	7th January	CSR representatives	Application for extension of graveyard site due to the erosion on at CSR meeting room.
39	community representative from Kg. Sri Menanti	8th January	CSR manager and GM plantation	CSR manager and GM plantation attended meeting with community representative from Kg. Sri Menanti pertaining compensation request on allegation of crops damage on 8th January 2014 at GM plantation office.
40	community representatives	27th January	CSR executive, SFI surveyor and Beaufort fisheries department	conducted ground site inspection for Tagal system at Kg. UluLingkungan and Kg. LingkunganLaut
41	Forestry Department, Kg.Alutok, UluTomani	13-14 January 2014.	CSR Manager and executive	CSR Manager and executive attended meeting with Tenom Forestry Department and went to Kg.Alutok, UluTomani for monthly monitoring meeting and pre-liminary survey for CBRNM workshop
42	Kg. UluLingkungan and Kg. LingkunganLaut	27th January 2014.	CSR executive, SFI surveyor and Beaufort fisheries department	CSR executive, SFI surveyor and Beaufort fisheries department with community representatives conducted ground site inspection for Tagal system at Kg. UluLingkungan and Kg. LingkunganLaut
43	Kg. Saliwangan- Batu 65	13th February 2014.	CSR representatives	CSR executive went to Native Court Beufort to update on Tagal progress of Kg. Saliwangan-Batu 65 and briefing regarding Tagal exposure visit to Tagal chairman
44	PDK meeting	16th February	CSR Manager and executive	pertaining liquidation and formation of new committee of PDK
45	Monitoring meeting	11th-13th March	CSR executives	Conduct feasibility study on Chili planting potential and KATUPAT handicraft
46	Kg. LingkunganLaut	6th March 2014	CSR executives	CSR executives attended meeting with Tagal committee of Kg. Lingkungan Laut and Kg. UluLingkungan together with Beaufort Fisheries Department representative at Mosque Hall, Kg. LingkunganLaut, Beaufort.
47	Kg. Lingkungan Laut	27th March 2014.	CSR executives	CSR executives went to Beaufort Agricultural Department and Kg. Lingkungan Laut Beaufort regarding Training on dried food processing, Chili planting information and Tagal meeting
48	Kg. Alutok	April 2014	CSR executives	CSR team went to Kg. Alutok for CBRNM workshop preparation on 19 th -20 th April 2014.

Source: SFI

The existing protocol of grievance redressal mechanism at SFI is as follows:

Figure 6.2 *Process Flow Chart for Grievances Redressal at SFI*



A. Step 1- Receiving complaint/ Grievances

- CSR to provide one stop centre for community grievances and to establish amicable solutions for both aggrieved parties.
- Community write official letter to CSR or to Operation staff (Forest In Charge and Production Manager of respective estate).

- Telephone (24 hours) or walk in (Individual/groups, anytime during office hours).
- CSR to verify with SFI Field Operation/ relevant Forester in Charge (FIC)/ Department and complainant within three days upon receipt of complaints.

B. Step 2- Grievances Redress

- If grievances are valid, CSR call for a meeting for both sides (if necessary to mediate to find solutions).
- Liaison Team or executive of each department to carry out field visit or assessment to verify facts and to identify location and stakeholders involved.
- Liaison team/executive to submit assessment report to respective Forest In-Charge with a copy to CSR Manager for analysis.
- Discuss field assessment with CSR before answering any complaint officially.
- CSR Manager to call Forest In-Charge/harvesting production Manager and liaison team/executive to discuss on the assessment results to determine the next action plan

C. Step 3- Resolution

- Resolve issue through:
 - If conflict arises, a meeting with the respective community with SFI Operation will be arranged by Forest In-charge at the CSR office to discuss and listen to the case presented by the community representatives. In attendance will be departmental representatives from Survey and Planning and if required personnel from the Forestry Department.
 - CSR Manager will facilitate the discussions between Forester in Charge (both Plantation and Harvesting Production departments) and the aggrieved community representatives/individual complainant.
 - During the discussions CSR Manager is to guide both parties to find amicable solutions through consensual discussions and understanding.
 - CSR Manager must ensure that both parties are focus on the addressing on the grievance in transparent manner and agreed on the ground rules prior to conducting the discussion. If discussions reach to a stalemate, explain to both parties that the session is to be postponed to a later date.
 - CSR to initiate re-assessment interview separately for the plantation or harvesting and community before new discussion is fixed.
 - All discussions and consensus building efforts or agreement by both parties are documented by CSR personnel. All party involved will be given a copy of the documentation
 - To document every formal discussions or negotiation process through formal memo by respective department with copies to aggrieved person/community and relevant department (Native Court, District Office, Forestry Department and Land and Survey, CSR).

- h. Mediation process will commence upon requests of conflicting parties (Production or Plantation and communities).
- i. Head of department or Community representatives to notify CSR department for assistance. CSR Department, will assist as mediator to both parties based on consensual agreement of aggrieved parties.

D. Step 4- Decision Making

- If grievance are related to land matters refer CSR, SOP on Mechanism in Handling Land issues.
- If grievance is involving trespassing of burial ground and farm, CSR department will advise relevant heads of department (SFI) to write a referral letter to Land and Survey and Native Court for advice on the issue, "Hukum adat" (Native Law on "sogit" if required) of respective community and Agriculture department for advice on crops compensation guidelines.
- Respective department heads (GM Plantations and Head of Raw Material) to provide decision within one week or immediate on any corrective active plan for operation issue (e;g insufficient stream buffer zone causing water pollution, immediate verification and corrective action once field verification report is lodged) to CSR department for dissemination of information to the community to be reviewed by community.
- Head of respective department to submit report to management for consideration if Compensation is to be paid as proven through ground verification within two weeks.
- If rental or compensation payment is required (in cash or in kind), respective department to make decision on the amount to be paid or provide CSR various options (payment limit) as a point of negotiation
- Head of respective departments shall notify complainant of any decision made between one week and a month.

E. Step 5:- Implement Solution

- Any resolution made on the operation issue (technical errors on the ground that may impact livelihood) has to be documented by respective Forester in Charge (FIC) with photographs on the ground and reported to CSR
- Any resolution made shall be documented in a written agreement prepared by SFI to indicate conflict has been resolved if it involved compensation and both parties are satisfied with the decision within a week.
- Any decision made by both parties shall be formally sealed through memorandum of understanding (MOU) for any case that involved compensation and land issue/ crops/ road construction or any issue that may require livelihood losses.
- Agreement has to be registered at District Office.

- Payment shall be carried out in front of the District Officer or his assistant (Majistrate) as a witness between SFI and village representatives to ensure that implementation is based on agreed terms and conditions.
- Any payment (monetary or in-kind) shall be made through district office.
- If aggrieved person has no land issue claims any grievances within the means of SFI Management to settle shall be handled immediately and documented to close the case.
- If grievance is pertaining to Land Issue within SFI area refer the matter to SFD and land and Survey.
- Advised aggrieved person/community some aspect of the legal framework and to refer case to the relevant departments.

F. Step 6: Documentation and follow up

- Respective departments (executive level) to provide monthly progress report to CSR on current grievances record with the following information:
 - o Number of grievance received for the month
 - o Number of grievance resolved for the month
 - o Number of cases to be followed up for the following month
- Respective departments head and executive level to follow up unresolved grievance and resolved it within 2 months.
- CSR department to document grievance records and provide monthly summary to operation team.

Though the system has been put in place; however certain aspects need more attention:

- *Wider community disclosure and dissemination of the process and the records are certain key areas which need more emphasis.*
- *The existing system also presently lacks a dedicated grievance redressal cell, and tracking of the grievances, reporting, monitoring and review of the progress on these grievances need to be further updated.*
- *The staffs involved in the operations, CSR, need to be regularly trained on the GRM for the community;*
- *Corrective action also needs to be identified and reviewed and potential for response to the grievance should also be worked upon.*
- *Record keeping for the grievances needs to be streamlined and updated.*
- *This GRM protocol was released in October, 2013 and hence strict implementation on the ground and awareness generation is likely to take some time and would need to be taken on priority.*
- *Grievance identification need to be further updated in the protocol and needs to include contractor's operations, or related to environmental and social impacts pertaining to SFI operations too.*

6.5.3

Future Stakeholder Engagement Process & Disclosure Mechanism

The stakeholder engagement review identified the following issues:

- SFI has made earnest efforts to engage with stakeholders wherever it has operated. It had to deal with a lack of trust and some hostility from the community when it first came into Sabah
- The engagement has been led by the CSR team, and is therefore more focussed around CSR activities as a tool or mechanism to engage and deliver local development and livelihood options;
- The Operations teams have also engagement with the local communities to get an informal right of access to new areas. While there is evidence of consultation process, the company did not require a consent process;
- The documentation and records of these consultations have been inadequately maintained.
- The existing GRM protocol needs to be included as part of training module for various categories of staffs and workers and needs to be properly disclosed to the community. The GRM protocol also needs to be further aspects as suggested above.
- In some areas, the communities where ERM conducted consultations and surveys knew about SFI and their activities, though they felt the consultation process though improved since 2007-08, needs to be further strengthened. In other areas, the communities were well aware of SFI and felt they had access to people in the organisation to air grievances or give suggestions

SFI therefore requires a structured Stakeholder Engagement Plan that is in addition to the SOP on stakeholder engagement and provides specific actions for each group A preliminary stakeholder engagement plan for SFI's operations has been structured and appended as *Annex 6*.

This section describes the retrospective impact assessment of developed areas in SFI's operations. The scope of the assessment includes all areas of the concession that have been developed and operated by the Lion Group as well as BILT, spanning a total area of about 53,000 ha (approximately) in the total 288,485 ha expanse of SFI.

7.1 CONTEXT OF RETROSPECTIVE IMPACT

Retrospective impact assessment comes with its own set of challenges owing to lack of reliable baseline information. The way the impacts are addressed since inception has potential of changing the magnitude of the impacts. Where significant time has lapsed and the impact management strategies have changed, the magnitude of the impacts have changed. Some other aspects relevant to the retrospective impacts are:

- Some impacts are part of the overall process of change over time, and are not specific to the project, as they are also observed in other areas of Sabah. E.g., the change in the traditional ways of life, outmigration of the youth to urban areas.
- Some assessed impacts are a fall out of direct intervention, while in other instances the impacts are as a result of dynamic processes involving various factors. Some impacts were intended and formed part of SFI operation strategies, e.g., Government declaration of the Forest Reserve aimed at reduction and control of independent logging across all forests to ensure conservation of natural resources, including fish and animal habitat from indiscriminate fishing and hunting to ensure sustainable usage; and
- Insecurity of tenure that may have inhibited people from using their claimed area to the extent they would want to. There could be unwillingness to invest in face of uncertainties associated with land tenure or lack of information on excised areas.

It is therefore important to put these impacts in perspective, to highlight the key areas of concern, review the way these impacts have been mitigated and the remaining residual issues that need to be tracked and monitored.

The timeline for the retrospective impact assessment starts from 1982, when SFI was set up and started operations. It includes the subsequent change to private ownership under Lion's Group from 1994 to 2006, and then to BILT in 2007 up to the present.

Key institutional and legal developments on this timeline have been covered in the historical review of the concession (Refer *Section 4*)

Land and forests are considered to be the most important economic resource for forest-dependent peoples, providing them with food, building materials, medicinal plants and other products. Social impacts caused by industrial logging may impact large numbers of people as these impacts are wide-ranging and far-reaching in nature. Therefore, it is difficult to assess the true extent of problems created in people's lives and to fully determine the potential costs in economic terms of replacing the lost benefits provided by forests.

However, positive impacts associated with controlled industrial logging are also of significance. Consultations with the community suggest that employment opportunities, local contracts, access to roads and infrastructure have definitely and contributed to their improved quality of life with potential for more improved opportunities in future. CSR initiatives including livelihood promotion activities, capacity building, awareness generation on land administration of the local communities by SFI has translated into better results for the community.

Logging and industrial forest plantations driven by private and political interest in logging went unabated in 60s and 70s. This was followed by a phase of controlled logging with SFLMA agreements, and also conversion of large areas into forest reserves. Modernisation and changed livelihood patterns have also influenced how communities or individuals stake claims for NCRs in forest reserves, especially areas adjacent to their villages.

Community perceptions depend on how the community's interests in land have been addressed in the past and how they continue to be managed today. The role of the state, government policies and their implementation related to land and rights have the potential to shape the socio-economic and political landscape of the area. Even as the State, local communities and the private concessionaire, all operate with overlaps in terms of benefits, there are also conflicts in terms of interests and claims of limited resources. There have been efforts to bring fairness and transparency to this process so that the rights of indigenous groups are protected and project benefits are equitably distributed among stakeholders.

7.1.1 Sources of land-related data

In a retrospective impact assessment availability of documented information is crucial in establishing how, when and what impacts were sustained. These sources of documented information become a key determinant of how and to what extent impacts can be assessed retrospectively. Even as several sources of data are available, the challenge is to be able to collate and cross reference the data from various sources, so that a consolidated picture emerges. Since information is collected by different agencies for different purposes and organised differently, this consolidation requires work before it can be analysed.

In this case a compilation of past and present land issues on the SFI area is essential to assess land-based and livelihood impacts. These land issues involve claims staked by local resident communities (or individuals from these communities) and in instances, draw from recognised legal provisions

(Native Titles, NCRs, gazetted/registered Kampong areas). The government is bound to recognise valid cases (with Titles) and SFI is bound (by their license agreement) to excise these areas from their concession in lieu of requisite provisions of appropriate replacement land or monetary compensation to SFI, by the government.

Land issues have also been reported on land parcels, from *an assumption* of claim based on deemed approval of Land Application filed several years ago by members of the local community, which may still be pending or even have been rejected by the government with due process of intimation to the applicant/claimant. The purpose of assessing land issues that result from these 'applications' (legally tenable or otherwise) is to understand whether livelihoods or other related impacts have been sustained, and, if so, to what degree and by whom.

7.1.2 *Consolidated Listing*

Even as a list of pending issues (that included land issues) is being maintained by SFI (BILT) since 2007, for the purpose of this retrospective assessment it is necessary to ensure a consolidation of all such instances (with livelihoods related impacts) that had accumulated for all developed areas. To ensure this, the following are key sources of information to consolidate this list:

- Sabah Forestry Department- all districts: Sipitang, Tenom and Beaufort
- Sabah Land and Survey Department- all districts: Sipitang, Tenom and Beaufort
- SFI records-
 - o SFI's current issues register (since 2007);
 - o Old records of pre-2007 operations- potential legacy claims listing

[As explained in the methodology, site-visits to 22 villages (in the first phase) were undertaken to track and triangulate this list through on-site discussions at community and household levels. A second round of consultations is planned to cover the remaining areas].

At present, the information collected from the above sources is not in a form to allow for consolidation into one.

- The Forestry department does not maintain a separate list from SFI. The list from the Land and Survey Department covers two districts- Sipitang and Beaufort (the remaining one from Tenom is awaited) with 160 land applications over 944 ha, of which 82 applications spanning 499 ha stand cancelled by the Land and Survey Department. The information on this list covers all areas applied for, without providing a location for the area or present status of use;
- The SFI issues register contains 233 'cases' of which about 160 are land issues. This list is not consistent in terms of information regarding name of

person, location and area, thus no total numbers can be arrived at in its present form;

- The list of 'potential legacy claims' is based on an old map that was not ground-truthed or surveyed and is from 1994. The areas in this list have been calculated by putting the old sketched-up map on a GIS platform and making approximate measurements, for those locations. This presently adds up to 16,712 ha for the whole concession and 1,714ha for developed areas. This list, since it is based on a map, contains location, but not names of persons, or the present state of use.

Even as these lists have overlaps between them but information is not available to be able to sort these overlaps/duplications.

The tasks planned for the second phase are necessary to help in the consolidation of these lists so that retrospective impacts may be assessed more comprehensively. [Ref *Annexure 5*].

*This impact assessment will be updated based on the above tasks.
The present assessment in this is based on the data mentioned above, before it has been consolidated.*

7.2 IMPACT ASSESSMENT METHODOLOGY

The impact assessment based on available data takes into consideration the various activities being undertaken presently as part of SFI operations in developed areas.

The impact assessment is based on the understanding of the history of the concession in Sabah, available documents as described in the preceding subsection, issues raised during stakeholder consultations or flagged during the socio-economic baseline surveys conducted in the community. The limitations within which the assessment was carried out have been described in *Section 2* on approach and methodology.

As a part of the HH survey, 52 household survey questionnaires were administered in different parts of the developed areas. The existing SFI issues list (refer to Annex 5A) was the basis to identify the sample. The intention was to cover as many people likely to have land related issues as possible which would lead into identifying the livelihood related impacts (a focus for this impact assessment). However owing to multiplicity of issues (primarily pertaining to the nature of the land claims as discussed in *Section 7.4.1*), including the timeline and the limitations already mentioned earlier (refer *Section 2*) the survey was limited.

The sample survey is a fair representation of the categories of issues and impacts in the area, and provides adequate information to recommend mitigation measures as well as guide future SIAs in yet to be developed areas.

The extent of the impact (especially related to land access and ownership) need to be further defined (proposed to be covered in the second phase of work) through following tasks, following which the impact assessment will be updated.

- Inputs from the State Land and Survey Department (to incorporate any missed issues, that are on their records) to add on to the list being updated based on SFI's issues register. Lists of Land Applications for Sipitang and Beaufort districts have been collected (data for Tenom is awaited), however, they need to be tallied with SFI's list of Land Issues to flag overlaps
- Updation of SFI's issues register into a 'land issues database'
 - o Additional field observations, site visits to affected persons in their village of residence, and desk review of collected/available data including the lists of Land Applications for Sipitang and Beaufort from Land and Survey Department
 - o Consistent update to all issues' with reference to location and current updates based on- visual assessment, in all developed areas
 - o Review the resultant list to consolidate all incidences related to each 'case', individual or group if they are related, to remove duplicates
- List of areas to be 'excised' will be included to this current list with all necessary details for verification of livelihoods impacts
- The Potential Legacy Claims List, which is a separate Map and list, is being assessed for overlaps with the SFI issues register to highlight all pending legacy issues that are not closed. Any additional issues that may have been missed will be added, after verification. Those that are found to be closed will also be included.
- **Surveying families which will be potentially impacted by economic/livelihood losses** to assess the extent of impacts and the need for livelihood restoration **measures** It is reiterated that this impact assessment does not cover the land claim issue and leaves that to the Forest Department to address within the legal framework.

In the first phase, the respondents were selected based on:

- geographical spread across three districts (Sipitang, Beaufort and Tenom);
- location of developed areas;
- broad understanding of areas with most reported issues;
- nature of land related issues;
- availability of the community and their willingness to engage in the stipulated time span owing to much awaited harvest season.

While the claims in the community were surveyed, there were some group claims. For 7 group claims covered as part of the survey, 9 representatives were surveyed, as all the people were not available to be surveyed. The details on the nature of the claims have to be seen in the context of the historical review of the concession as well as details mentioned in *Section 7.4.1*.

Table 7.1 *Details of Group Claims surveyed*

Kampung	District	Number in Group	Area in Acres
Alutok	Tenom	25	10,000
Bakuku	Tenom	100	4,000
Pakiak	Sipitang	17	5,000
Kaban	Sipitang	50	1,500
Meligan	Sipitang	60	600
Meligan	Sipitang	200	1,000
Meligan	Sipitang	150	3,750
		602	25,850

Source: ERM Survey, 2014

7.2.1 *Content Coverage for each Identified Impact*

For the purpose of retrospective impact assessment, the key impact areas have been discussed with a certain rationale and approach. . Each of these impacts has been assessed around key themes and also covers sub themes, wherever applicable.

Impact description

Impacts have been discussed within a historical context and other developments in the area that have further influenced the nature and significance of the impact. How the impacts changed over time and the roles played by various stakeholders in the process are also tracked.

Areas of concern

Key areas of concern pertaining to impacts have been identified to highlight their complexity and potential issues surrounding addressal of these impacts.

Previous Impact Mitigation & Management Strategies

For the impacts identified, the series of mitigation or preventive steps (avoidance) taken by SFI and other stakeholders across the life span of the concession till date (as ascertained from available and relevant information) is discussed.

Residual impacts

Residual impacts that remain after mitigation have been described. This includes new impacts that have surfaced owing to the changed circumstances (e.g. recent court judgements, or change in the legal status of land due to declaration of the Forest Reserve), have been considered to assess the residual impacts. These are in-fact the assessed impacts for the retrospective assessment and will be addressed through the Social Impact Management and Mitigation Plan, presented in the following section.

The retrospective impact assessment is organised under seven key themes with sub themes where needed. This classification of the impacts has been done with a view to clearly delineate and discuss the old impacts that have either already taken place or were managed (fully or partially) through mitigation measures described. The key themes are:

- Land access and ownership related impacts;
- Land based economic and livelihood related impacts;
- Impacts on ecosystem services;
- Cultural heritage related impacts;
- Connectivity related impacts;
- Impacts on settlement pattern; and
- Impacts relating to human capital.

Each of these impacts has been discussed in detail below.

7.3.1 *Land Access and ownership related impacts*

Impact Description

The state owned entity (in 1982) was floated with the intention of avoiding unregulated logging in the 60s and 70s. Till the time SFI was owned by the government the land was primarily State Land and with some areas under Native Titles and NCRs on State Land. However it appears that at the time, these may not have been surveyed, or mapped and recorded in terms of their exact extent, location and nature of rights. There were also communities residing within the SFI concession. Later, when these claims were staked by the concerned communities and individuals, and the titles found to be valid, the process of excision, as per the legal provisions and the license agreement with the concessionaire, was set into motion. This process is underway and several key steps are still to be completed before the area can be legally considered excised.

No land and NCR related claims/issues were recorded till late 80s, which is when the survey exercises relating to boundary demarcation were started. Consultations with the various communities suggest that the awareness about land tenure and the implications of SFI's boundary began to be registered.

The government took note of the boundary issue in the process of making SFI a private concession (see Potential Legacy Land Claims at Annex 5), and attempted to address it in the Timber License Agreement with the concessionaire, adding clauses to protect such claims, and providing for excision of such areas at a later date, when they were reported and validated.

This is borne out in the consultations with the State Forestry Department representatives, SFI and in the review of documents made available by SFI.

The categories of claims are:

- Native Title land
- Any other valid customary claims within the SFI concession area;
[*Livelihood related impacts discussed in the next sub-section*]

Review of the minutes of Task Force Meeting (shared by SFI) 10/11/95, clearly mentioned that verification of customary claims is taking time and SFI was requested to give the undertaking that genuine customary claims would be recognized by SFI, which was agreed as per the communication made by SFI through a Letter of Undertaking on 18/11/95 reference SFI/FOR/1035, confirmation towards recognition of customary rights. It is assumed that this condition was also in place in the period of operation of the Lion Group in their Concession Agreement with the government, at the time. This may have been the reason why there was no recorded physical or economic displacement.

To ensure protection of the natural resources in the concession area, NFM areas were identified and gradually reassigned. The re-assignment was to take the following into consideration:

- the issue of extant habitation;
- keeping the option of clustering habitation areas together to avoid impacts to Kampongs; and
- the issue of potential NCR claims, etc.

In 1996 Sipitang Forest Reserve was declared and NCR claims continued in the Forest Reserve. Most recently, the Court of Appeal Judgement in the Ulu Tomani case pertaining to NCR rights (Refer section on Judicial precedence in Section 4), states that NCR claims cannot be entertained in Forest Reserves. However there is possibility of future review because it has wide-spread and far-reaching implications on other Forest Reserves.

As discussed in the previous section, the concession has claims made on the basis of:

- Native Titles
- Land being used by the community in the past or their continued use of the land for cultivation
- Dependence of the community on these lands as a source of fuel, food, Minor Forest Produce and land for cultivation pre-dating the grant of concession to SFI. In some instances, plantation activity has not been started by SFI and people are not aware of the boundary. In such cases, the starting of the plantation activity prompts those claims and leads to the reporting of new ones.

While a number of Land Applications have been filed by the community for these lands, some as far back as the 1980's, in many of these cases the claimants are still waiting for a response or decision by the concerned authority. [Ref Table below]

This was confirmed by the State Forestry Department as well as SFI, and the communities ERM engaged with during the survey. SFI adopted certain measures that prevented these impacts from occurring. However, the lack of understanding of the boundary, as also the non-completion of the boundary survey to clearly demarcate the area has left a lot of uncertainties regarding livelihood use and security of tenure.

A review of the land related claims pending in the SFI concession area with the Land and Survey Department, and procured by SFI, suggests that total area of land application claims (160) in two districts (Tenom Data is presently not available), is 943.74 ha (2,336 acres). Out of this 82 claims have been cancelled which accounts for 498.94 ha (1,235 acres), while decision has not been taken on 74 claims covering an area of 420.56 ha (1,041 acres). In 4 cases in Sipitang, the status update mentions NT (Native Title), accounting for 24.24 ha (60 acres).

Table 7.2 *Review of land application made with Land and Survey Department for Sipitang and Beaufort District within SFI concession area*

District	No. of LAs		No. of LAs		No. of LAs		No. of LAs	
	No. of LAs	Acreage	Cancelled	Acreage	Existing	Acreage	NT	Acreage
Beaufort								
1984 - 1995	30	445	0	0	30	445	0	0
2 villages					100%	100%		
Sipitang								
1984-1995	130	1,891	82	1,235	44	596	4	60
13 villages			63%	65%	34%	32%	3%	3%
Total	160	2,336	82	1,235	74	1,041	4	60
Area (in ha)		943.74		498.94		420.56		24.24

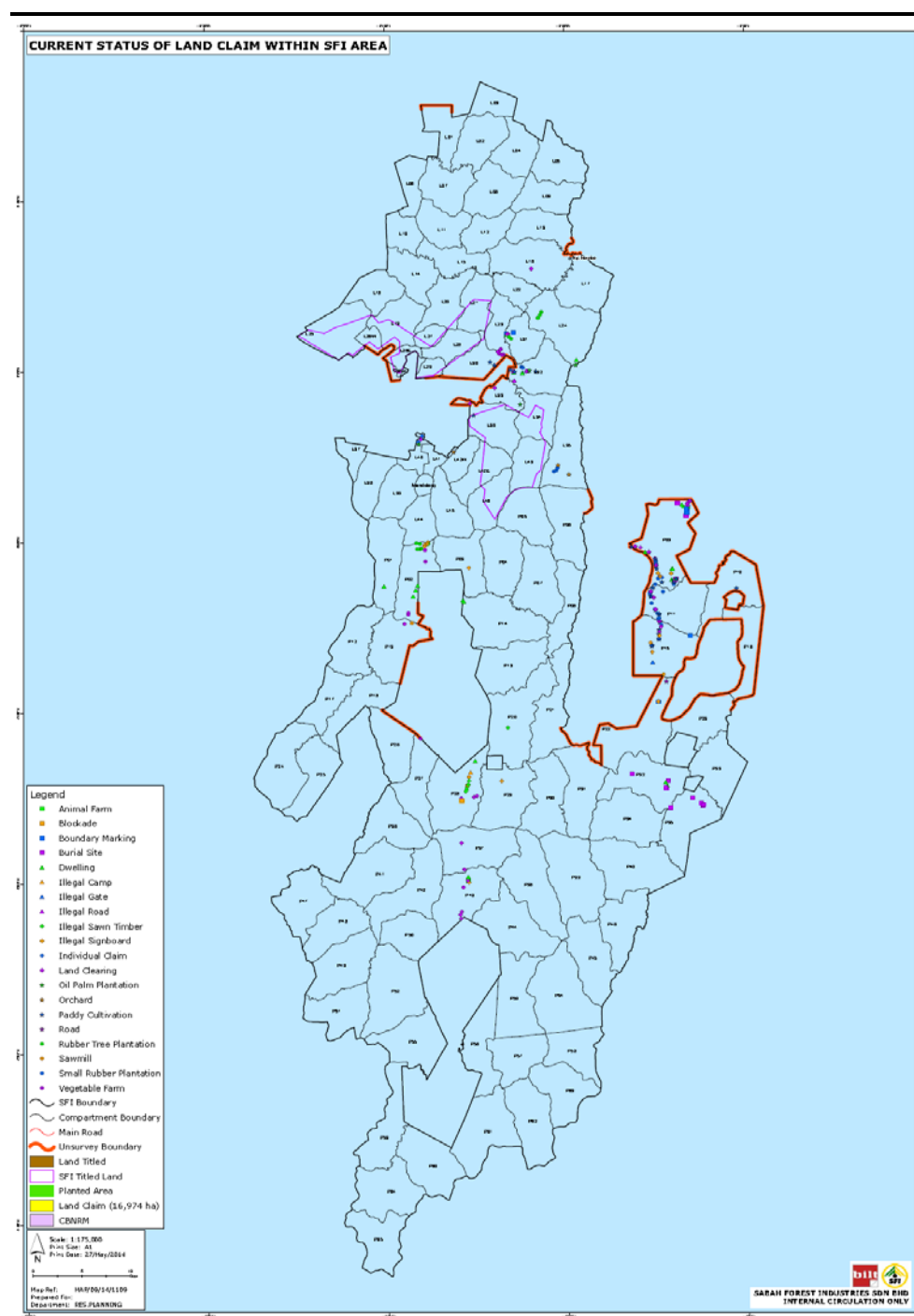
Source: Land and Survey Department Data, 2014

Note: LA: Land Application; NT: Native Title

While in Beaufort District, Land Applications come from 2 villages (Kampongs), in Sipitang 13 villages have land applicants.

In the first phase of the survey and consultations, ERM covered 50% of the villages in the list for Sipitang.

Figure 7.1 *Unsurveyed Boundary within SFI concession area*



Source: SFI, 2014

In a preliminary analysis of the issues register maintained by SFI since 2007, of a total of 162 land-related claims staked, 138 (85%) were located in already developed areas where BILT was operating and were in compartments with an external boundary with State Land.

Table 7.3 *Review of issues on record based on boundary demarcation*

Location of Issues	Issues on record	Proportion
BILT operations + External boundary	138	85.19%
BILT operations – No external Boundary	11	6.79%

Location of Issues	Issues on record	Proportion
External boundary- undeveloped areas	10	6.17%
Undeveloped areas, no external boundary	3	1.85%
	162	

Source: Analysis- SFI Issues register 2014

In this context, it is important to develop an understanding of the duration since these land issues have existed. Out of 51 responses received, 23 reported to have made claims post the inception of SFI as a Government undertaking in 1982. It is evident that the increase in claims happened when the boundary survey started in late 80s and later when the Forest Reserve was declared.

Table 7.4 *Reported years since claims on land made by Respondents*

Stated land issues since Year	No of respondents
Up to 1950	8
1951-60	3
1961-70	9
1971-80	8
1981-90	12
1991-2000	9
After 2001	2
Total respondents	51

Source: ERM Survey, 2014

It is also to be noted that out of 51 respondents, 28 reported having claims on the land since 1950s. It is however not clear, if fresh land applications were made since that period. It is likely that some family members had used the land; however these lands continued to remain as State Land.

Key Areas of Concern

The key areas of concern with respect to land and NCRs is the understanding of SFI's 'boundary', the level of information available with the affected person regarding the excision of areas and its related implication on the status of tenure. The ability of persons to make long terms decisions is based on their assessment of the nature of tenure they have on that land used for livelihoods.

As there is a lack of clarity on fundamental aspects like boundaries, the claims keep coming up; however in reality on the ground is that the status quo is being maintained and livelihood activities have not been disrupted. On the basis of that, SFI keeps a record of the issues on the ground in the plantation area and keeps State Forestry Department informed of the same.

The issues recorded include land title for farm land, grave sites, water, and damage to property, timber/tree, community forestry, access etc. The following table provides an understanding of the various issues recorded.

Table 7.5 *Summary of claims recorded with SFI (2007-2013)*

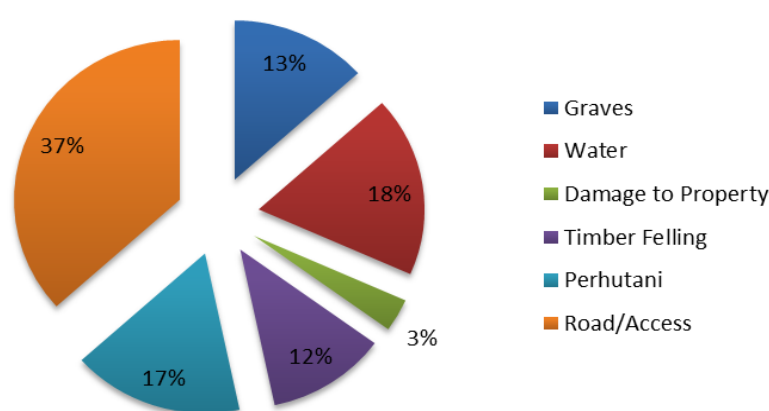
	Farm/ Land Based/ Boundary	Graves	Water related issues	Damage to Property	Timber Felling	Perhutani	Total
Ongoing	157	6	10	2	5	9	211
Closed	5	2	1	-	2	1	11

Source: SFI issues register 2014

Note: Need to be updated based on the proposed ground truthing exercise to be undertaken by SFI.

As can be seen from the above table, most of the issues (72.97%) pertain to farm land, presence of structures and conflicts on determining boundaries. Of these claims, only 2.25% of the claims have been closed, while the rest are still ongoing.

Figure 7.2 *Issues recorded by or reported to SFI viz. the local communities*



Source: SFI

The decision pertaining to NCRs and land claims is in the purview of the forest department. There is an agreement between the State Forestry Department and SFI to excise the area within the concession area which already has Native Titles or established NCRs.

The land issues (though legally not tenable in most of the cases reportedly) keep on increasing because of the following reasons:

- The livelihood of the families in most of the surveyed Kampong areas is primarily dependent on rubber plantation and to a great extent accounts for sizeable quantum of land use; Palm oil plantation is another important source while paddy is grown primarily for self-consumption and not for sale.
- Due to the large family sizes in the community, partition of land amongst the successors will not give the next generation adequate land to sustain;
- Though there is provision of applying for more land from the Land and Survey Department; consultations suggest that the process is a very lengthy one - just surveying the land by the government department usually takes 10 years or more. The other option is to engage a private surveyor which costs almost RM 5000 and hence too expensive. This in

turn results in a situation where a substantial section of the younger adults or those who have applied for land in the last 20-30 years do not have access to land or do not have legal titles to the land they are using.

- Opportunistic intrusion in the SFI boundary or inadvertent intrusion owing to lack of understanding of Boundary is also reported.

Previous impact Mitigation & Management Strategies

As discussed previously, based on records, consultations and survey of the affected persons, most direct impacts on private properties and assets, as also livelihoods have been avoided, in the assessment period. The following needs to be noted:

- The Government had identified the Kampong areas and while notifying the area as forest reserve, these areas along with some community reserve land were excluded. Hence there was an early avoidance of impacts, though the process had flaws;
- It is understood that Native Titles will be respected and will be excised in due course of time as per law and administrative procedures; these are in process at several places in SFI.
- In cases where there are improvements or cultivation on land, the approach is to maintain the status quo, with information to the Forest Department, non- disturbance to the existing activity and no restriction on access; however with restriction on expansion to new areas or undertaking new plantation activity. The State Forestry Department keeps communication with the user in such cases, with the understanding that once the existing plantation cycle will be over, then the ownership will revert back to the Forest Department.
- There are still some areas which the local community claims to have used traditionally. These claims (follow up, or new claims may not be documented) have been registered with Land and Survey Department and in some cases Forest Department. In cases where people file land application with the Land and Survey Department, the same is forwarded to Forest Department, to see if the claims fall within the Forest reserve. In case it does fall, the same is communicated to the applicant. However the problem is that people believe they have ownership of land as soon as the land application is filed, which is not actually correct.
- In the case of Tenom, where in Yr 2000, it was declared by the Government that 12,463 ha of land will be diverted, field verification of real claims is still awaited and decision will inform the boundary demarcation in that area.

Case Study: Special cases like Perhutani

In cases where the claims pertain to issues of a sort of community forestry like in Kg. Bamban, Sipitang (403 acres / 163.07ha), and Kg. Tekula Besar (L19), Sipitang 107.6ha, compensation has been paid to the community (records of the same were made available for review) in exchange for their relinquishing all future claims to the planted trees in the area.

In these cases the community was hired to undertake plantation in the initial years as workers; however, reportedly the community made claims on the mature trees as these were planted by them. After several rounds of stakeholder consultations and payment of compensation by SFI, the community has agreed to forsake claims on the land, which was not legally tenable in the first place but used more as a negotiation strategy by the community.

Existing Residual impacts & Gap Assessment

Mostly, communities may have ownership of plants/trees with economic value within the project footprint area. As all structures and other tangible assets are avoided during preparation of the project lay-out, the loss of property and asset may only be expected from unintended damage to property during operations.

Consultations or stakeholder engagement is one form of mitigation measure. As the ownership changed to private party only in 1994, the consultations till 1994 starting with 1982, would have been undertaken by the Government. The level of consultations, reportedly during Lion Group period was not available on record, for assessment. Anecdotal evidence suggests that consultations by them were not systematic and according to plan, but need-based and ad-hoc.

Table 7.6 *Reported instance of consultations undertaken with Respondents*

Consultation on land issue	Number of HHs
Respondents reporting 'No consultation'	23
Respondents reporting 'Yes, they were consulted'	28
No response	1
Total respondents	52

Source: ERM Survey, 2014

Out of 52 respondents, 23 respondents mentioned that they have not been consulted, while 28 responded that they had. Consultations with SFI suggested that areas where plantation related issues were maximum and CSR engagement was in progress saw majority of the consultations by SFI in the recent years since BILT took over.

Consultations suggest that engagement has improved since BILT; however the response to the question on any form of engagement suggests that there is still scope for improvement on the engagement aspect.

SFI's present focus is on consultations relating to their current operations and issues resulting from them, as also to do with alternative livelihoods programmes, where they run such initiatives.

The assessed gap of community consultations to do with the status of land and its permissible use is not possible for SFI to address without a clear and agreed communication strategy with the State Departments.

Impact Description

As discussed in previous section claims have been staked on land within the SFI concession area.

- Some of these issues are pending further investigation and have not been responded to by the Land and Survey Department – [Ref table 7.2 for status of Land Applications for Sipitang and Beaufort].
- In other cases the Land and Survey Department/Forestry Department have responded, expressly rejecting the claim. Cases have been noted where people have continued to use the land for cultivation as before, in spite of the rejection.
- In yet other cases, no claims have been officially staked through formal communication (letter, report etc.), nevertheless people continue to use the land for farming within the SFI concession area;
- There are instances, (particularly in Tenom) where the boundary demarcation has not been completed. Reportedly this is owing to resistance from the Kampong and also because of the pending status of a decision toward resettlement of families; this is based on the letter written by SFI management in 2000 to Government citing the declaration made by the Chief Minister for excision of 12,463 ha for resettlement of families in Tenom. The Cabinet Decision is pending which will be based on the memo to be submitted post ground truthing (jointly by Land and Survey Department and Forestry Department). Lack of awareness about the boundary is also common in some other places where demarcation is not proper.
- Consultations with some of the communities also suggest that the claim to land, though devoid of any improvement on the land, includes their understanding of the land requirement for their future generation. Such lands are usually only marked off with a boundary or sign post to demonstrate ownership.
- Consultations with SFI also suggest that there are ongoing attempts advertently or inadvertently in some of the places to open up area for cultivation, which are immediately reported to the Forest Department. In some of the cases, on being informed of the concession boundary people have left the area, while in other cases they have also continue to farm.

Almost all the cases mentioned above involve some kind of farming, plantation and structures on the ground. If and when the present users of the land are asked to move from the SFI concession area to make way for the plantation there are likely to be economic losses associated with the same for the present users of the land.

It is to be noted that these areas have been classified as forest reserve since 1996, so none of the claims (excluding Native Title claims) are officially recognised. Another

exception is the boundary area near Tenom, which is still awaiting survey and a confirmation from Cabinet viz. an earlier proposal to excise the area.

An analysis of the responses (ERM HH survey) pertaining of the present land use of the claimed land suggests that almost 31 respondents have undertaken plantation on the claimed land followed by 9 HHs who reported undertaking paddy farming along with the plantation. Only one of the respondent suggested having some form of temporary structure, which consultations suggest is used only during the farming period, in case the farm is located away from the Kampong. Some respondents also communicated that the land was not being used presently and it indicated that either the farming was undertaken in past or just an indication that it is the potential land being claimed for the future generation. In some cases (2) it was reported that plantation was already being undertaken by SFI, and this was the land they would like to claim for themselves.

Table 7.7 *Present land use covered in the first round of ERM's survey*

Present Land use	Number of respondents
Not in use	4
Not allowed	5
Acacia plantation	2
Living and farming there	1
Paddy farming & plantation	9
Plantation	31

Source: ERM HH Survey, 2014

A section of respondents (5 cases) also suggested that they are not allowed to access the land claimed by them. Consultations on this issue suggested that in case the NT titles are not there, or no improvement on the land exists (including plantation and paddy), such areas are used for plantation by SFI. Reportedly the claims in some of the cases have been raised once the plantation has been undertaken. Review of these claims with SFI and the respondents suggested that:

- In case of claim from Tinura, SFI confirmed that it was case of opportunistic intrusion of the applicant. The applicant was asked to stop as soon as the intrusion in the concession area was attempted.
- In case of Alutok, the applicant is not sure if the land falls under state land or Forest land;
- In the case of Mendulong, the claim fell under 'Perutani' for which the established process of negotiated settlement is in progress.

On being asked for the reasons for claiming land, 36 respondents mentioned that they considered the land ancestral (used by the ancestors at any point of time) and hence it belonged to them. Notably, only 4 respondents out of 48 reasoned suitability of land for cultivation being the reason for claiming land.

Table 7.8 *Reported reasons for choosing presently claimed land*

Reasons for choosing land	Number of Respondents
Considered to be their Ancestral land	36
Because it was suitable for cultivation	4
No other land available to them	3
For future use by their decedents	1
Other	4
Total	48

Source: ERM Survey, 2014

On the question of access to other lands, almost 74 % of the respondents mentioned that they have access to other land, while 22 % mentioned lack of access to other land. Further deliberation on this issue suggest that the response was made keeping in context the future generation requirement and primarily with respect to paddy land which is considered important for subsistence.

Table 7.9 *Access to other land*

Access to alternate land	% of HHs
Access to other land	74.1%
No Access to other land	22.2%
No Response	3.7%

Source: ERM HH Survey, 2014

The validity of these claims needs to be verified through ground truthing. Detailed probing in some of the instances also resulted in claims that there was land in the name of the wife or was in some other Kampong.

Table 7.10 *Reported distance from land*

Distance from land	No. of respondents
Less than 1 hour	40
Between 1-2 hours	6
More than 2 hours	6
Total respondents	50

Source: ERM Survey, 2014

The land claimed are within nearby distance from the community; however the locations and the access route through the forest makes the distance shorter in most of the cases, as reported. A review of the responses pertaining to change in the livelihood across a period of last 10-15 years suggested that dependence on various livelihood options has undergone some sort of shift.

Table 7.11 *Change in source of Livelihood*

Source of Livelihood	No of Persons	
	10 years before	Now
Plantation	44	51
Hunting	44	25
Food grain cultivation	49	45
Fishing	41	30

Source of Livelihood	No of Persons	
	10 years before	Now
Agriculture Labour	11	5
Collection and selling of NTFP	34	28
Selling of timber	8	4
Private job	11	13
Govt. Job	0	6
Other		2

Source: ERM HH Survey, 2014

Out of the total respondents 51 respondents informed having plantation as a source of livelihood. Two other livelihood options which have shown increased response are private jobs and government jobs.

Key Areas of Concern

Should there be an instance of the State Forestry Department taking control of the land, or SFI starting to undertake plantation in those areas and thereby restricting access to the land or the resources for the community, there are likely to be livelihood losses associated. Based on the consultations with the forest department, and SFI management it is likely that no physical displacement is envisaged; also no such physical displacement has happened in the opened up areas. State Forestry Department confirmed that in case of genuine cases (read long term claims- though no official definition exists for long term or genuine claims. These get defined primarily based on ground-truthing on aspects like girth and age of the plantation, confirmation with community and visual observation etc.), the normal practise is to give notice to the user informing of rejection of the claim; though no forced eviction is undertaken. In some of the cases however, where there are new attempts to intrude in the forest and start a new activity, SFI seeks support of the State Forestry Department to restrict this activity.

Previous Impact Mitigation & Management Strategies

As per the discussion with the State Forestry Department and the SFI management, information pertaining to areas where economic activities (farming) are being undertaken by the formal or informal applicant (without any kind of land application or evidence), has to be immediately forwarded to the Forest Department. The decision regarding these is in the purview of the Forest Department. In many instances where the response from the State Forestry Department for rejecting claims in the Forest Reserve area has been received; people still continue farming on the land. The State Forestry Department however does not plan to disturb them till the plantation cycle is complete.

Also as a matter of practice, SFI reportedly does the following:

- Demarcate and cordon off the area, without disturbing the improvements on the land;
- No hindrance towards access to the farming lands;
- Plantation only in areas with no community economic activities.

Though there have been instances of burning or damaging of crops and plantation by the State Forestry Department in other Forest reserves, reportedly because of intrusions, such steps, as confirmed by State Forestry Department and SFI have not taken place in the SFI concession area. It was mentioned during consultations with the State Forestry Department that on-ground verification, community validation of the claims or economic improvement is undertaken, before any such decision is taken. Typically new encroachments to intrusions in the Forest reserve are avoided/ not encouraged by the Forest Department.

Existing Residual impacts & Gap Assessment

As the decisions on the land and tenure rights are under the purview of the Forest Department, SFI plays a secondary role. However, the long process in resolution of these claims brings operational constraints for SFI. As the community is not assured of his tenure, its effort to develop the land and putting it to an optimum use is restricted.

7.3.3 Ecosystem Services

Impact Description

The opening up of new areas in phases resulted in some intended impacts which was nonetheless envisaged by the Government agencies (owing to demarcation of the boundary initially and declaration of the Sipitang forest reserve subsequently); though all impacts associate with such change in all likelihood, may not have been foreseen. In turn over a period of time changes started taking place and also shaped the community control and access to resources. Some of the key aspects under the various ecosystem services which underwent change in due course of time are enlisted below:

- The community access to NTFP collection, hunting, fishing etc. was not stopped in the initial years of SFI concession;
- The ownership by Lion's group was followed by declaration of the Sipitang Forest Reserve. This also meant that specific parts of the concession were identified as conservation areas (e.g. Virgin Jungle forest) and these activities were prohibited;
- Access to timber for selling or for construction of houses was not prohibited initially; however gradually the license took effect. Hunting, reportedly in some communities (wild boar, deer etc.) is still undertaken by limited number of families, though prohibited; however in due course of time has become linked to religious festivity, cultural ceremonies, marriage etc. Consultations suggest that though people are aware to some extent of the licensing requirements; however chose not to take owing to lack of strict implementation on the ground, general lack of willingness and apparently the understanding that such activities which happened in the past does not need any license.

- One of the important aspect is that of firewood collection has gradually lost importance over years with CNG cooking gas becoming common in sizeable section of HHs. In cases where firewood is still used, it is commonly used along with CNG. The firewood collection reportedly is easily available. In most of the cases, i.e.,

Streams and rivers provide the primary source of potable water. Upland streams, naturally clear, become turbid during spates and remain so for longer periods after the water level abates.

Damage to water sources by logging practices is often the single most serious issue identified by local women in some of the areas where the harvesting has been carried out in the past and where the sources of water for the community are located at a lower altitude. One such case is of the Tomani River covering the Kampongs located in the Tenom District.

Some of the areas within the SFI concession area also serve as the water catchment zone for the rivers passing through some of the communities in the southern part of the concession. The rivers flow South to North in the concession area especially in the Tenom Region. The kampongs like Kg. Mahunsop, Kg. Mulutut, Kg. Alutop, Kg. Tinura etc. are dependent on the water catchment zone. In 2006 due to incessant uncontrolled illegal logging (reportedly done by some contractor during change in ownership from Lion's group to BILT group) in the water catchment zone, there was huge soil erosion followed by increased sedimentation load in the rivers resulting in mud flood in the Tenom region. Consultations in these communities suggest that the mud flood destroyed the paddy fields, affected crops like coffee, etc. and polluted the only water source available to the community.

In terms of dependence on the forest for firewood, it is reported that there is a gradual shift towards usage of CNG supplemented with firewood. Regarding the place of collection of firewood, it was suggested that the firewood is usually collected from state forest or palm oil plantation areas.

Analysis of the change in the livelihood pattern change in the past 10 years suggest that forest dependent activities like hunting, have shown sizeable decrease. Fishing has also reduced, while timber selling too has shown decrease. The reason has been declaration of the conservation areas in the forest reserve. Consultations in many of the Kampongs suggested that hunting is done by selected few and mostly restricted to festivity. NTFP collection is not a major source of income (Previous refer Baseline Section 5), with most of the collection being undertaken for HH consumption. Forest reserve declaration definitely impacted collection of timber from the concession area. In many cases, apparently people are not very sure of the boundary. Eg., in Tenom villages. Consultations with women in Kg. Bakuku suggested that they are made to understand the boundary by their husbands; it was also reported that women usually avoid going to the forest reserve area and most of the NTFP collection is done from the forest falling within state land. It is only for the selected products like natural dye that they have to

depend upon the forest reserve, and mostly the male members venture into the forest reserve.

Table 7.12 *Shift in NTFP access pattern*

NTFP collected	10 years Before	Now
Family members commercially involved in NTFP collection	28	23
Collect timber from the forest reserve (SFI) area	19	12
Collect timber from the nearby forest area or own land	38	30

Source: ERM HH Survey, 2014

Analysis of the type of NTFP products collected from forest and the shift that has taken place in the collection of NTFP suggests that gradually the number of families dependent on NTFP is decreasing.

Table 7.13 *Shift in dependence on NTFP*

NTFP collected	10 years Before	Now
Wild edible plants	49	41
Orchids	19	14
Bamboos	48	40
Rattans	51	40
Wild fruit trees	41	30
Medicine	31	25
Other	7	3

Source: ERM HH Survey, 2014

Key Areas of Concern

Some of the key areas of concern are:

- Logging in the water catchment zones of the rivers have the potential therefore of increased soil erosion and pollution of rivers and in some cases resulting in mud flood situations in the communities.
- Access to forest for NTFP collection;
- Access to forest for hunting

Previous impact Mitigation & Management Strategies

Some of the existing practices are as follows:

- Certain areas of the concession have gated access; however the community is not stopped in case there is a license. In other cases verbal warning is given; however access is not restricted completely.
- In case hunting activities are identified without license, there is immediate reporting by SFI to Forest Department;
- Seizure or use of force has not been done by SFI till date.

Some of the residual impacts are:

- Apprehensions of lack of access to NTFP for future generation, and change in the dependence on forest in due course of time;
- Lack of access to specific products for commercial usage like dye for handicraft etc.
- Dependence on market for procuring goods which were easily available from the forest;
- Fear of violation of law and conflict with SFI over access to resources;

7.3.4 Cultural Heritage Related Impacts

The baseline section describes cultural heritage sites typically associated with the area along with associated local beliefs, customs and practices. The applicable legal definition of cultural and traditional heritage (Refer State Cultural Heritage (Conservation) Enactment, 1997) does not include burial-grounds and graves, which are covered by a separate ordinance (Refer Sabah Burials Ordinance 1914).

Most of the extant cultural heritage sites in the community include graves and stones sculptures associated with founders/ people who fought in landmark wars as also ancestors of resident local communities. Additionally, there are other sites, like in Kg. Magunsop it was reported that an elevated rock was considered sacred- the associated lore was that it never got submerged during the inundation of the area. In Kg. Bakuku, a stone sculpture depicts the story of seven brothers who formed the Murut tribe. In some cases, if not consulted these sites may get neglected or damaged resulting in disrespect for the community belief and practices and may hurt the sentiments of the community.

Key Areas of Concern

Consultations suggest that most of the new graves are within the boundary of the kampong. However some old graves are within the forest reserve or in the SFI concession area. These graves reportedly are scattered and in some cases not easily identifiable as they lack signage or identification marks.

It was reported in Kg. Mulutut and Kg. Magunsop that some of these sites have already been impacted by the operations of SFI since it started in 1982. Anecdotal evidence suggests that some cash compensations were to the affected communities made when such impacts happened and also that some resulted in conflicts with the concessionaire, their contractors and the local communities (e.g. Kg Kuala Muaya in Sipitang). These were, over time resolved or dealt with, through some remain and are recorded on SFI's current issues register (see below)

It is also reported that some burial areas, since they are not clearly identifiable may be lost among the forests/ plantations, and may come up when new areas are opened up for logging and conversion.

Community consultations suggest that graves and burial sites command the communities' reverence, instilling a sense of their oneness with the past, and are therefore, very important to the community.

Previous impact Mitigation & Management Strategies

In the case of Kg. Magunsop it was reported that compensation was received for the damages done to the graves, to the tune of 400 RM per grave during the period that the government had ownership and operation responsibilities of SFI. Consultations with SFI also suggested that in cases where the contractors are responsible for the damage to the old graves, they ensure that the communities are compensated by the contractor as per the native customs, either in monetary terms or other traditional processes mentioned in Adat (Previous refer Section 3 Applicable Reference Framework).

Existing Residual impacts & Gap Assessment

It is likely that in some of the plantation areas, there could be potential issues of non-identification of the cultural heritage sites or lack of confidence among the community that the graves or other cultural heritage sites are being properly taken care of, and any disturbance to them being duly avoided.

7.3.5

Connectivity

Impact Description

The opening up of the areas for plantation and the logging activities in the SFI concession areas have required the construction of access roads within the SFI concession areas, as well as road connections at a regional level, through the SFI area. As per Section 55 of the Timber License agreement, SFI is required to submit a road map for the plantation area and it is expected to ensure complete road network for its plantation activities. These roads are open for use by the communities, where necessary. SFI may also make roads for their use in areas that do not connect any areas accessed by the community.

While roads were constructed before Lion's group came into picture, there is not enough evidence to show whether this resulted in any material damage for which compensation was required to be paid for the land or crops/ plantations. However, there are anecdotal reports to suggest that where such damages were sustained, cash compensation was paid to the affected persons or communities.

BILT on the other hand reportedly has used a policy of avoidance in the construction of new roads to prevent causing any damage to standing crops or

plantations, and that these roads have been only constructed within the SFI concession, not using any private land.

Exact information on these payments in the past is not readily available on record. During the early years of operation by government, it is not sure if any form of compensation was being paid. Consultations suggest that compensation for RoW related to road construction has been paid in the following locations, for State Land, by the concerned government department.

- Kg. Solob. (Bordering Compartment L31) (in Sipitang)
- Kg. Muaya Kg. Bamban and Mendulong (in Sipitang)
- Kg. Sungean (in Tenom District)

A schedule of rates has been made available by the Agriculture department, that is applicable for compensating crop or plantation related impacts on privately owned or State Land. (*Annex 9*)

There are two main regional roads that run through the concession area, one that is a north-south arterial road which is also the public access to Meligan, Ulu Bole (and nearby kampongs) and also further south to Long Pa Sia. This road is also used by SFI to transport logged timber to the ITC and PnP unit, and since they use it, they also have the charge of maintaining it. The other regional road running west to east, connects Sipitang to Tenom and beyond. This is a state road/highway and maintained by the roads department, including the stretch that passes through the SFI concession. SFI has only constructed roads inside the concession area and has avoided impacting claimed areas.

In some of the areas, consultations suggested that the communities (E.g. Sg. Pakiak) have appreciated these roads, despite reporting that compensation was not paid for the loss of trees during the road construction. The present view is that payment of compensation would have been appreciated; however there is not much resentment as it has improved access to these areas and has also facilitated ease of access to the market and has improved the economy of the area. An assessment of the number of trees damaged was also not available.

Overall, improved connectivity has resulted in many changes:

- These roads have opened up areas of growth wherein people have started moving up, along the roads.
- Roads have become the new growth corridors along which there is a gradual ribbon development of habitations which has also increased instances of intrusion into SFI concession area;
- Improved connectivity has resulted in improved knowledge flows, access to better services, improvement in agricultural and plantation practices and a general change in the quality of life;

- This has resulted in in- migration and out- migration in areas over a short period of time; however this is still less apparent in some interior kampongs that are less well connected and is more apparent in the relatively urbanised habitations with greater proximity to the main roads.
- Opportunity increase in terms of new business avenues including revival of the traditional handicraft system and linkage to the market, with facilitation from SFI in many of the kampongs identified by SFI's CSR department for livelihood support interventions. SFI reported that, in Beaufort area, dry food production (agriculture based) is in progress and the consolidation of Tagal System into eco-tourism programme for Meligan is underway

Key Areas of Concern

The key areas of concern identified with respect to the above mentioned impact are:

- While instances of compensation payment were mentioned during consultation, a record was not available. In one instance, the amount was offered to the Headmen, who apparently did not share it with the community. The community in such cases usually harbours resentment for the losses, both because of either no compensation at all or non-sharing of benefits by headmen. Disclosure of the compensation and the entitlement has remained an area of concern. SFI informed that Since BILT took over, this policy is not practise, all documents are available and process of compensation goes direct to applicants and paid in front of the district 1st class/ 2nd class Magistrate who happens to be the Assistant District Officer.
- Increased migration and competition for land and access to resources (including land) is an area of concern that has come out. Reportedly, in one of the instances in P28, one of the contractors started plantation activity recently and started claiming land portion of 1000 hectares, stressing that he needed the land for setting up a new Kampong.
- Increased intrusion along the boundary of the concession and areas with better connectivity are likely to have more of such instances.
- Potential compensation issues in case of road construction should there be economic claims on the land.

Previous impact Mitigation & Management Strategies

SFI (BILT) informed that there has been no major development of the roads lately and primarily the role of SFI now is the upkeep and the maintenance of the roads.

- In the past as discussed above, compensation were paid in some of the reported cases; however individual losses were not accounted for and the compensation was paid to the headmen for the identified economic loss on the land. No documentation is available

- It was also reported by SFI that the first step is avoidance followed by compensation for the losses, if any. It was also informed that the normal procedure for construction of roads in forest reserve is followed, in case the construction of a new road is required at all.

Existing Residual impacts & Gap Assessment

Clear demarcation of the boundary, maintenance of the roads, disclosure on compensation for any road development work remain as some of the issues which need consideration.

7.3.6 Settlement Patterns

Impact Description

The settlement patterns and the location of the settlement have changed in due course of time owing to multitude of developments and changes that have taken place owing to the project, legal status of the land under concession area etc. Some changes are part of the overall process of change over time and consistent with other areas- use of new materials and technology for house construction, increase in the number of structures etc. Other changes may be a more specific response to the way SFI area was delineated and the process of legal change of status of the land from State Land to Forest Reserve. In particular,

- during the initial phases as a part of providing expansion area for the communities, extra land was provided for kampongs;
- a parallel attempt was made to resettle some of the Kampongs at a common place with enough provision for expansion.

Today's settlement patterns show that this did not play out as planned and kampongs that were surrounded by SFI and not well connected, relocated out wilfully, whilst still asserting ownership of the abandoned settlement area (Previous refer *Figure 7.3*). These settlements may have added pressure to the areas where they relocated to and as a result, some inter-village boundary conflicts may be attributable to this. However, it is also to be noted that in some cases the settlement pattern as suggested by respondents was history of their origin during pre-SFI days as far as colonial days.

As a result of these dynamics, the baseline stands altered and these changes provide insights into the land and access related requirements of the communities at the settlement level.

(Note: The changing pattern of social stratification from traditional farmers to semi-modern farmers where plantation/ agriculture development is accelerated therefore the pressure for owning individual titles causes most of this demand of new land areas. Being a native has a better leverage to establish more NCR anyway where vast land is available albeit being used by

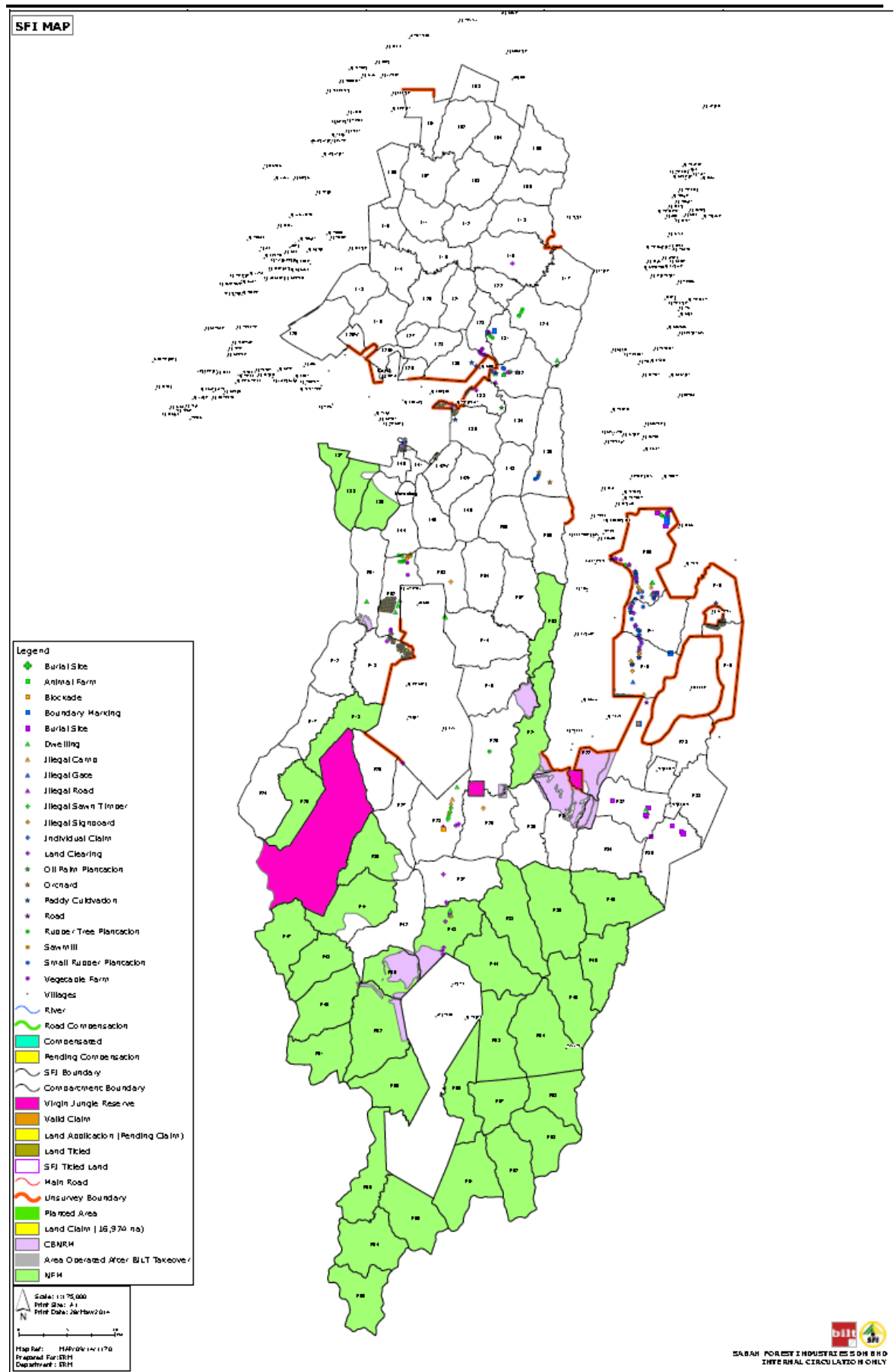
opportunistic group to own vast land for agriculture venture. In retrospect, in the past traditional communities (in the words of the community of Ulu Tomani during the survey) will prefer to live as commune without any land title)

Key Areas of Concern

Some of the key areas of concern are as follows:

- Changes in the settlement pattern, is very much likely would have resulted in shifting of the habitations as is reportedly the case in Long Pasia; however in the past Long Pasia has seen migration of Lundayeh from Indonesia, while Murut community people shifted elsewhere. However the shifting of these communities (Murut) did not result in an end to the claims in the place of earlier residence. Nonetheless, in most of the cases, there are no NT claims, rather a claim on the premise that the land was put to economic use by the previous generation. The recent judgements and the declaration of the forest reserve do not provide legal validity to such claims.
- The movement of the population has also resulted in settlements shifting across the opened up areas.
- A look at some of the areas (e.g. Areas of the project falling to the North of the concession in Tenom District, in the east of the concession in Sipitang, and also some of the excised areas in the middle of concession) suggests that there was intent of accommodating the existing kampongs wherever they are.
- In other cases, reportedly (in 1993-94) there was intention by the Government (however there was no clear plan and it never materialised) to resettle kampongs within the SFI concession to already identified areas or areas to be excised, where there was adequate potential for the expansion of Kampongs. The desired outcomes in this respect apparently could not be achieved. One of the likely reasons could be perception or anxiety of the populace regarding loss of connectivity, areas another facet is the lack of consultation with affected people regarding proposed options and potential solutions.

Figure 7.3 Location of Identified claims in opened up areas and unsurveyed boundary



Source: SFI

Previous impact Mitigation & Management Strategies

- The government had previously planned and demarcated areas for excision from the SFI concession areas based on the need of the communities located in the surrounding area (or in close proximity to) the concession area who would find it difficult in future to find land for expansion .
- As discussed above there was intention (without clear plan) to consolidate the kampongs and the communities in selected identified areas for shifting settlement, nonetheless it could not materialise;
- Apparently and also as reported the present boundary (e.g. East and west portion) of the concession suggests that the Kampongs were largely left untouched.

Existing Residual impacts & Gap Assessment

- As the settlements continued to grow in population, the demand for expansion of the Kampong reserve also grew and the location of the Kampongs did not give enough option for expansion to these Kampongs.
- Non- gazetted of some of these kampongs has led to lack of clear understanding on the available reserve land, if any for the community. Lack of clear demarcation of the boundary or community lack of understanding and awareness of such boundaries, did not help the matters either.
- New settlements coming up in the developed areas both out of search for new land, and lack of awareness on boundary (advertently /inadvertently) started making intrusions in the SFI concession area

7.3.7 Human Capital

Impact Description

The impact assessment associated with the human Capital includes aspects pertaining to influx of labour, working conditions and human rights issues, health and safety issues, and local employment related aspects.

The project's requirement for a significant plantation workforce and the relative reluctance of the local community to take up unskilled/ general work has led to an influx of workers and in-migration into the concession area and the adjoining district. Within SFI's workforce, 32% of the workers are from outside of Sabah, i.e. from Sarawak, West Malaysia, followed by 16% from Nepal and 14% from Indonesia. Within the foreign workforce, 742 (29%) comprise of Nepalese and Indonesian workers that are on a short-term contract of two or three years. The proportion of foreign workers among the contractor's workforce of 1218 persons is even higher, closer to 60-70%, mostly from Indonesia. There is also mobilization of some expat workforce for the

project, which accounts for almost 5 % of the total workforce primarily coming from India, Philippines and South Africa.

SFI and its contractors have housed the workers from outside of Sabah within labour camps that are spread across the concession area as illustrated subsequently. These labour camps have been developed in accordance to SFI's internal "Worker Accommodation Guidelines". It is understood that there are no labour camps or accommodation facilities located directly within villages or amidst rural communities. However, discussions with the workers have indicated that there are regular interactions and interface between the local and migrant workforce.

Workers are thus mobilised in a short time and are made to sign employment contracts for a period of two or three years within which they are provided with terms and conditions that are to conform to the Sabah Labour Ordinance (1950) and immigration requirements of Malaysia. Some of the stipulations that are required to be complied can result into non-equivalent working conditions between local and foreign workers. These include: (a) restrictions on foreign workers to bring their families; (b) restrictions on foreign female workers to marry locals or other workers without the consent of the authorities; (c) restrictions on foreign workers to go back to their country of origin before end of contract; (d) withholding of passports and other identity documents etc. Consequently, the working conditions may not meet international standards on human rights.

For the Plantations division, workers are required to undertake clearing, harvesting, planting and maintenance activities along steep altitudes using weedicides, pesticides and other substances. Each of these activities has a varied degree of risks to the health and safety of the labour engaged. In accordance with the timber license agreement executed by SFI with the Government of Malaysia, there are several provisions that require the company to give preference to *Bumiputras* and the locals from the Sabah province. Presently, 67.4% of the workforce comprises of *Bumiputras* and 68% of the workforce is nationals from the province of Sabah.

In the last few years, there has been a constraint in the availability of local persons to undertake non-executive and unskilled/manual labour roles in the plantation sector. The subsequent table indicates the proportion of local people that SFI has been able to engage across each category of the workforce:

Table 7.14 ***Engagement of Local Workers from Sabah***

Category	Proportion Required as per Timber License Agreement after 5 years of operation (%)	Proportion of workers of Sabah province as on 30 th April 2014 (%)
Plantation Workers	100	7% (44 persons)
Skilled/Semi-skilled Labour	100	89% (1384 persons)
Supervisory	95	95% (251 persons)
Managerial/Executive	90	75% (196 persons)

It should be noted that the recent implementation of the National Minimum Wage Order (2012) has generated more interest among the local communities to also take up non-executive opportunities.

Key Areas of Concern

Sabah's ethnic population has seen some extent of diversity due to the advent of the timber industry and oil palm plantations in the 1980s and 1990s wherein waves of in-migration were witnessed from southern China, from Sulawesi and Kalimantan in Indonesia, and from the islands of the southern Philippines. The project's area of influence around Beaufort, Sipitang and Tenom had also seen a similar influx of outsiders and hence, SFI's impacts have been felt within that context.

Consultations with villagers around the concession area have indicated that the impact from the influx of migrant workers or outsiders has not been adverse or overtly negative. There have been stray incidents of theft as well as conflict with locals, however, these have been reported to the company and mitigated. Villages in the Sipitang district along both sides of the main road into town have witnessed the impacts of influx linked to increased trade and interactions with Indonesian and Nepali workers as well as some incidents of prostitution. These are dealt with through the local law enforcement agencies in Sipitang town.

Box 7.1

Labour Issues in Sabah

Verite, an organizing working towards addressing the issues related to forced, child, bonded labour and discrimination, undertook a study⁽¹⁾ in three areas of Sabah- Kota Kinabalu, Sandakan and Tawau, to determine the labour and employment conditions of migrant workers in the plantation sector. The study was based onsite observations of private estates and smallholding plantations, and interviews with plantation workers, their families, management community groups, NGOs, and social workers. The study highlighted that child labour was a common phenomenon among children over 12 years of age that supported their family members employed at the plantations. The fact that all the children of the migrant workers were deemed 'stateless' by the Malaysian laws, reduced the children's opportunities to go to school, which in turn propelled their families to take the children on the plantation sites.

The study further stated that the migrant workers, which formed a large proportion of the workforce on the plantation sites, were hired largely on an informal basis, without any contracts or written agreements. Salary deductions of the workers were observed in the few cases where formal visa were obtained. The study indicated that by and large, the workers did not have any formal documents, rendering the workers to live in constant fear of repatriation. In addition, the working conditions usually involved long hours of work, low wages and physical/cultural isolation. Social Workers reported that these workers were provided just the basic living conditions at the most. A seminar held by an eminent professor at Kyoto University, further

(1) Verite, 2013. 'Sustainable Palm Oil? Promoting New Measures To Combat Risks Of Forced Labor And Human Trafficking In Palm Oil Supply Chains'

[http://www.verite.org/sites/default/files/images/Palm_White_Paper_May_2013_Final_Draft_0.pdf]

indicated the existence of bonded labour among the migrant workers in Sabah due to confiscation of passports as well as recurring debt ⁽¹⁾.

The spread of contagious diseases through the influx of the work force have the potential to impact the local labours as they would work together in work-sites. This therefore, will affect the health of the workers and may affect the progress of construction work as per the schedule.

Consultations indicate that SFI has been one of the major providers of permanent and regular employment opportunities for local persons from Sabah; reportedly 68% of SFI work-force is from the 3 districts (Sipitang, Tenom, and Beaufort). SFI has also been engaging with the local communities around the concession area, primarily in Sipitang and Tenom districts through short-term procurement contracts. Local villagers are given plantation contracts as a community development activity and to provide more sources of short-term employment to interested stakeholders.

In the near term, SFI's recruitment plan for 2015-2016 has a provision for 266 persons. Among the general worker category within this requirement, 38% of the proposed workforce is to be local. In the medium to long term, SFI will require additional local workforce with an expansion in plantation and production activities.

Previous impact Mitigation & Management Strategies

SFI has already established its own housing arrangements and is in the process of earmarking additional areas to expand its worker accommodation. The workforce accommodation facility of SFI and their contractors to a great extent reduced the dependence of the labour influx population on the social services and resources of the host population.

In accordance with the timber license agreement executed by SFI with the Government of Malaysia, there are several provisions that the Human Resources Department has undertaken to increase the proportion of Sabahans in the workforce:

- Preference in employment and training to Malaysians of Sabah origin;
- Comprehensive program for recruitment, training and instructing the maximum number of Malaysian nationals.

SFI has a Raw Materials Department that evaluates timber suppliers. In addition, the Commercial Department also looks after procurement of Goods and Services. These departments have ensured that the local content is maximised

(1) <http://biomasssociety.org/en/2012/05/indonesian-migrant-workers-with-particular-reference-in-the-oil-palm-plantation-industries-in-sabah-malaysia%E3%80%80dr-riwanto-tirtosudarmo/>

The scale and significance of the project and its requirement for pulpwood and fuel wood has generated high expectations around opportunities associated with the supply chain. As low-cost supply of timber and other goods and services is a factor, there is potential of child labour, forced labour or adverse safety conditions in the supply chain and procurement networks.

While the Project's demand for goods and services from the local study area will be small in absolute terms, perceptions of the opportunity are likely to mean it will still be a strong pull factor. As there is very little relevant established business in the area, effective competition from local entrepreneurs is likely to be low.

7.4

CONCLUSIONS

SFI under BILT has started off well especially with the stakeholder engagement aspects; however will need to settle issues on the ground. Some of the mitigation measures suggested is to be directly implemented by SFI, while on other it will need to engage with SFD, and LSD. SFI will need to drive the process, as it has taken steps in 2010 for completing the boundary survey.

SFI has been closely engaging with the two departments (SFD, and LSD) since BILT took over. CSR department has been taking the lead to bridge the gap between the community and the two departments to garner more understanding and transparent information on land issues towards amicable solutions. SFI has been getting a good support for the community programmes disclosure of information for the past few years since BILT, which needs to be continued and strengthened further.

The details on the mitigation measures, mechanism for implementation, monitoring and other requirements are mentioned in next section.

The retrospective social impact assessment of SFI's developed areas has brought out that several management and mitigation strategies were already used at various points of time to minimise negative social impacts of SFI's operations. These strategies were directed at some of the key areas of impact, identified in the last section:

- Land access and ownership related impacts;
- Land-based economic and livelihood impacts;
- Connectivity related impacts;
- Impacts on settlement pattern;
- Impacts relating to human capital;
- Impacts on ecosystem services; and
- Cultural heritage related impacts.

This section covers the strategies that have been applied to manage and mitigate impacts, over the years of SFI's operations, the gaps identified retrospectively, with these strategies, residual impacts and what additional measures are proposed to address these issues.

8.1 *EXTANT MITIGATION AND MANAGEMENT MEASURES*

8.1.1 *Land Access, Ownership and Land-Based Livelihoods Impact Mitigation*

The most notable mitigation strategy in place, for historical and practical reasons, has been one of avoidance of impact to provable titled land land-based livelihoods on SFI land. This is described below.

Applied Functional Principles

It is observed from the documentation and consultations that in addition to the applicable reference frameworks guiding the overall activities, as detailed in Section 3, there are additional principles that being followed at a functional level, based on their common understanding by the concerned state departments (Forestry, Land and Survey), as well as the SFI concessionaire (BILT). While there is some evidence of partial documentation of these functional principles in internal notes and meeting minutes, there is no official document that contains them entirely.

The application of these functional principles is directed at those persons who have cultivated land continuously over a period of time and are not in possession of a formal title. A clustering of such activities is both described and noted, along several stretches of SFI's boundaries; in particular, the areas where the physical boundary survey is not complete.

Understood to be an interim ‘soft approach’ by the government agencies, with agreement at the highest levels, this may be premised upon the larger aim of safeguarding local indigenous interests, in the peoples’ dependence on local forest-related and other natural resources. As stated, even as there is no formal documentation of this approach, it is evidenced in discussions and consultations and there are few exceptions to allow for thinking otherwise. SFI has clarified that they follow this approach and areas that have been cultivated continuously over a period of time, are functionally excised, for the present, from their operations.

Based on our understanding, the functional principles of the ‘soft approach’ are:

- That this applies to those persons who have cultivated land continuously over a period of time, are not in possession of a formal title and are local residents.
- It however does not apply to any new opportunistic cultivation, expansion of extant areas of cultivation, or to people who are not local to the area.
- If new opportunistic cultivation, expansion of extant areas of cultivation is reported/ observed, the State Forestry Department may ask SFI to clear the land and plant it. Evidence for this has been noted.
- These areas may be in use for cultivation of paddy, planted trees like rubber, coffee, oil palm, rattan etc. (*trees related to income generating activity*)
- Timber logging is not allowed on these areas
- Permanent residential structures are also not allowed in these areas
- No formal title will ever be issued for these areas, even if the family has cultivated the same piece of land over a long period of time
- There is no security of tenure or stated commitment to the users, for the use of these lands
- These areas may not be transferred or inherited- if this is done, the State Forestry Department may ask SFI to clear the land and plant it
- There is an assumption that once the crop cycle is completed (this could be very long say 80 years for fruit trees like Durian), the area will revert back to the SFI concession- no clear timelines have been reported and no incidence of the land reverting to SFI, were noted during consultations, even in cases where the land was used for seasonal rotation crops like paddy. Evidence was also available for people re-planting areas with new plantation crops like oil-palm, rubber etc. The only evidence¹ of removal was in cases of expansion of area.

The above practise appears to have functioned as effective mitigation to prevent livelihood loss over cultivated areas, even where there is no title, and no security of tenure.

¹ This is based on discussions with local communities at some villages, with SFI and the State Forestry Department. More extensive coverage of the field situation is planned and may provide more information.

Functional boundary of SFI operations

The 'soft-approach' described above has also resulted in limiting SFI operations to a functional boundary that allows for a smaller area than the official boundary indicated on all the maps. However, no assessment or demarcation of this was recorded or available, either quantitatively, or spatially, on a map.

8.1.2 *Cultural Heritage related Impact management*

To the extent possible, the principle of avoidance (i.e. demarcation of such sites on the ground with owners being requested to mark it themselves with SFI staff) is also applied to cultural sites; though there is anecdotal evidence to suggest that this strategy has not always been uniformly applied (pre BILT), especially in the earlier years of SFI's operations under previous owners, as opposed to the more recent years of operation, where this principle has been included in the Timber License Agreement between the State and BILT, as well as BILT's own Standard Operating Procedure for cultural sites.

8.2 *ADDRESSING GAPS AND RESIDUAL IMPACTS*

In addition to the strategies noted above, the key areas of impact and mitigation/management strategies used over time, are summarised in the following table.

Gaps and residual impacts are also flagged, which will be addressed through the Social Management Plan (SMP) in *Table 8.1*.

Apart from the key impacts discussed, projects of this nature generally face issues pertaining to:

- Managing community expectations;
- Management of labour and contractors;
- Grievance redressal; and
- Social/Community investments.

Whilst these considerations have informed the proposed measures in the SMP below, as part of the overall social impacts management strategy some additional plans are carried forward in the Longer-Term strategy (subsequent sub-section). Labour and Contractor management have been addressed in a parallel assessment, conducted on the same timeline as this assessment¹.

Grievance redressal is covered in Section 6, as part of the overall process of stakeholder engagement, in the Stakeholder Engagement Plan (*Annex 6*).

¹See Labour Audit Report June 2014 prepared by ERM

Table 8.1 Social Management Plan

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
Land access and ownership related impacts; Land based economic and livelihood related impacts			
Land access and ownership related impacts	Formal Excision of areas with proven titles from the SFI concession	Excision is a long drawn out formal process of the State and has already been in progress for several years with several steps still pending, which will likely take more time.	- Community engagement on decision and progress of the process of excision, for affected kampongs, in consultation with the State Departments - Periodic updates regarding progress and key landmark steps in the process.
Land based economic and livelihood related impacts	Land being used for livelihood related activities (paddy, plantation etc)	Avoidance, through application of the 'soft approach' Lack of awareness and understanding in the communities, of the 'principles' applied, implication of the SFI boundary In the absence of clear communication on tenural status, pending hope of 'title' for cultivated land (uncertainty of tenure)	- Documentation and record of all extant cultivation on SFI land (for internal monitoring), joint record with State Forestry Department and Land and Survey Department - Continued engagement and clear messaging on 'boundary', status of cultivated land and applicable principles on its use and ownership, long term view. - Community participation in mapping, to understand the SFI concession boundary- updating village records, maps. - Joint monitoring with community on use of untitled land, land in SFI concession.
	Even as there is no indication that the 'soft approach' will be withdrawn, it continues to be informal and not documented or disclosed.	No impact mitigation and management plans in place should the 'soft-approach' change in the future.	<i>The proposed SIA framework (Annex 8B) for new areas will be triggered should there be a change in the 'soft approach' as this will amount to a significant change in already developed areas- this is one of the stated triggers for the SIA so that a suitable management plan may be developed</i>
	Potential strategy of 'swap' areas for the area being excised from the concession	There is no official statement to this effect yet and is an option being explored. Given that this will be a 'new area' the proposed SIA framework will be triggered.	For cases, where despite avoidance there has been inadvertent negative impact on livelihood, compensation at replacement value, is proposed.
Connectivity related impacts			
Community concern for poor road surfaces/quality of roads used for heavy traffic related to SFI work	SFI maintains all roads that they use, including the stretches of state road on State Land. Contractors or SFI can be directly approached by	Surface quality of roads used by both, SFI and the local communities remains an issue and a source of complaint from local user	Use of the SFI Grievance Mechanism to record and address concerns on locations and commitment (road works) to mutually agreed time frames where possible, jointly with the concerned State Department, communities and SFI

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
	the local communities regarding maintenance of roads	communities.	contractors.
Impacts from land acquisition of State Land for road expansion, impacts to standing crops on State Land and Forest Reserve land	SFI has used a policy of avoidance to community and cultivated area in opening new roads on forest land, within the concession.		- Documentation of all new roads and pre-assessment of areas for potential livelihoods impacts before road-work is undertaken. - Use of the Schedule of Rates from the Department of Agriculture as a basis to calculate <u>replacement value</u>, to compensate for any livelihood impacts, even within the Forest Reserve
SFI sustains impacts to access and their operations from road blocks by the local community (who use this as a form of protest regarding a range of grievances)	SFI records these barriers to access in their issues register and reports them to the State Forestry Department, along with the stated grievance, as applicable.		- Document and record location, community issues and lost time, as well as risks. Track and address jointly with CSR team - Focused community engagement in areas where access issues have been faced by SFI. Use of the updated Grievance Mechanism. Pre-consultation by the CSR department to resolve conflicts..
Impacts on settlement pattern			
- Ribbon development, sprawl along major roads - Community concerns for land for future expansion of their kampong and needs of the future generations	Government strategy to earmark additional areas for kampong expansion- this has not worked	Potential future conflicts for SFI areas – some areas along the main roads will become higher value real estate thereby becoming potentially high-risk	- Flag and identify areas likely to face such pressures on land from expanding settlements - Better engagement with those communities on the SFI boundary and permitted use of land. - Best efforts to secure ‘boundary’ to the extent possible - Proactive and timely engagement by SFI with the concerned State Departments and potentially impacted communities to explore options for expansion - Potential future impacts to be managed under the new SIA framework, going forward
Impacts relating to human capital			
- Job and contract opportunities with SFI - Skilling the youth	Commitments are in place based on the Timber License Agreement for SFI to hire locally and also ensure that training is imparted so the requisite skills are available locally, to enable	SFI has not met the targets set for local employment as reportedly. there are insufficient local applicants Feedback from local communities suggested that they were keen to be	- Targeted consultations with communities to record interests and available skills - Outline 1,2 and 3 yr plans, align with local availability and set up skills-training to match requirements - Track and consult with community on local contracting

Key impacts and areas of concern	Mitigation & management strategy applied	Gaps and residual impacts	Proposed strategy in SMP (Focus on Short Term)
	people to apply for all levels of jobs/contracts	considered for selected jobs (plantation, not desk work), or small contracts	opportunities. Disclose year-on-year progress Community development plan, and skill development training for alternate livelihoods support, in alignment with CSR activities also to progress in parallel
Immigrant workers	Agreed terms and frameworks in place with the government regarding employment of immigrant workers	Communities consulted did not raise issues of concern regarding immigrant workers except stray incidents that had been resolved by SFI.	Given the long term expansion plans of SFI and the shortage of locally available labour, new areas will require a stronger focus on the potential issues and conflicts associated with the increased use of migrant labour (<i>will be covered under the new SIA Framework</i>)
Impacts on ecosystem services			
- Water pollution related impacts - Concerns regarding use of pesticides- downstream impacts - NTFP/MFP related impacts	Measures are proposed in the EMP based on the EIAs (2002 and 2007), with monitoring requirements to assess performance or problems.	- Adequacy of measures in EMP to be assessed in light of the complaints from the community - The social dimension of environmental concerns of the local communities, however, need to be addressed better - Demonstration of adequate safeguards and dialogue with the community on such subjects needs to be strengthened	- Strengthen measures proposed in EMP, should that be required, or improve implementation, as applicable - Engagement with concerned communities to disclose management and control measures being implemented. - Reporting of monitored parameters to demonstrate compliance, improvement, as required - Use Grievance Mechanisms to record and act on issues at particular locations, within the agreed timeframe
Cultural heritage related impacts			
- Identification and demarcation of areas of cultural significance- burial sites, graves, marker stones, images, or other areas, in areas that have been opened, are being converted - Some damages were reported (from the Lion's group's operation period) in the process of conversion, making roads, as the sites may not have been known/ recorded, at the time.	- Mostly avoidance and guidance to staff and contractors to follow respectful practices, aligned with local sensitivities - Internal Standard Operating Procedure on Cultural sites, training provided to field staff and contractors by BILT - Replacement and/or compensation for damages to the area/sites	- Record and documentation of old and new sites are not complete including damages and mitigation measures used. - Agree on mitigation and management measures to make good on old damaged areas.	- Record all old and new conflicts, if any on the subject. - Development of Chance Find Procedures - Update SOP to include seasonal access requirements of the local communities, buffer zones. - Engagement with community to jointly verify and monitor locations, seasonal access requirements.

This Social Impact Mitigation and Management Plan, is envisaged as a short term or interim measure, to address residual impacts and close gaps where possible for the retrospective assessment. A two-year time period is proposed for this phase to close the residual impacts and pending land issues.

The long term plan, outlined later in this section, is the strategy going forward, to be applied to new areas to be opened and for areas where significant changes are envisaged to already developed areas that may require updated assessment of impact and its management. These significant changes may be in the form of changes to SFI processes, or a significant change in legislation having impacts on (and in the vicinity of) already developed areas.

8.3.1***Land, Livelihoods and Access to NTFP/MFP***

Even as the current undocumented policy has avoided impacts, there is need for immediate measures to ensure no impacts have been missed and to prevent negative impacts in the immediate term.

Updating documentation and record

The present assessment of impacts is based on existing but incomplete records of works carried out within the SFI area. Annex8 outlines a clear strategy to update all documentation and record of the use of SFI land for cultivation, livelihoods and collection of NTFP/MFP by local communities, to facilitate tracking and regular monitoring as also joint decisions and review by the concerned State Departments. This process to update and manage all land related issues is being undertaken by SFI and is underway

Proposed additional safeguard regarding the 'soft approach'

Further to the 'soft approach' of the State Forestry Department being followed by SFI, to align with IFC's performance standards there is need for additional safeguards regarding livelihoods. Even as the 'soft approach' acts as an avoidance strategy the residual impact of the affected persons not having information regarding this, or being consulted, remains.

To address this, it is suggested that SFI, after internally and formally consulting the concerned parties (communities and the State Departments), adopt the principles as internal 'good practice' with the additional task of consultation with the affected communities. This is proposed as an interim measure till such time that the government outlines a clear policy or rules on the matter. This is to bring more structure and certainty around the informal 'soft approach' already being followed.

Based on agreed strategies outlined in the table above and an assessment of the updated issues register (currently in progress, along with household and community consultations) another round of assessment will be undertaken to ensure that no impacts have been missed. The SMP will be finalised based on these updates and inputs to ensure full coverage of all developed areas of SFI and proceed to close gaps along the lines proposed.

Key steps to be taken for the implementation of the short term strategy for the SMP are below, up to its completion within two years:

- Constituting a Social Management Plan team as discussed later in this section, which will be responsible for implementation of the SMP;
- Updation of the database of land-issues with socio-economic, livelihood details to conclude on residual impacts (if any more than assessed in the previous section), both at individual and group levels ;
- This Short Term strategy will be closed within the agreed timeframe (2 years). At the end of which, a Completion Report will be prepared to demonstrate and record how all the residual impacts and land issues have been closed.

All pending issues will be highlighted and explained to indicate the process for closing them, along with the applicable time frame.

All other emerging issues thereafter will be handled under the grievance process, and the new ones through the SIA framework.

Table 8.2 *Key Indicators for monitoring progress*

SMP Intervention	Key Indicators	Timeline/periodicity	Responsibility
Land access, ownership related impacts; Land based economic, livelihood related impacts			
- Community engagement, periodic updates regarding progress of excision and key landmark steps in the process. - Continued engagement and clear messaging on 'boundary', status of cultivated land and applicable principles on its use and ownership, long term view. - Community participation in mapping, to understand the SFI concession boundary-updating village records, maps - Joint monitoring with community on use of untitled land, land in SFI concession	- Record of consensus with government departments on messaging regarding the subject of excision - Number of community interactions , location and local participation, message content, feedback - Number of grievances on the subject in the issues register, land-issues database	- Record when done, include in Monthly report - Updates in Monthly Report of all interactions - Monthly Report - Six-monthly progress assessment - Annual External Audit	- Senior management of SFI - SFI's Social Management Team with CSR team - As above, support from GIS team - Senior management of SFI - Review of External Audit by Senior management of SFI
- Documentation and record of all extant cultivation on SFI land (for internal monitoring), - Joint record with State Forestry Department and Land and Survey Department	- Updated database – spatial location, documentation and record issues register, land-issues database - Minute and record sharing of database with government departments. Field verification of a sample	- Updates in Monthly Report - all updated cases - Updates in Monthly Report of minutes of meetings	- SFI's Social Management Team with CSR team, support from GIS team - Senior management of SFI
For cases, where despite avoidance there has been inadvertent negative impact on livelihood, compensation at replacement value, is proposed. [This also applies to damages caused during road-works in SFI concession by contractors]	- Record all potential cases in pre-assessment where possible - Track number of grievances on the subject in the issues register, land-issues database	- Updates in Monthly Report - all updated cases - Annual progress report - Annual External Audit	- SFI's Social Management Team - Senior management of SFI
Road Connectivity related impacts			
Road surface quality of roads used by communities and SFI- Use of the SFI Grievance Mechanism to record and address	- Number of grievances on the subject in the issues register, (Grievances) - Grievance close-out report	- Updates in Monthly Report - all updated cases - Six-monthly progress	SFI's Social Management Team

SMP Intervention	Key Indicators	Timeline/periodicity	Responsibility
- concerns on locations and commitment (road works) to mutually agreed time frames where possible, jointly with the concerned State Department , communities and SFI contractors. - Documentation of all new roads and pre-assessment of areas for potential livelihoods impacts before road-work is undertaken. <i>See last row of Land section for 'compensation'</i> . Track and address jointly with CSR team - Focused community engagement in areas where access issues have been faced by SFI. Use of the updated Grievance Mechanism. Pre-consultation by the CSR department to resolve conflicts.	- Documented/ minuted timeframe agreements with concerned contractors - Record all potential cases in pre-assessment where possible - Document and record location, community issues and lost time, as well as risks Record all cases - Number of community interactions , location and local participation, issues raised and recorded, feedback - Number of grievances on the subject of concern in issues register/Grievance record	- assessment - Annual External Audit - Updates in Monthly Report - all updated cases - Six-monthly progress assessment - Updates in Monthly Report - all updated cases - Six-monthly progress assessment	- SFI contractor management team - Senior management of SFI - SFI's Social Management Team - SFI contractor management team - SFI's Social Management Team with GIS team for record and database update - SFI's Social Management Team with CSR team - Senior management of SFI
Impacts on settlement pattern			
- Flag and identify areas likely to face such pressures on land from expanding settlements - Better engagement with those communities on the SFI boundary and permitted use of land. - Best efforts to secure 'boundary' to the extent possible - Proactive and timely engagement by SFI with the concerned State Departments and potentially impacted communities to explore options for expansion <i>Potential future impacts to be managed under the new SIA framework, going forward</i>	- Record all potential areas where possible - Number of community interactions , location and local participation, options discussed and recorded, feedback - Record of agreed process, timeframe, with government departments on securing boundary - Record of engagement with government departments on options - Agree on consensus strategy and record - Number of community interactions , location and local participation, consensus options discussed and recorded, feedback	- Updates in Monthly Report when assessment is done - Six-monthly progress assessment - Annual External Audit - Updates in Monthly Report when consensus is reached	- SFI's Social Management Team with GIS team for record and database update - Senior management of SFI - Senior management of SFI - SFI's Social Management Team
Impacts relating to human capital			
Targeted consultations with communities to	Number of community interactions , location and local	Updates in Monthly Report	SFI's Social Management

SMP Intervention	Key Indicators	Timeline/periodicity	Responsibility
- record interests and available skills - Outline 1,2 and 3 yr plans, align with local availability and set up skills-training to match requirements - Track and consult with community on local contracting opportunities. Disclose year-on-year progress - Community development plan, and skill development training for alternate livelihoods support, in alignment with CSR activities also to progress in parallel	- participation, interest area and skill levels recorded, feedback - Skill training enrolment - Record of local employment, local contracts - Community reporting and disclosure of progress <i>See CDP, CSR Plan for Key Performance Indicators- to be aligned with those</i>	- all updated cases - Monthly Report - Six-monthly progress assessment - Annual External Audit - Monthly Report - Six-monthly progress assessment - Annual External Audit	- Team, with support from CSR and HR - SFI's CSR with support from Social Management Team
Impacts on ecosystem services			
- Strengthen measures proposed in EMP, should that be required, or improve implementation, as applicable - Engagement with concerned communities to disclose management and control measures being implemented.	- Updated EMP, monitoring/implementation (as applicable) - Report selected monitored parameters re water quality to demonstrate compliance, improvement - Number of community interactions , location and local participation, area of occurrence, recorded feedback - Grievance Mechanism to record and act on issues at particular locations, within the agreed timeframe	- Monthly Report (drawn from EMP monitoring as well) - Six-monthly progress assessment - Annual External Audit	- SFI's EMP implementation unit, reporting to Senior management of SFI - Social Management Team in consultation with SFI Plantation team for that location
Cultural heritage related impacts			
- Record all old and new conflicts, if any on the subject. - Development of Chance Find Procedures - Engagement with community to jointly verify and monitor locations, seasonal access requirements - Update SOP to include seasonal access requirements of the local communities, buffer zones	- Record and documentation of all extant cases- update database for all new locations - Number of community interactions , location and local participation, subject and access requirements discussed, recorded feedback - Updates to Plantation Plans - Updated SOPs	- Updates in Monthly Report - all updated cases - Updates in Monthly Report - all updated cases - Six-monthly progress assessment - Annual External Audit	- Social Management Team in consultation with SFI Plantation team for those locations - Social Management Team reporting to Senior management of SFI

8.3.3 *SMP Period, Review and Amendments*

The Short Term SMP is a social management tool which shall be reviewed periodically (at least once every year) for its two-year period to address changes in the plantation areas, upcoming issues on the ground, feedback from the State Forestry Department and Land and Survey Department, feedback from the Stakeholder engagement and grievance redressal mechanism, as also in response to organisational and regulatory requirements.

8.4 *LONG TERM STRATEGY*

In addition to the interim measures outlined in this section, the following are proposed to be finalised after the remaining consultations, to be applicable to the SFI operation, thereafter, for new areas to be opened, as well as for areas that may sustain impacts from significant change.

- SIA framework (Annex 8B)
- FPIC Framework (Annex 8A)
- Community Development Plan (Annex 8C)
- Stakeholder Engagement Plan and Updated Grievance Process for SFI operations (Annex 6)

8.5 *INTEGRATION OF SMP WITH PROJECT*

The SMP has been developed such that it functions integrally with other management systems such as the Stakeholder Engagement Plan, Grievance Redressal Mechanism, Community Development Plan, FPIC Framework and the existing plans at SFI such as the Plantation Management Plans. It is recommended that the Environmental and Social specialists from SFI especially from the Plantation, HR and CSR departments and the sub-contractors jointly review the implications of the SMP commitments.

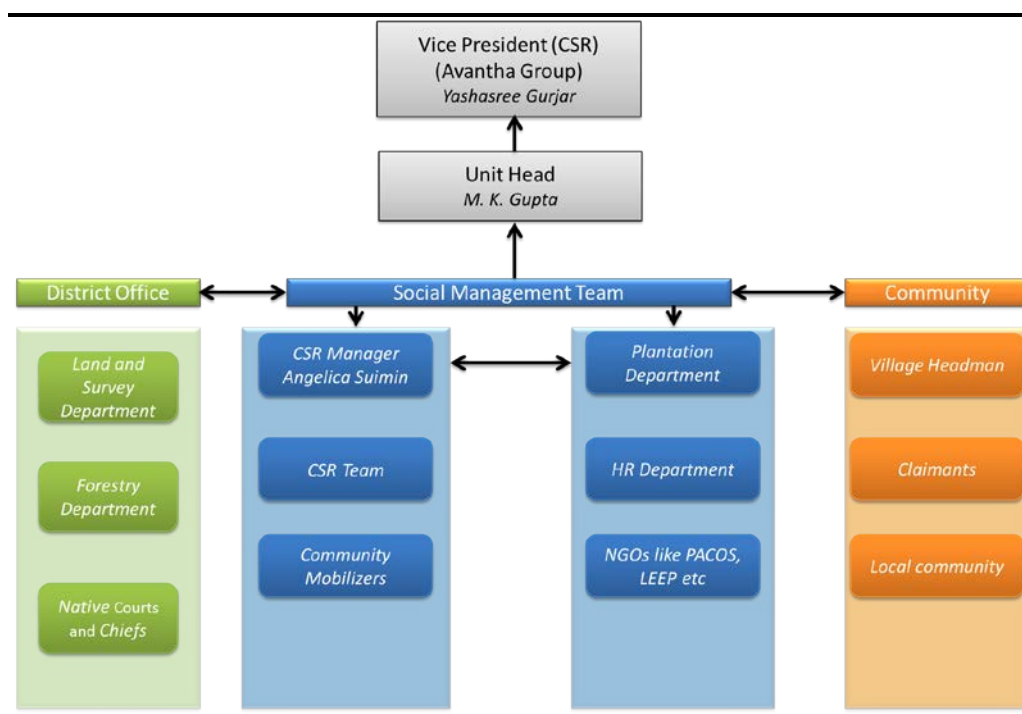
Based on the review, and the proposed broad areas of responsibilities in the above table on Key Indicators for progress monitoring, agreed action plans delineating specific management responsibilities for each of the SMP measures can be prepared. The delineated and agreed action plans will also need to be integrated into respective Project Management Systems and Procedures of SFI.

8.6 *PROPOSED INSTITUTIONAL ARRANGEMENTS*

For the purpose of the implementation of the SMP, a Social Management Team will be established, headed by the CSR department and supported by the Plantation and HR departments. The Social Management Team will undertake the implementation of the SMP in consultation and coordination

with the respective government departments such as the Land and Survey department and the State Forestry Department as well as the local community and volunteers. The following figure provides an understanding of the SMP implementation.

Figure 8.1 *SMP Implementation Mechanism*



This is a suggested structure and SFI (BILT) may consider aligning it to specific operational needs and implementation on the ground, especially when it has improved engagement, and strives to improve continuously.

8.6.1 *Monitoring of SMP implementation*

The implementation of the SMP will be monitored on a regular basis with a process of monthly, quarterly and annual reporting. The monitoring process will cover all stakeholders including the local community, applicants, local labourers, migrant labourers, contractors, suppliers and the general local community. The process of monitoring will allow for the effective implementation of the SMP, and for mid-course corrections to be made as required.

The monitoring will be undertaken by the Social Management Team and external agencies and experts. The entire process of inspections and audits will be documented. The recommendations of the monitoring findings will be implemented by the contractors and the CSR and Plantation team in their respective areas. [See table on Key Indicators]

The following sub section provides an understanding of the frequency of the monitoring process

The monitoring for the implementation of the SMP will be undertaken on a monthly, quarterly and annual basis on the basis of the indicators identified. While the monthly and quarterly monitoring will be undertaken by the Social Management Team internally, the annual monitoring will be carried out by an external agency to be identified by SFI. A monitoring template for the monthly, quarterly and annual monitoring will be developed by the Social Management Team in consultation with the government departments such as the Land and Survey department and the Forest Department as well as the local community. On the basis of the results of the monitoring process and the recommendations in the same revisions/corrections will be made in the SMP and its implementation.

8.6.2 *Reporting and Review*

On the basis of the monitoring undertaken, monthly and quarterly reports will be circulated internally within the Social Management Team, the Unit Head and the Vice President (CSR) of the Avantha Group. The annual report, in addition will be disclosed on the SFI website as well as made available to the local community in the local language (Malay or Murut). The reporting procedure will be developed by the Social Management Team on the basis of the monitoring indicators identified.

8.7 *CAPACITY BUILDING AND TRAINING*

A training plan is already in place for various teams within SFI as well as for the CSR team, on aspects to do with social impacts and community relations. In addition to the existing plan, a robust training plan to implement all aspects of this SMP will be required. A supplementary training program for the employees of SFI and a more detailed one for the Social Management Team in particular will be formulated for a clear understanding of each of the mitigation measures identified.

These trainings will be included in the training calendar and made part of the job specific training and induction training undertaken by SFI employees. The training programme will ensure that all concerned members of the Social Management Team understand the following aspects:

- Purpose of SMP for the project activities;
- Requirements of the specific Action Plans within the SMP;
- Sensitive social features within and surrounding the project areas; and
- Potential risks from the project activities.

8.8 *BUDGET FOR IMPLEMENTATION*

The budget will be developed after the findings of the second phase of field work have been completed and this plan duly updated.



Social Impact Assessment for Developed Areas: *Sabah Forest Industries (SFI), Malaysia*

Sabah Forest Industries

Draft Final Annexure

June 2014

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ANNEXES

Annex 5	Consolidated Staked Claims Assessment for Potential Livelihood Impacts
Annex 6	Stakeholder Engagement Plan
Annex 6A	Records of Stakeholder Consultation
Annex 6B	Sample Community Meeting Records of SFI since 2009
Annex 6C	Sample of reports submitted by CSR team community mobilizers
Annex 7	Agricultural Rate of Major Crops
Annex 8A	Requirement of the FPIC Framework
Annexure 8A (a)	FPIC trigger Screening Tool
Annexure 8A (b):	Sumuku Accord Action Plan
Annexure 8A (c)	Sample SFI Documentation on pre-operation community engagement process
Annexure 8A (c-1):	Sample Pre-operation/ Pre- planting Consultation Records
Annexure 8A (C-2):	Sample Minutes of Quarterly Community Meeting
Annexure 8A (C-3):	Sample Presentation used for Disclosure of Information during Community meetings
Annexure 8A (D):	Sample SFI Documentation on Conflict Resolution Process
Annexure 8A (D-1):	Sample Minutes of Meeting for Conflict Resolution
Annexure 8A (D-2):	Sample Copy of Agreement with Community Members
Annex 8B	SIA Framework
Annex 8C	Community Development Plan

Annex 5

Consolidated Staked
Claims Assessment
for Potential Livelihoods
Impacts

ANNEX 5: CONSOLIDATED LIST OF LAND ISSUES- ASSESSMENT FOR POTENTIAL LIVELIHOODS IMPACTS

1.1 BACKGROUND AND SCOPE

In the course of its development, SFI had undergone changes to its area, boundaries and the control and management of its activities, starting with the government (Yr 1982-1994), has passed on to lessees- first the Lion Group (yr 1994-2007) and now BILT (since 2007).

As part of the retrospective impact assessment for areas that were opened up (logging and plantation) -about 49,000 hectares- by all the past operators of SFI, this section makes a compilation of past and present, land issues¹ on the SFI area. These land issues may involve claims staked by local resident communities (or individuals from these communities) and may draw from recognised legal provisions (Native Titles, NCRs, gazetted/registered Kampong areas). The government is bound to recognise valid cases (with Titles) and SFI is bound (by their license agreement) to excise these areas from their concession in lieu of requisite provisions of appropriate replacement land or monetary compensation to SFI, by the government.

Land issues have also been reported on land parcels, from an assumption of claim based on deemed approval of Land Application filed several years ago by members of the local community, which may still be pending or even have been rejected by the government with due process of intimation to the applicant/claimant. The purpose of assessing land issues that result from these 'claims' (legally tenable or otherwise) is to understand whether livelihoods related impacts have been sustained, and, if so, to what degree and by whom.

1.2 CONSOLIDATED LISTING

Even as a list of pending issues (that included land issues) is being maintained by SFI (BILT) since 2007, for the purpose of the retrospective impact assessment it is necessary to ensure a consolidation of all such instances (with livelihoods related impacts) that had accumulated for all opened areas. To ensure this, the following were flagged as key sources of information to help consolidate this list:

- Sabah Forestry Department- all districts: Sipitang, Tenom and Beaufort
- Sabah Land and Survey Department- all districts: Sipitang, Tenom and Beaufort

¹ Retrospective assessment covers outstanding and pending land issues. Closed claims are also included to assess strategies that were used- the overall focus is on livelihoods impact, as the validity of the claim is a legal process and not the focus of this exercise.

- SFI records- SFI's current issues register (since 2007); old records of pre-2007 operations- legacy issues listing

In the first phase, site-visits to 22 villages were undertaken to track and triangulate this list through on-site discussions at community and household levels

1.2.1 *Sources of information and constraints*

The site visit, undertaken at the end of May, coincided with the local Sabahan Harvest Festival holiday, due to which several government department functionaries could not be met. Meetings with the District Forestry officials were completed; however, the team was unable to meet any representatives from the State Land and Survey Department.

Teams from SFI have subsequently met the Land and Survey Department officers at the district levels (Sipitang and Beaufort) are relayed the available information collected by them, to ERM, which is included below.

Sabah Forestry Department

District -level officers of the State Forestry Department outlined the process followed for application for claims, in the meeting with ERM. They explained that whether these reports/letters (regarding applications) are received by the Forestry Department or SFI, each undertakes to inform the other. The official process from the State Forestry Department includes copying SFI on all matters pertaining to SFI areas. This ensures that they are both mutually aware of the progress of such matters and decisions regarding them.

The Forestry Department officials clarified that they do not maintain a list of these matters and that the list maintained by SFI, as a function of the process described, will be in full congruence with all requests that have been received by the State Forestry Department.

The Forestry department officials also clarified that they follow a 'soft approach'¹ (and have directed SFI) to also work with the tacit understanding of not evicting local residents who have been, over the years farming (or running rubber/fruit/palm oil plantations) on area that they may not have titles for, in SFI. They also clarified that the department's approach is to not allow new farms or plantations to be set up, or for the extant ones to expand, if they are on SFI land.

The understanding is that these plantations and farms be allowed to run their course and then the land would revert to SFI, (should there be no legal title claim on that land). This approach was borne out in discussions with the local communities met, who reported that they face no barriers or restrictions to access of their farms/ plantations even as they had papers to show that they

¹ Described in Section 8 of the SIA report

have received official rejections of claims - implying that their case would be 'officially closed'. *This assessment is based on the sample site visits and may have exceptions in other places not covered yet.*

Land and Survey Department

It is understood that all Land Applications and Native Title claims on State Land are sent to the Land and Survey Department (LSD). How this may overlap with SFI area is when a potential claimant asserts that the claimed land is in fact State Land by virtue of their Title. Such applications are also directed to the State Forestry Department in cases where the land for which claim is being staked appears to be within SFI area/Forest Reserve. The State Forestry Department responds to the Land and Survey Department after verifying the area for which the claim is being staked, against their records and on ground. Based on their findings, they respond to the Land and Survey Department accordingly.

These communications are not copied to SFI, if the matter was not initiated by them (SFI).

SFI representatives have recently met with the district level Land and Survey Department representatives for Sipitang and Beaufort (which together make up 78% of the SFI concession by area; the remaining 22% is in Tenom district for which information was not available). Based on the information collected by SFI through these meetings, the following information collated by SFI has been provided to ERM (for Sipitang and Beaufort districts):

- A list of Land Applications, both cancelled and 'still in application phase'
- These have been listed by applicant name and kampong, with LA reference number, number of acres applied for, a 'Grid' reference and a status update
- It is understood that no corresponding map was available to locate these applications as these applications are as yet either unapproved, or cancelled. The 'grid' reference, as was explained, refers to the grid used by Land and Survey Department to determine which Land Applications fall within the SFI concession

Further discussions with the Land and Survey Department will be required to understand how the plan to deal with the LAs that are stated to be "still in application phase". In addition, four status updates in Sipitang mention a reference number with "NT" – it needs to be understood whether this means that Native Titles are in process/have been processed for these applications and what the implications are.

Given that the overall purpose is to understand potential livelihoods impacts (types and quantum), based on a fuller understanding of a consolidated list of land issues, the above information needs to be read along with other information- SFI's record of Land Issues (described below).

In its present form, even as it is understood that this list will have overlaps with the SFI's list of land issues, the exercise to flag the overlaps is pending.

Sabah Forest Industries' records

SFI has maintained a record of all local community-related issues since setting up operations in 2007 and maintains and updates this like an 'issues register'. Even as it is a good source of tracking land issues (without consideration of its legal standing in terms of 'claim') there are several gaps that need to be addressed before it can be fit for the present purpose of assessing retrospective impacts, some of these are:

- Location references are by compartment numbers. Some, where surveys have been undertaken have GPS points on record but not others. Similarly, the area of land being used is available only for some locations and several areas need to be verified in terms of location, extent and present status/use.
- Since there could be several sources of primary information for this register, only where the issue is reported by the concerned persons do their names and locations appear. Where the issue has been spotted through visual survey, the names and related Kampongs of the persons are absent- making traceability difficult.
- There are several entries for each 'case' as each issue and its subsequent update is recorded as a separate entry. Eg. The single case of the Kampong near Ulu Bole, proposed to be excised from SFI, has several entries on the register and varying areas for each.
- Several persons from the same 'group' for each case could be separately recorded, also leading to duplication
- Missing information: older updates (before 2007) regarding High Level agreement to excise areas with provable legal Titles are not available as spatial and quantified records making it difficult to reference these areas to affected persons or Kampongs on this list. AS the High-Level decision is in place and several steps in the official process pending, these matters may not be recorded, unless there is a complaint, in the SFI issues register. These issues are in fact still 'pending' and perceived as open by the affected communities. Information and updates regarding Legacy Claims (ref, Table 1 below, Pg 6) in opened area, several of which are already being recorded in the current issues register, need to be flagged; there may be remaining legacy claims that are still 'pending' and are not in the issues register.

1.2.2 *Suggested strategies to close gaps in the list of outstanding issues*

The retrospective impact assessment is based on the assessment of the incomplete list and some key actions are being taken to close the gaps and move to a more complete list. The impact assessment will be accordingly updated.

These actions are:

- Inputs from the State Land and Survey Department (to incorporate any missed issues, that are on their records) to add on to the list being updated- SFI's issues register. Lists of Land Applications for Sipitang and Beaufort districts have been collected, however, they need to be tallied with SFI's list of Land Issues to flag overlaps
- Updating SFI's issues register
 - o Additional field observations, site visits to affected persons (*in case of potential livelihood losses within the SFI concession area*), and desk review of collected/ available data including the lists of Land Applications for Sipitang and Beaufort from Land and Survey Department;
 - o Consistent update to all issues' location with reference to Compartment, GPS points and current updates based on- visual assessment, in all opened areas
 - o All area references will be updated with names of persons *in case of potential livelihood losses within the SFI concession area* (individual or group) for each case. Numbers of people in 'Groups', including names and Kampong of residence will also be updated
 - o Review the resultant list to consolidate all incidences related to each 'case', if they are related, to remove duplicates
- List of areas to be 'excised' will be included to this current list with all necessary details for verification of livelihoods impacts
- The Potential Legacy Claims List, which is a separate Map and list, is being assessed for overlaps with the SFI issues register to highlight all pending legacy issues that are not closed. Any additional issues that may have been missed will be added, after verification. Those that are found to be closed will also be included.
- Kampong-level consultations will be undertaken in parallel, to verify livelihoods related impacts.

1.3

ISSUES ON THE SFI LIST OF OUTSTANDING LAND APPLICATIONS/COMPLAINTS

Based on the incomplete list available, various categories of issues potentially leading to impacts are listed below. For an analysis of impacts, refer to ***Section 7*** of this document.

With reference to IFC's performance standards, the listed issues provide secondary records for the following, (in addition to national and state legal frameworks, and SFI's license agreement):

- Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard 3: Resource Efficiency and Pollution Prevention
- Performance Standard 4: Community Health, Safety and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management

- Performance Standard 8: Cultural Heritage

The table below outlines the key areas of potential impacts and stakeholder categories of concern (those sustaining impacts), with reference to the stakeholder analysis (refer *section 6*)

	Categories of issues	Stakeholder category	Applicable IFC PS
1	Farm (agri/plantation) on SFI land	Group/Individual	PS 1, PS 5,
2	Structure (res/temp) on SFI land		
3	SFI boundary-related		
4	Graves, historical, cultural sites	Group/Individual	PS 8
5	Water related issues with respect to SFI area or operations	Group/Individual	PS 1, PS 3, PS 4, PS6
6	Damage to property from SFI operations	Kampong/SFI	PS 1, PS 4
7	Tree felling/timber harvesting in SFI by others	Individual	PS 6
8	'Perhutani' related	Individual	PS 1
9	Road / access restriction related	Group/Individual, SFI	PS 1, PS4

The incomplete list is presently being updated. When complete, this section will be updated based on the latest information.

A sample assessment of the Potential Legacy Claims List is in the tables below. The first table is of the full list prepared tentatively and without verification or survey, in the late 1980s for the Lions Group, by the government amounting to 16,712 ha. The plan was to survey and verify these locations. It is reported that this verification survey was not done.

The second table extracts from the first table, only areas that have been operated (are are in scope for this exercise), the pending claims from this list, also unverified, is at 851 ha.

Table 0.1 Potential Legacy Claims –based on Map prepared by the government for Lion Group in the 1980s

AREA	Compartment	Area (ha)	Opened/operated by	Update	Status*	
1	1	L05	253	Opened/operated by BILT	No Land Claim Issue	Closed
	1	L05	148	Not Opened	No Land Claim Issue	Closed
2	2	L13	37	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L16	17	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L13	142	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L16	14	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L13	88	Not Opened	Encroachment - Reported to SFD	
	2	L16	301	Not Opened	Encroachment - Reported to SFD	
	2	L17	311	Not Opened	Encroachment - Reported to SFD	
	3	3	L18	275	Opened/operated by LION, BILT	
3		L25	13	Opened/operated by BILT	No Land Claim Issue	Closed
3		L18	176	Opened/operated by LION, BILT	No Land Claim Issue	Closed
3		L25	2	Opened/operated by LION	No Land Claim Issue	Closed
3		L18	153	Not Opened	No Land Claim Issue	Closed
3		L25	37	Not Opened	No Land Claim Issue	Closed
4	4	L25	49	Opened/operated by BILT	Boundary issue	
	4	L25	1	Not Opened	Boundary issue	
5	5	L26E	4	Opened/operated by LION	Boundary issue	
	5	L19	69	Not Opened	Boundary issue	
	5	L26E	68	Not Opened	Boundary issue	
	5	L26W	19	Not Opened	Boundary issue	
6	6	Ganui	56	Not Opened	Boundary issue	
	6	L26E	8	Not Opened	Boundary issue	
7	7	L29	6	Opened/operated by LION, BILT	Boundary issue	
	7	L30	16	Opened/operated by LION, BILT	Boundary issue	
	7	L29	7	Opened/operated by LION, BILT	Boundary issue	
	7	L30	8	Opened/operated by LION, BILT	Boundary issue	
	7	L29	163	Not Opened	Boundary issue	
	7	L30	382	Not Opened	Boundary issue	
	8	8	L33	84	Not Opened	
8		L36	187	Not Opened	Land titled inside Forest Reserve	
9	9	L41	4	Opened/operated by BILT	Land titled inside Forest Reserve	
	9	L42W	9	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
	9	L42W	40	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
	9	L40	38	Not Opened	Land titled inside Forest Reserve	
	9	L41	18	Not Opened	Land titled inside Forest Reserve	

AREA	Compartment	Area (ha)	Opened/operated by		Update	Status*	
9	L42W	103	Not Opened		Reserve Land titled inside Forest Reserve		
10	10	L40	24	Opened/operated by BILT	No Land Claim Issue	Closed	
	10	L37	32	Opened/operated by LION		No Land Claim Issue	Closed
	10	L38	69	Opened/operated by LION		No Land Claim Issue	Closed
	10	L37	509	NFM	No Land Claim Issue	Closed	
	10	L38	145	NFM	No Land Claim Issue	Closed	
	10	L40	22	Not Opened	No Land Claim Issue	Closed	
11	11	P06	50	Opened/operated by LION, BILT	Rubber trees and Hut inside the area		
	11	L35	88	Opened/operated by LION	Rubber trees and Hut inside the area		
	11	P06	96	Opened/operated by LION, BILT	Rubber trees and Hut inside the area		
	11	L35	105	Not Opened	Rubber trees and Hut inside the area		
	11	P06	613	Not Opened	Rubber trees and Hut inside the area		
12	12	P13	21	Opened/operated by LION, BILT	Land titled inside Forest Reserve		
	12	P13	42	Opened/operated by LION, BILT	Land titled inside Forest Reserve		
	12	P02	636	Not Opened	Land titled inside Forest Reserve		
	12	P13	1,105	Not Opened	Land titled inside Forest Reserve		
13	13	P14	38	Opened/operated by BILT	Land titled inside Forest Reserve		
	13	P14	212	Not Opened	Land titled inside Forest Reserve		
	13	P19	180	Not Opened	Land titled inside Forest Reserve		
14	14	P04	24	Opened/operated by LION	Ketanon - Surveyed by private surveyor in 2010		
	14	P04	283	Not Opened	Ketanon - Surveyed by private surveyor in 2010		
	14	P07	238	Not Opened	Excluded from Forest Reserve based on gazzeted map		
	14	P14	72	Not Opened	Excluded from Forest Reserve based on gazzeted map		
15	15	P50	3	NFM	Unknown	Unknown	
	15	P52	382	NFM	Unknown	Unknown	
	15	P55	1,180	NFM	Unknown	Unknown	
16	16	P09	34	Opened/operated by BILT	Rubber trees, paddy field, settlements, Burial site inside Forest Reserve		
	16	P09	190	Not Opened	Rubber trees, paddy field, settlements, Burial site inside Forest Reserve		
17	17	P09	287	Not Opened	Encroachment by Kampong - Reported to SFD		
18	18	P09	3	Opened/operated by BILT	Encroachment by Kampong - Reported to SFD		
	18	P09	135	Not Opened	Encroachment by Kampong - Reported to SFD		
	18	P11	280	Not Opened	Encroachment by Kampong - Reported to SFD		
	18	P15	695	Not Opened	Encroachment by Kampong - Reported to SFD		
19	19	P10	180	Not Opened	Encroachment by Kampong -		

AREA	Compartment	Area (ha)	Opened/operated by	Update	Status*
19	P11	413	Not Opened	Reported to SFD Encroachment by Kampong - Reported to SFD	
20	20	P10	364	Not Opened	Encroachment by Kampong - Reported to SFD
21	21	P10	121	Not Opened	Encroachment by Kampong - Reported to SFD
22	22	P16	538	Not Opened	Encroachment by Kampong - Reported to SFD
	22	P23	353	Not Opened	Encroachment by Kampong - Reported to SFD
	22	P33	388	Not Opened	Encroachment by Kampong - Reported to SFD
23	23	P22	242	Not Opened	Encroachment by Kampong - Reported to SFD
24	24	P31	162	Not Opened	CBNRM area in PDP 2011-2020
25	25	P32	89	Closed	Burial site- discussions ongoing with Kampong
	25	P32	496	Not Opened	Burial site- discussions ongoing with Kampong
	25	P34	21	Not Opened	Burial site- discussions ongoing with Kampong
26	26	P35	13	Closed	Burial site- discussions ongoing with Kampong
	26	P33	62	Not Opened	Burial site- discussions ongoing with Kampong
	26	P35	270	Not Opened	Burial site- discussions ongoing with Kampong
27	27	P34	19	Opened/operated by BILT	No Land Claim Issue
	27	P34	613	Closed	Burial site- discussions ongoing with Kampong
	27	P40	379	Not Opened	No Land Claim Issue
28	28	P46	890	Not Opened	Unknown

16,712

* per current knowledge and since 2007

Table 0.2 *Extract of above table- in scope for retrospective assessment*

AREA		Compartment	Area(ha)	Op By	Update	Status*
1	1	L05	253	Opened/operated by BILT	No Land Claim Issue	Closed
2	2	L13	37	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L16	17	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L13	142	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
	2	L16	14	Opened/operated by LION, BILT	Encroachment - Reported to SFD	
3	3	L18	275	Opened/operated by LION, BILT	No Land Claim Issue	Closed
	3	L25	13	Opened/operated by BILT	No Land Claim Issue	Closed
	3	L18	176	Opened/operated by LION, BILT	No Land Claim Issue	Closed
	3	L25	2	Opened/operated by LION	No Land Claim Issue	Closed
4	4	L25	49	Opened/operated by BILT	Boundary issue	
5	5	L26E	4	Opened/operated by LION	Boundary issue	
7	7	L29	6	Opened/operated by LION, BILT	Boundary issue	
	7	L30	16	Opened/operated by LION, BILT	Boundary issue	
	7	L29	7	Opened/operated by LION, BILT	Boundary issue	
	7	L30	8	Opened/operated by LION, BILT	Boundary issue	
	7	L30	8	Opened/operated by LION, BILT	Boundary issue	
9	9	L41	4	Opened/operated by BILT	Land titled inside Forest Reserve	
	9	L42W	9	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
	9	L42W	40	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
10	10	L40	24	Opened/operated by BILT	No Land Claim Issue	Closed
	10	L37	32	Opened/operated by LION	No Land Claim Issue	Closed
	10	L38	69	Opened/operated by LION	No Land Claim Issue	Closed
11	11	P06	50	Opened/operated by LION, BILT	Rubber trees and Hut inside the area	
	11	L35	88	Opened/operated by LION	Rubber trees and Hut inside the area	
	11	P06	96	Opened/operated by LION, BILT	Rubber trees and Hut inside the area	
12	12	P13	21	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
	12	P13	42	Opened/operated by LION, BILT	Land titled inside Forest Reserve	
13	13	P14	38	Opened/operated by BILT	Land titled inside Forest Reserve	
14	14	P04	24	Opened/operated by LION	Ketanon - Surveyed by private surveyor in 2010	
16	16	P09	34	Opened/operated by BILT	Rubber trees, paddy field, settlements, Burial site inside Forest Reserve	
18	18	P09	3	Opened/operated by BILT	Encroachment by Kampong - Reported to SFD	
25	25	P32	89	Closed	Burial site-discussions ongoing	

AREA		Compartment	Area(ha)	Op By	Update with Kampong	Status*
26	26	P35	13	Closed	Burial site-discussions ongoing with Kampong	
27	27	P34	19	Opened/operated by BILT	No Land Claim Issue	Closed

* per current knowledge and since 2007

Total potential claims (area in ha) based on old records 1980s

Opened areas 1,714

Opened areas-pending* 851

Opened areas-closed* 863

Annex 6

Stakeholder Engagement Plan

The document presents the Stakeholder Engagement Plan (SEP) developed for Sabah Forest Industries (SFI) Limited and their commercial logging and plantation operations within their concession area located in Sipitang, Tenom and Beaufort districts of Sabah Province, Malaysia. This SEP is a resultant plan based on the review of SFI's existing community engagement practices and stakeholder consultation mechanisms. It is an attempt at further strengthening the company's existing stakeholder mechanism with the community and associated stakeholders such as governmental agencies, Non-Governmental Institutions (NGO) and Media institutions, integrating engagement practices that are required for successful community management.

1.1 OBJECTIVE & SCOPE

Based on the review of the existing stakeholder engagement processes within SFI, the following shortcomings have been assessed and as indicated within SIA:

- SFI (before BILT took over in 2007) had to deal with a lack of trust and some hostility from the community in the past;
- Based on the Social Impact Assessment (SIA) study conducted, it was observed that the engagement process before 2007 (before BILT), was mostly sporadic in its reach, primarily reactive and need based; only certain communities had been in engagement with SFI previously to air grievances or provide suggestions, while the remaining were disconnected from the company ;
- The engagement, post 2007 has been mostly led by the CSR team (supported by Plantation team), and is therefore more focussed around CSR activities as a tool or mechanism to engage and deliver local development and livelihood options;
- The Operations teams have also engagement with the local communities to get an informal right of access to new areas. While there is evidence of consultation process, the company did not go through a consent process;
- The documentation and records of these consultations have been inadequately maintained.
- The protocol for grievance handling for land claims mechanism which was developed back in 2008 was updated as on October 2013 by developing a specific grievance redressal format to ensure effective grievance handling and expanding the scope of grievance handling to issues pertaining to environment, community issues, employment issues, project benefits and contractor issues. Records of previous grievances were observed to be recorded in minutes format and being continuously updated.

This SEP takes these issues into account and takes forward the established systems and processes by strengthening them and making a more robust

engagement plan for better outreach and a more effective stakeholder engagement program. It also integrates facets of stakeholder engagement as identified within the Social Impact Assessment (SIA) such as Free Prior Informed Consultation (FPIC) in case of Indigenous Peoples, engagement prior to impact assessment of newer areas, engagement as part of the Social Management Plan (SMP) implementation within the ambit of this engagement plan.

The present document makes an attempt at:

- Identification and delineation of the community into sub-stakeholder groups that SFI will engage over the period of its operations;
- A more robust engagement process and mechanism with clearer objectives or forms engagement, streamlined processes and more effective tools and methods at SFI's disposal that would be utilized for undertaking a more effective engagement and documentation processes;
- An information disclosure mechanism for dissemination and disclosure of information to the stakeholder groups;
- Overview of the institutional setup within SFI that would be utilized for CEP implementation and;
- Monitoring and Reporting for assessing the performance of stakeholder engagement

1.2

LAYOUT OF THE PLAN

<i>Section 1 (present section):</i>	Introduction
<i>Section 2:</i>	Key Definitions
<i>Section 3:</i>	Identification & Mapping of Community Stakeholder Groups
<i>Section 4:</i>	Stakeholder mapping
<i>Section 5:</i>	Institutional setup
<i>Section 6:</i>	Monitoring & documentation process

A set of key terminologies that has been used within this plan and their respective definitions is provided in the following table.

Table 2.1 *Definition of key terms*

SNo.	Terminology	Definition
1.	Affected Party	Community stakeholder who is affected by the company or its operation, either positively or negatively. The stakeholder may be directly affected or indirectly from the company or its operation.
2.	Communication	Exchanging (giving and receiving) of information between SFI and the stakeholder.
	Community	Includes all Kampongs (villages) surrounding SFI's concession area and directly affected by SFI's operations.
3.	Consultation	Consultation is purposeful and deliberately seeks input from the stakeholder in order to shape relations and the development of programmes. The aim is to ensure mutual understanding and for all parties to be able to manage decisions that have a potential to affect all concerned.
4.	Operations	Includes SFI's operational activities within the Industrial Tree Plantation (ITP), Integrated Timber Complex (ITC) and the Pulp and Paper (PnP) mill area
6.	Records of Communication / Consultation	Records of communication / consultation may include grievances, key e-mails, letters, memorandums, complaints, records of distribution/attendance, records of formal and informal meetings and records of commitments.
8.	Stakeholder	Unless and otherwise specifically mentioned, stakeholders in this present plan have been defined as any individual or group from community that is directly or indirectly impacted from the company's operations either economically, socially or environmentally.
9.	Community engagement	An umbrella term encompassing a range of activities and interactions between SFI and the community over the life of its operations to promote transparent, accountable, positive, and mutually beneficial working relationships.

The following *Table 3.1* highlights the key community stakeholder groups that SFI will engage over a period of its operations. These stakeholders have been identified on the basis of SFI's previous experience in community engagement as well as on the basis of the understanding developed from SIA process for the concession area. These stakeholders have been characterised on the basis of the following aspects:

- **Profile:** highlights a background characteristics of the stakeholder;
- **Level of Influence on SFI's operations:** indicates the level of impact the stakeholder has on the SFI's operations;
- **Priority:** prioritization level for SFI for engaging the stakeholder; and
- **Basis of Influence/Priority :** the basis on which the rating for influence and priority have been assigned to the stakeholder

Table 3.1 *Profile of stakeholder groups*

Stakeholder Groups	Profile	Level of Influence on SFI Operations	Priority	Basis of Influence/Priority
General Community	Comprises of the local community in the direct vicinity of SFI's operations, who may not have direct claims on the land within the SFI boundaries but may be impacted by the project by proximity to the project activities and due to any restrictions on access to the neighbouring forests	Medium	Medium	- This stakeholder group is important in regards to the business and reputational risks associated with the relationship - This group plays an important role in the formation of public opinion towards the project - Focused and regular engagement with this group is critical in order to ensure the smooth functioning of the project
Community chiefs and heads	- This group comprises of the village Head Men, the JKKK, religious heads or priests and other community elders - These individuals are extremely important role in the decision making process of the community	High	High	- This stakeholder group is important in regards to the role played by them in the decision making process and the opinion formation amongst the community members - Engagement with these stakeholder groups is also a critical part of the cultural process of interacting with the community, as any external individual/group needs to approach the community chiefs and heads to request permission to gain entry to the kampong and interact with the community members
Land Claimant	Community members who have land titles for plots of land within the SFI boundaries ;	High	High	- Are one of the primary community stakeholder for SFI's operations - These stakeholders have customary and legal claims on the land within SFI boundaries, thereby creating a possibility of legal implications in the future - Regular engagement with these stakeholders is critical for ensuring smooth functioning of the SFI operations and mitigation of any business and reputational risks for the operations. Engagement is also essential to ensure the SFI does not impact any livelihood activities without mitigating the same.
Individual/families having the potential to get affected by economic loss, loss of access to livelihood resource/community resource from SFI's operations	Community member either individuals or household groups using parts of the concession to raise crops, grow plantations or use it for any livelihood related purposes	High	High	- While, due to the soft approach adopted by SFI presently, there are no economic losses suffered by the community, these stakeholders are the ones who have a possibility of future impacts in terms of restriction of access to the land within SFI boundaries, if such an action is decided by the FD. - To assess the livelihood dependence and engage with the families to look at other opportunities to supplement or enhance incomes from more diverse sources.

Stakeholder Groups	Profile	Level of Influence on SFI Operations	Priority	Basis of Influence/Priority
Vulnerable groups (deemed landless due to conversion of state land to forest land for SFI concession, old aged/women/disabled/handicapped impacted back in 1996)	- This group is comprised of individuals who due to their socio-economic status are more vulnerable to being disproportionately affected by the project activities such as old aged, women and disabled who may be disproportionately impacted due to their socio-economic status. - These include those community members whose entire land or a significant portion of it falls within the SFI boundaries and have major livelihood dependence on that area for their livelihood.	Medium	High	- This stakeholder group is likely to be disproportionately impacted due to their socio-economic standing - Regular engagement to identify the specific vulnerabilities and dependence upon the land in SFI boundaries will be critical for mitigating the impacts of the project. - Through engagement, understand specific requirements and develop programmes focussed on these vulnerable families/
Local community groups and associations	This group comprises of groups or associations formed by the local community for specific purposes. These include groups such as the women's handicraft groups, youth groups, church groups, Tagal groups and in some Kampongs, hunting groups	Medium	Medium	- These groups play an important role in the carrying out and managing of certain activities at the community level. - The engagement with these groups would be important in terms of implementing the CSR programs, undertaking skill and capacity building at the community level as well as opinion formation towards the project - They become defacto opinion groups or advocates for SFI's activities.
Governmental Agencies and departments such as forest department, land and survey department and district office	- This group comprises of the government agencies which may be involved in various stages of the project in regards to the permissions, approvals and regulatory requirements - These officers and departments include, the Land and Survey Department, Forest Department, district office, Collector of Land revenue, Director of Land and Survey, Registrar of Titles, Ministers of State, Director of Forestry etc.	High	High	- This stakeholder group has a high influence on the working of the project in regards to the approvals, permissions and meeting of other legal requirements for the project. - Furthermore, due to the regulatory provisions pertaining to land in the state, it is the land and survey department and forest department who have the authority to make the decisions pertaining to the land for SFI and any claims on the same
Local judiciary including native courts, civil courts	- The local judiciary in the state of Sabah is comprised of a structure of native courts and civil courts. - The judiciary of Malaysia provides for two High courts, the High Court of Malaya and the High Court of Sabah and Sarawak. - The system of native courts are involved in in the cases involving in the indigenous community of the four main ethnic groups in the state, namely the Kadaya Brunei, Murut, Delundaya and the Kadaza- Duhsuns.	High	Low	These stakeholder groups will play an extremely important role in the settlement of disputes and claims which may exist presently or in the future pertaining to the land within the SFI boundary. However SFI does not need to actively engage with this process and will primarily implement instructions from these courts

Stakeholder Groups	Profile	Level of Influence on SFI Operations	Priority	Basis of Influence/Priority
Non-Governmental Organizations	- PACOS Trust, Partners of Community Organisations in Sabah is the main NGO active in the immediate vicinity of the project. - Other NGOs include LEAP that have been playing a facilitator role in dialogues between the community and the Forest department and working on community forestry and conservation issues. - The other NGOs which are active in the areas around the districts of Sipitang, Beaufort and Tenom and the regions of Borneo and Sarawak are WWF, Greenpeace amongst others	Low	Medium	- These groups play an important role in the public opinion formation towards the project and also are an excellent resource for community studies and stakeholder engagement processes. - SFI has already engaged with PACOS on the baseline studies conducted in 2007 and 2010. - They will need to continually engage and partner with such organisation for bot CSR as well as community engagement activities.
Media Institutions	Comprised of both the print and audio-visual media active in the area. due to the sensitive nature of the area in terms of biodiversity and the indigenous community, media is known to be an active presence in the state	Medium	Medium	The stakeholders are likely to play an important role in the opinion formation amongst the other stakeholders towards the project

Stakeholder engagement would be carried out with the community stakeholder groups through various forms of engagement. The forms identified for SFI stakeholder engagement processes and that would be put into practice as part of SFI's overall stakeholder engagement strategy have been presented in the following *Table 4.1*.

Table 4.1 *Establishing the stages of engagement*

SNo.	Form(s) of Engagement	What this means
In usual course		
1.	Project associated Liaison	Engagement activities carried out as part of day to day operations and project related liaison. This may include recruitment of workforce from the community, seeking cognizance prior to carrying out any work related activities, necessary disclosure with respect to conducting any form of intrusive work, permitting from statutory authorities etc.
2.	Implementation of Social Management Procedure/Plan	The objective of this engagement is to strategically implement structured social management plans and procedures and undertaking stakeholder consultations as part of the same.
3	CSR and Community Development programs	Engagement with the community stakeholder groups from the prospective of structuring and implementation of the CSR programs for varied stakeholders.
4	Public Relations and Information Disclosure	Disclosure of mandatory or important information that is of high significance to the stakeholders.
Opening up of New Areas		
5	Engagement prior to Commissioning of new areas concession	Stakeholder engagement and consultation mechanism carried out as part of social impact assessment prior to opening up of newer concession areas.
6	Free Prior and Informed Consent (FPIC)	Refers to consent taken from indigenous people on the basis of prior informed consultation and disclosure process undertaken by SFI. FPIC is required if any of the following circumstances are expected to occur: • Impacts on lands and natural resources subject to traditional ownership or under customary use; • Relocation of indigenous peoples from land and natural resources subject to traditional ownership or under customary use; and • Impacts on critical cultural heritage or use of traditional knowledge for commercial purposes.
7	Recording of land based claims and related legal issues	Engagement specifically entailing land based claims, issues and concerns and facilitating correct information and linkage with correct department, to

SNo.	Form(s) of Engagement	What this means
		the extent possible.
8.	Understanding of Indigenous and native rights and issues	Engagement specifically entailing respect of indigenous and native rights on land, forest and water.
Grievance Redressal		
9	Grievance Redressal and Conflict resolution	Mechanism for grievance redressal taking into consideration generic grievances, concerns and conflict related issues that necessitates company's attention and action. The grievance will trigger a redressal process which will absolve the stakeholder's grievance

On the basis of the stakeholder profiling carried out in *Table 3.1* and establishing specific stakeholder engagement forms in *Table 4.1* the stakeholders have been further projected vis-à-vis with the engagement objectives and their applicability on them in the matrix presented *Table 4.3*. Furthermore, this interaction has been highlighted as per the indexing presented in the following *Table 4.2*.

Table 4.2 *Colour Indexing for Table 4.3*

Priority for Engagement	Denoting Color
High Priority	
Medium Priority	
Low Priority	
No Engagement	

Table 4.3 Coverage and applicability of engagement forms on identified stakeholder

Stakeholder Coverage and Applicability b	Forms of Engagement	Project Associated Liaison	Free Prior and Informed Consent (FPIC)	Implementation of Social Management Procedure/Plan	Recording of land based claims and related legal issues	Addressal of Indigenous and native rights and issues	Grievance Redressal and Conflict resolution	CSR and Community Development programs	Public Relations and Information Disclosure
General Community									
Community chiefs and heads									
Land Claimants									
Individual/families affected by economic loss, loss of access to livelihood resource/community resource									
Vulnerable groups (deemed landless due to conversion of state land to forest land for SFI concession, old aged/women/disabled/handicapped impacted back in 1996)									
Local community groups and associations									
Governmental Agencies and departments such as forest department, land and survey department and district office									
Local judiciary including native courts, civil courts									
Non-Governmental Organizations									
Media Institutions									

Based on established understanding of the stakeholders, the forms or engagement and their interactions and applicability with the various stakeholders, the following mechanism and protocol presented in **Table 5.1** will be the governing stakeholder engagement strategy that SFI will implement for its stakeholders. This protocol covers the following aspects:

- **Forms of Engagement:** as indicated in **Table 4.1**, forms of engagement indicate the various stakeholder engagement processes that would be undertaken by SFI with the community groups
- **Processes:** step-wise delineation on how the engagement processes would be undertaken
- **Roles and responsibilities:** the relevant department or departmental representative guiding or overseeing the engagement process
- **Reference Documents:** including toolkits, checklists, recording sheets to be utilized for the stakeholder engagement process
- **Periodicity of engagement :** time intervals on which the engagement process is to be carried out

It is to be noted that the process underlined in the following table would be put under implementation and tested in order to determine possible shortcomings and SFI shall accordingly make suitable amendments to either the engagement steps or the roles and responsibilities of the various parties involved.

Table 4.4 *Engagement Mechanism and Protocol*

Engagement Stages	Engagement Processes and steps	Roles and Responsibilities	Reference Document(s) & Tools	Periodicity of Engagement
Engagement prior to commissioning of newer areas	- Undertake a preliminary screening process of the newer areas where operations - Commission an Social Impact Assessment (SIA) prior to commissioning a new area preferably through a third party agency. - CSR department to assist third party consultant in community engagement process, governmental liaison discussion with local NGOs, local groups etc. - As part of the SIA process, detailed stakeholder study of community, impacted/affected stakeholders, government framework, other groups including NGOs, media groups etc. has to be carried out by the consultant and recorded. SFI representative from the CSR team to oversee the conduct of this stakeholder study	CSR Department to oversee the successful conduct of the SIA process through a third party agency	Chronology of events from engagement of third party consultant, field level activities, stakeholders engaged to be maintained	Period of the SIA
Free Prior and Informed Consent (FPIC)	- The FPIC process would be triggered in case the operations are going to be extended in existing areas or extended into newer areas any will have entail some level of bearing or impact on the status quo of the community stakeholders; - Once the requirement for an FPIC is triggered following would be the process methodology that would be undertaken: - Field personnel to communicate to CSR Department that the FPIC of households and communities within certain villages is necessary based on its assessment of potential project impacts and mitigations through requisite impact assessment studies. - The CSR Department will request access to these villages by communicating with the village head for attaining consent to engage community members at a convenient date and time. - The communication has to be sent through a written invitation from the CSR department on an official letter head. A record of this communication will be maintained. - This date for consultation will not be sooner than two weeks once the request is issued. - The CSR Department will prepare a Project Information Disclosure (PID) note in local language that will incorporate and understanding of the project operations to be undertaken within that relevant area. - In addition to the PID note, the CSR team will draft a summary of impacts and mitigation measures assessed as part of the assessment process for that specific area.	CSR Department representatives will oversee the entire FPIC process Plantation Department representatives and field executives will support the CSR department with respect to field level engagement. Any external agency may also be engaged for initial impact evaluation and the requirement for an FPIC	For every FPIC process, the first communication, the PID, Summary of Impacts and Mitigations, Minutes or meetings, Signature sheets and photographs have to be maintained by the CSR department. Engagement tools to be utilized may include: - Information Disclosure - Focused Group Discussions - Structured Interviews	When operations are being expanded into newer areas, potential community concerns from newer activities in existing areas or whenever the requirement for FPIC is triggered

Engagement Stages	Engagement Processes and steps	Roles and Responsibilities	Reference Document(s) & Tools	Periodicity of Engagement
	- o This summary might include compensation and livelihood restoration plans, critical cultural heritage management and conservation measures etc. - o The summary has to be drafted into a format that is acceptable to affected communities and can effectively communicates SFI's proposed project impact mitigation and management measures. - o During the consultation event, the PID and the summary note would be utilized by the on-ground representatives and field officials as disclosures to the community - o External stakeholders such as government representatives from forest departments, land departments etc. as third party observers may also be invited - o The consultation and negation process would be conducted in a free, fair and without any form of coercion or external influences - o Minutes of the meeting for the consultation would be formally recorded and attested by the attending parties. - o The SFI representatives and the officials overseeing the consultation process shall strive to reach on a durable and sustainable accord with the community on the mitigation and management measures - o In case of all future FPIC processes, the above mentioned steps would be repeated			
Recording of land based claims and related legal issues	• SFI will register land claims including verbal or written claims from the villagers or the contractors through field executives, foresters, CSR representatives or any on field representatives • The claim will be registered in prescribed format and documented by CSR team representative. A database of land claims would be developed and maintained by the CSR department • The SFI Forester In-Charge (FIC) from the plantation department will identify the claimants involved, location, amount of land, other NCR etc. within one week (1) of registration of the claim. The SFI will report to the forest department and evidence submitted with respect to GPS points, documentary evidences from claimants etc. • SFI will follow-up with the forest department for the validation of the claim and joint inspection of the area will be undertaken by the SFI team and the forestry departments. The validity of the claim would be provided by the forest department • In case the claim on land is held invalid, harvesting and plantation activities are resumed immediately, though with prior information provided to the claimant. Any damage, losses of structure etc. will be assessed and mitigated as defined in	CSR Department representatives will coordinate with executives and FICs from Plantation Departments for recording/handling of land claims to be responsible for liaison with Forest and Land and Survey Departments	For detailed understanding, refer to Standard Operating Procedure (SOP) on Land Claims Database of Land Claims (<i>refer to Annex 1</i>)	During registration process of claim Regular engagement till resolution of claims

Engagement Stages	Engagement Processes and steps	Roles and Responsibilities	Reference Document(s) & Tools	Periodicity of Engagement
	Section 8 of the SIA/SMP. - In-case the claim is found to be valid, forester in charge (SFI) along with the land and survey departments will take necessary documents from the claimant. - A negotiation process is resumed between the claimant and the forest department. - Forestry department to give final decision on land ownership. Compensation is paid on the basis of agricultural department guidelines and land and survey departments			
Addressal of Indigenous and native rights and issues	- Executive of each department to carry out field or ground assessment to ensure no burial sites, orchard, farm, cave, waterfall, monuments carving or an area with cultural heritage, economical, aesthetic, historical, scientific and environmental value on site - In case any relevant sites are identified within operational area, survey crew and field executives to apply data collection methods and demarcate area involved in the ground. Joint survey and assessment can be carried out with the community. - Take photographs and note on location of such area to be recorded on GPS and transferred to GIS map for further verification with nearest community, land and survey and forestry department. Information from the field to be fed into a Cultural site database - Survey crew leader and foresters in charge to produce field report based on collected data and submit to CSR and respective department heads for further action and decision - Production and Plantation department to write to relevant authorities on the findings and if required to assist in the verification process - Planning department to modify harvesting or planting plans after ground verification and endorsement by SFI including relevant government agencies and community affected are completed or resolved - In-case SFI has encroached communal land, SFI shall resolve dispute using conflict resolution procedures and refer to Native courts, Land and Survey, Forestry and Agriculture Department for compensation guidelines - CSR to assist in the formulation of joint resource management programme for affected communities	Plantation Department Production Department Land and Survey Department	For detailed understanding, refer to SOP on Compliance to ILO convention 169 Cultural Site Database (<i>refer to Annex 1</i>)	As per requirement
Implementation of Social Management Procedure/Plan	Once the SMP has been conceptualized, disclosed to the relevant stakeholders though FPIC and other, engagement processes, the SMP has to be implemented by SFI's CSR team	CSR Department with	Minutes of Meetings and Records	Continuous throughout the course of the Social

Engagement Stages	Engagement Processes and steps	Roles and Responsibilities	Reference Document(s) & Tools	Periodicity of Engagement
	- CSR team to disclose a copy of the SMP to all community centers that are related to the SMP implementation process - Regular engagement meetings, discussions with community heads would be undertaken with affected community groups, impacted individuals, vulnerable groups - All engagement meetings, discussions to be recorded			Management Plan
Grievance Redressal and Conflict resolution	- Grievances highlighted by any stakeholder group during interaction between any SFI representative - The grievance would be reported to the CSR department - The grievance would be received and formally accepted in structured grievance recording format, telecommunication, or personal registration at CSR office - Alternatively, grievance formats would be distributed at community centers and few copies of the same would be kept for filling and submission of grievances - The grievances would be collected from spot if directly registered to an SFI employee or would be filled and submitted with Native chiefs or community centers - CSR representatives to collect registered grievance sheets from native chiefs - The grievance would be registered in a centralized database to be maintained by the CSR department - Necessary investigation and action to be taken on the grievance - Grievances have to be resolved within a period of two months from the date of registration - Communication of the addressal to the aggrieved through suitable communication channel - Grievance to be closed in the database	CSR Department to oversee the management of grievance database and closure of grievances CSR department to work with other departmental staffs to address grievances in case their participation is necessitated	Grievance SOP to be utilized as the formal protocol for grievance registration, addressal and closure mechanism Grievances to be recorded in structured format (<i>refer to Annex 2</i>) as part of the grievance handling mechanism	As per requirement
Public Relations and Disclosure	- Project related disclosures with respect to PIDs, grievance forms, emergency plans etc. will be made by the SFI representative (mostly representative engaged in operational activities) - The disclosure would be made at important locations of community interests	CSR department to work in coordination with Plantation, Legal and HR department	Disclosure Notices Project Information Documents (PID)	AS per requirement
Project associated liaison	- Engage with community stakeholders for increasing participation in operational activities with respect to providing jobs, resourcing material, utilizing community resources etc. - Competent personnel to liaison with high priority stakeholders such as governmental officials, forest department, land department representatives etc. - Summary report of consultations and formal meeting minutes to be drafted by the relevant SFI person and forwarded to the CSR department	Plantation department in association with CSR department		Continuous as part of project activity routine

5.1 STRUCTURE OF CSR TEAM

SFI has structured and put into place a Corporate Social Responsibility (CSR) team that will ensure the successful implementation of this CEP. The following figure highlights the organizational structure of the CSR team.

Figure 5.1 *SFI CSR Overall Structure*

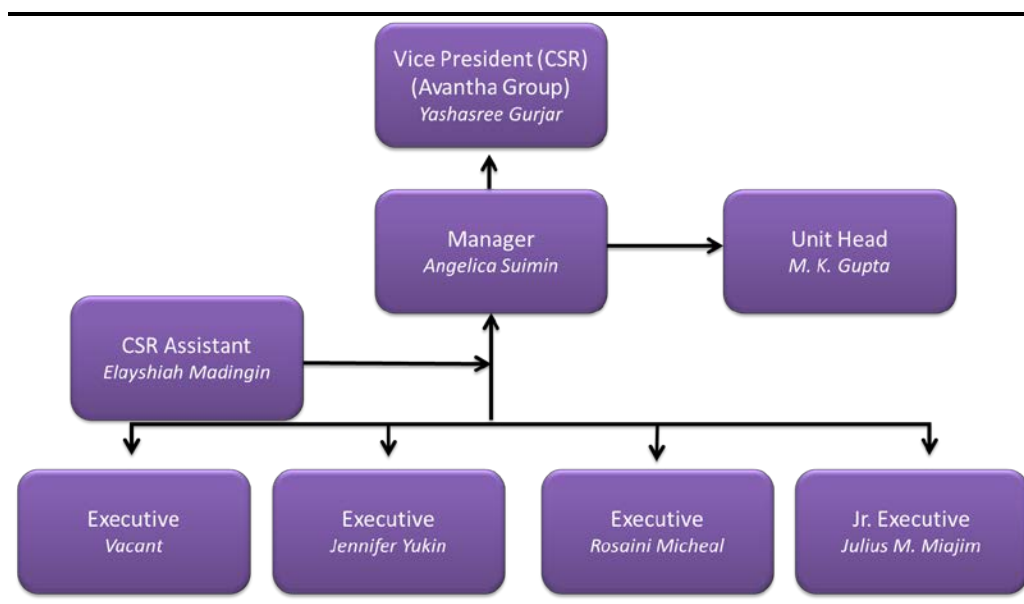
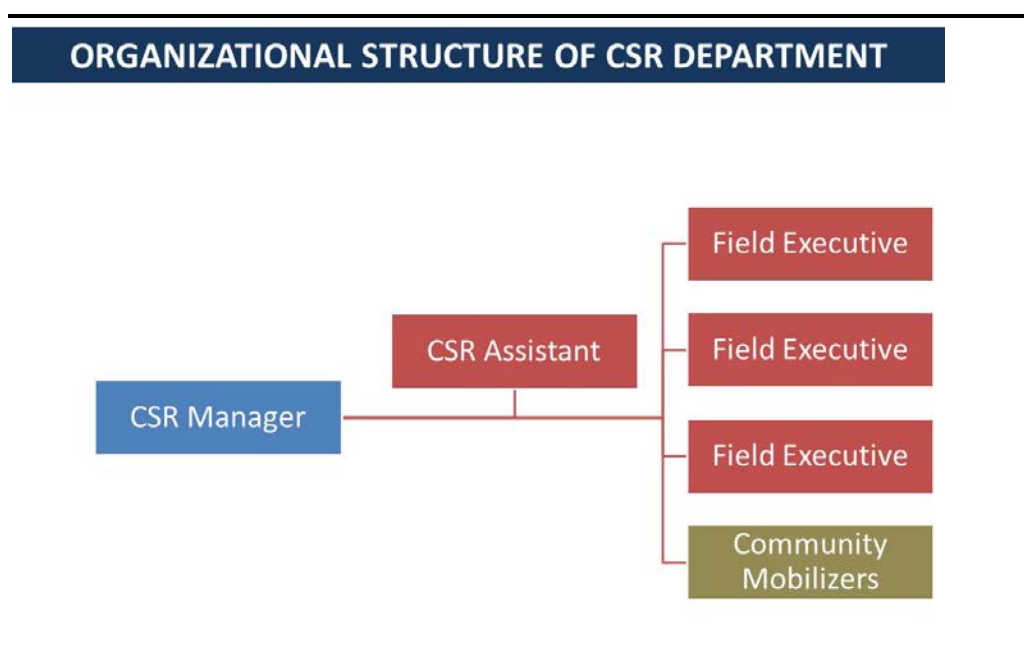


Figure 5.2 *Organizational structure of the CSR team*



The CSR team would be supported by local personnel from the community such as community mobilizers who will assist the executives from the CSR team to carry out engagement processes. The CSR team plays two roles, as the community interface support to the operations team for operational purposes that includes entry permission, consents and grievance handling. The second role is focussed around CSR and ongoing engagement. For the first role, they are service providers, and in the second, they lead. They work in conjunction with other teams specifically Plantations, Production, and Legal etc. in carrying out the engagement processes.

5.2 *RESOURCING AND CAPACITY BUILDING*

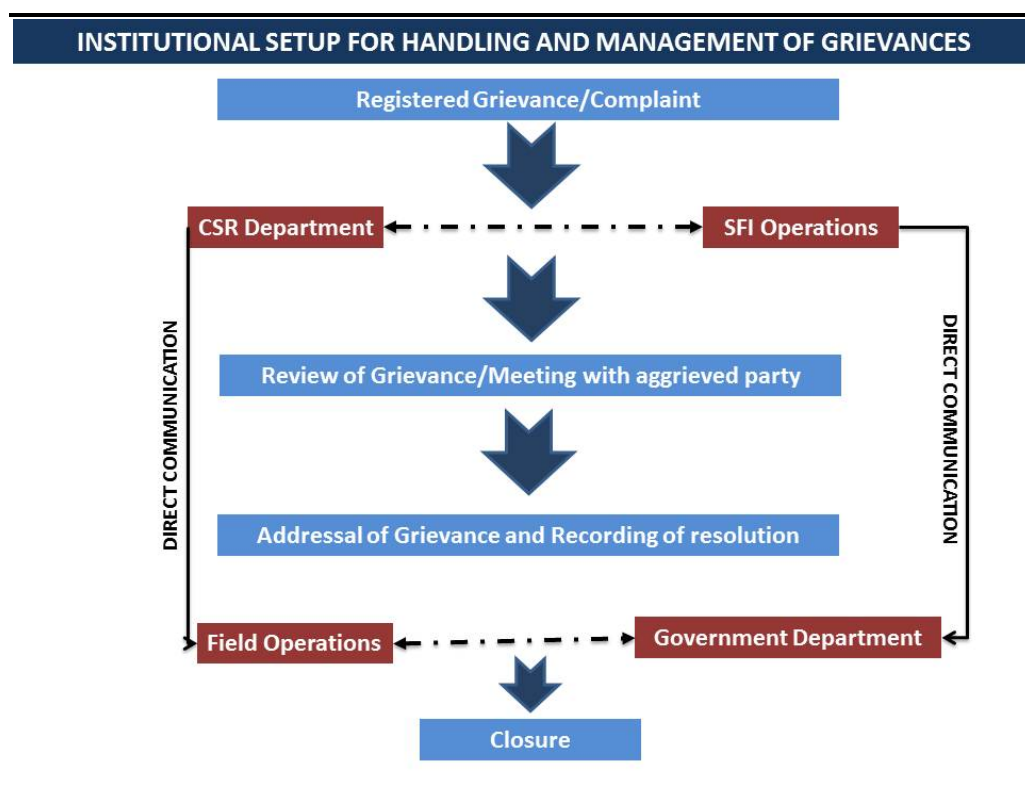
In order to ensure the proper maintenance and functioning of the stakeholder engagement process, SFI will train internal resources from time to time including field executives. These personnel would ideally be part of CSR, Plantation and Production departments who have been involved with engaging the community or other stakeholders such as governmental agencies, NGO's media groups etc.

The current CSR team is limited in terms of manpower resources which constraints them in engaging with communities across the existing operations and in future, in new opened areas. SFI should consider increasing the team strengths and bring in more field workers, possibly stationed in key locations, as well as different expertise and academic background including sociologists, anthropologist specializing on IP issues and programme manager, considering the CSR activities will expand. In the short term the team should be increased by at least 2-3 persons, and in the long run, especially for new areas, by 5-6. In case the internal resources within SFI are deemed limited for meeting the manpower requirement for the implementation of the stakeholder engagement in the near term, SFI will consider engaging a reputed third party in the form of freelancers or NGOs who are familiar with the region and are acceptable to the community. The NGO would then not only serve as a link between company and community but as a third party in the implementation of the SEP.

SFI will ensure adequate budget is formulated for the purpose of the stakeholder engagement process is sufficient to meet the expenses of the same.

With respect to grievance handling process, the following figure highlights the institutional setup with respect to handling and resolution of grievances.

Figure 5.3 *Grievance handling mechanism*



On the basis of the above grievance redressal framework, the field operations reflect the corporate level mandate and decision whereby the General Manager for plantation and head for raw materials along with the assistance from the CSR manager decides on any clear or specific action that is required to be undertaken for resolving issues and addressal of grievances based on reviews and meetings as conducted in the previous stages.

A sample Grievance Recording Form has been provided as annexure to this document, which is presently lacking in the existing GRM.

An annual Stakeholder Engagement Report consolidating the outcomes from the engagement mechanisms as presented in the previous section would be developed and published annually. The report will cover summary of issues raised by stakeholders, numbers and subjects of grievances, a summary of key actions taken to address concerns, analysis of trends in KPIs, and plans for engagement in the next period. The reports may summarize all activities against the various engagement forms for the period, and provide a summary of issues raised and how they have been addressed, including timeliness of responses and adequate action taken, compensation and mitigation measures to address grievances, and analysis of trends in key performance indicators.

Some of the key output monitoring indicators will include, but not be limited to the following:

- Place and time of formal engagement events and level of participation including by specific stakeholder groups (e.g. women, tribals, other vulnerable groups);
- Numbers and types of stakeholders contacted by various means of communication;
- Comments received by government authorities, community, and other parties and passed to the Project;
- Number of comments by topic and type of stakeholder, and details of feedback provided;
- Numbers of visitors to the grievance cell or other designated area for the project or project staffs approached by the community and other stakeholders;
- Surveys of community attitudes and perceptions; and numbers and types of grievances and the nature and timing of their resolution.

Annexure: Sample Grievance Redressal Form to be used as part of GRM

GRIEVANCE FORM			
Reference Number:	(to be printed on each form)		
Date		Time	
Personal Details			
Full Name Note: you can choose to remain anonymous if you prefer or request not to disclose your identity to any third parties without your consent	First Name:		
	Last Name:		
	☐ I wish to raise my grievance anonymously		
	☐ I request not to disclose my identity without my consent		
Contact Information: Please indicate how you wish to be contacted	☐ By Telephone: _____ (Please provide your phone number)		
	☐ By e-mail: _____ (Please provide your email address)		
Details of Grievance			
Date of Grievance		Time of Grievance	
Place of Grievance	District		
	Estate		
	Kampong		
Nature of Grievance	☐ Accident/Incident		
	☐ Misconduct/ Mistreatment by SFI Employee		
	☐ Damage to private property		
	☐ Damage to cultural property		
	☐ Damage to crops		
	☐ Encroachment on private land		
	☐ Inconvenience from SFI Operations		
	☐ Restriction of right of way access		
	☐ Conflict with workers and laborers		
	☐ Other	Please Specify	
Details of the Grievance (Please provide as much information and details as possible)			

Actions Requested (if any)		
Has the Grievance been verbally reported to anyone?	☐ Yes	☐ No
If yes, please provide the name of the person if known.		
For Complainant		
Complainant's Signature	Date	
For Office Use		
Comments or Additional Information (Field Executive/Forester /Departmental Manager)		
Supervisor/ Admin or Procurement In-Charge/Departmental Manager/Nurse Signature	Date	
Commented Accepted by Complainant	Complainant's Signature	

Annex 6A

Minutes of Meeting of the Consultations Held

<u>Basic details</u>	
Location: Saliwangan and Batu 66 (Hologilat)	District: Beaufort
Project: SFI retrospective SIA of opened areas	Date: 22-05-2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	
<i>Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.</i>	
<u>Key points Discussed :</u>	
the summary of the discussions is provided below	
Community Profile: the Kempong Hologilat was established in the year 1956, while the hamlets¹ were established later in 2001-2002. The Kampong Hologilat is a registered Kampong. The hamlets are comprised of Chinese, Muruts and Kadazan Dusuns, with the main languages being Bahasa Malaysia, Murut and Kadazan Dusun. The total population of the hamlet is approx. 100 individuals while that of Hologilat is more than 600. The main connectivity in the area is through the train and the river, with very few roads existing in the area. Land Ownership: the average land holding sizes in the Kampongs are 2-15 acre per individual, with the HHs owning multiple plots based on different uses or crops being cultivated. These lands have been in use ever since the establishment of the hamlets. Of the community members cultivating or utilizing land in the area, approx. 13 have NTs. Livelihood Practices: the major livelihood and sustenance strategies in the community comprise of cultivation, fishing and hunting. The main crops in the area are paddy, fruits, rubber, palm oil, sweet potato, yam, tapioca and vegetables. The agriculture is mostly rain fed, with some plots of land using the water from the neighbouring streams and rivers for irrigation. Apart from this, most of the household also maintain small ponds used for maintaining fishes for household consumption and poultry. The households also usually maintain dogs for hunting purposes. Infrastructure: the source of water for the Kampong is usually through the natural springs and creeks using gravity, which is maintained at the Kampong level. The water quality is reported to be of a good quality, with no shortage of water through the year. Almost all the households are reported to have access to electricity and sanitation facilities. The community is dependent upon the main Kampong of Hologilat and the district Beaufort for the provisioning of basic supplies as well as undertaking agricultural trade. While certain households still use firewood, increasing number of households are switching to gas for cooking purposes. The hamlet doesn't have access to any educational or medical facilities and has to travel to the town of beaufort or neighbouring Kampongs for the same. The major health problems in the area are Malaria, Dengue, Tuberculosis, Thyroid and Thalassemia. Most of the community prefers to resort to traditional medication before going to doctors or hospitals, located in beaufort. Forest Dependence: the forest is of five types: forest reserve, forest for water catchment, SFI forest, individual forests and railway reserve. The dependence of the community is primarily on the railway reserve for hunting and collection of NTFPs.	
<u>Meeting Attended By :</u>	
1.	ERM: Manish Singh, Ian Bryson, Akshita Misra, Men Trek
2.	Stakeholder Group: community members of The hamlets
3.	Stakeholder Representatives: Sapaiah B Lodom, Merium B Emily, Janus Jumat
<u>Photo Documentation</u>	

¹ Hamlets have been defined as small settlements which form a part of a larger Kampong



Participant Attendance Sheet

[illegible]

SARAH FOREST INDUSTRIES

[illegible]

<u>Basic details</u>	
Location: Halogilat and Batu -70	District: Beaufort
Project: SFI retrospective SIA of opened areas	Date : 22 nd May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<u>Key points Discussed :</u>
Following Key points were discussed during the meeting: • Social Composition (ethnic groups) • Livelihood Practices (cultivation, hunting, fishing) • Dependence on Natural Resources; • Social Infrastructure and facilities; • Effectiveness of social services; • Impacts of SFI operation; The Summary of the Discussions on these key points are provided below: Social Composition: The settlement is comprised of around 15-20 households of Christians and 1 Muslim family. The majority of them identify themselves to be Muruts. Houses are clustered around the Halogilat Railway station. The village is not connected through road, hence, railway is the sole means of connectivity to the village. The village is set up on the bank of the river, hence, some of them use motorised boats to navigate different nearby places. Government Initiatives: The Government provides them electricity, piped water supply as key infrastructures. There is no School in the village. Children go to the next village for school using the train. There is no clinic at the village, they depend on the medical facility located at Beaufort. Government has provided them with a life-saver boat and provides assistance to repair their houses if they are damaged. Livelihood Practices: The community practices farming and plantation activities, which is supplemented by hunting and fishing. They farm rice/pady in two cycles. One crop is sowed in the month of May-June and is harvested in the month of August. The second crop is planted in Sept-Oct and is harvested in the month of March. The farmlands are used for multi-cropping. They plant corn, bayan and beans along with Pady and are harvested at different points of time. The rice is mostly used for household consumption and is rarely sold in the market. However, they sell vegetables after meeting their self-consumption requirements in Beaufort. The frequency of selling the vegetable depends on the production and cash requirement of the household. Plantation of rubber trees is an important livelihood practice. They plant rubber trees on the lands where paddy cannot be grown. They collect rubber and sell it in Beaufort market. They also plant fruit trees on their farm land and collect fruits grown in community forests. The major fruits consumed by the community include: Ramutan (mango), Banana, Tarap, Lansat, Pineapple (annanas), and Ubikayo (a kind of potato). Dependence on Natural Resources: They require no licences to collect these fruits. The collection of fruits is done when they are on their way to their farmlands or when they are required in the household. The supply of the fruits though varies, yet it is sufficient to meet their requirement. Whenever the production is more, they sell more in the Beaufort market and get more income. No medicinal plants are collected from the forest. Most of these useful herbs are planted close to their households or at a place which is easily accessible to them. Honey is not collected by them from the forest. They use bamboo, rattan, and plantains leaf from the forest and sometimes sell them in Beaufort market. The collection of fruits and other items from the forest has reduced as most of the families have enough money to buy them from market.

The farming practices are mostly traditional. The seeds are preserved by the farmers to be used in subsequent season. They do not use any external fertilizer or manure in their farmland. The soil fertility is restored using the branches and other vegetation cleared from the farmland. The rubber trees are often attacked by insects. They buy and use insecticides to kill these insects. The rubber trees, if wasted by insect attacks, are mostly used as fire-wood.

Only two households were reported to have buffaloes recently. No large livestock is kept by them. They do not have tradition of animal farming or livestock rearing. They feel it is risky to keep cattle, as they may destroy their crops. However, most of the households keep poultry for self-consumption. Very rarely they sale among each other to meet requirements for special occasions.

The meat requirement is met through hunting. They hunt and consume wild boar, money, snakes, deer, landak, Tiung, Morbuk etc. They prefer the dark fortnight of the lunar cycle to go for hunting. The frequency of hunting has been reduced now and is not more than twice in a month. They go for hunting along with their hunting dogs. They hunt in a group when there is a community feast. The community feasts are held after mourning period is over after death of a community member, on occasions of wedding and such other family celebrations. They hunt large animals using sphere and animals who can climb trees or birds are hunted by using blow-pipes.

Being a community living on the bank of a river, they use the opportunity to fish. The fishing is done by them throughout the year. They use fishing rod, and throwing net to fish in the river. They also use the traditional fishing basket (bubu) made of bamboo or rattan on smaller streams and in their paddy fields. The major fish varieties consumed by them include pelian, baung, Ikan batu, uan bontong and labi-labi. They also catch and eat turtle.

Cultural and Heritage Resources: The community was established in 1950s after the World War-II. Hence, the community do not have any tangible cultural heritages in faraway locations. Their burials are close to their village and they have no other burial site apart from this. They confirmed that no burial ground or anything sacred or spiritual relevance existing within the SFI concession area.

Impact of SFI Activities: The community is aware about the physical boundary of the Reserve Forest allocated to SFI. As SFI operations are far off from their village, they have not faced any impact. The community source of drinking water is tapped from a catchment which is not affected by SFI yet. The village is less likely to experience

Meeting Attended By :

1. **ERM:** Swayam Panda, Haider Abbas, Tufail Khan.
2. **Stakeholder Group:** Community Members of Kg. Halogilat & Kg. Batu 70
3. **Stakeholder Representatives:** Refer participants attendance sheet

Photo Documentation



Community Consultation with Kg. Batu 70



Community Consultation in Kg. Halogilat

Participants Attendance Sheet

6A-6

<u>Basic details</u>	
Location: Ulu Bole	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 23 rd May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<u>Key points Discussed :</u>
Following Key points were discussed during the meeting: • Social Composition (ethnic groups) • Livelihood Practices (cultivation, hunting, fishing) • Dependence on Natural Resources; • Social Infrastructure and Services; • Cultural Heritage Sites; • Impacts of SFI operation; Social Composition: The village was initiated due to the government's initiative to gather erstwhile nomadic families and to settle them in one place. The village is now more than 50 years old and constitutes approximately 80 families. The village is comprised of Muruts and Dusuns. Cultural and Heritage Resources: They have scattered burial places within SFI boundary. The community has access to these burial sites. Livelihood Practices: The livelihood of people depends on farming paddy, plantation of rubber. The food supply of the household is supplemented through hunting, fishing and occasional gathering of edible fruits from the forest. The farming practices has not changed over the last generation. However, the dependence on harvesting of wild fruits and hunting is reduced to a great extent. More and more people are getting into rubber or plam plantation. Approximately 40% of the households are engaged in rubber plantation. The rice produced by them is mostly for self-consumption. The vegetable and fruits grown in the farm are sold in Sipitang market which is 70kms away. The access to Sipitang market is limited and it takes them 3 hours to reach the market. The animal farming or livestock rearing is not practiced. Most of the households rear poultry for self-consumption. They supply of meat is mostly through hunting wild animals. They do not have licences as they find the process tedious and expensive. Dependence on Natural Resources: The community reported that before the plantation activities, they had plenty of forest resources and were readily available. They were collecting bamboo, rattan, cinnamon and other forest herbs. Now these commodities have reduced and they have to go deeper in forest to obtain them. Most of the families are using Gas as cooking fuel. The requirement of the firewood is generally fulfilled through plants from the farmland. Hence, collection of firewood from the forest is limited. The medicinal plants which were easily available earlier are not available. Social Infrastructure and Services: The village has a primary school in the village, and a clinic is located at a close by village which can be reached within an hour. They need to bring the patients to Sipitang for hospitalisation and any serious ailment. As condition of the road is not good, women could not be taken to hospital for delivery. Hence, most of the deliveries are done at home. Sacred Sites and Cultural Heritage: The burial ground is located outside of the SFI concession area. There are a few burial or cultural heritage sites within SFI boundary. They access these sites through a pathway across the hill. Impact of SFI: The boundary of the SFI and their land is not clear. The boundary issue has not been settled for a long time. It was decided during a meeting with land and survey that the land survey will involve people from the village. However, they were not involved when the survey was carried out. Hence, the boundary disputes still continue.

The water sources are polluted now. They were able to drink river and stream water while working in their farmland, which they can do no more. Though, SFI constructed gravity water supply system for the village, but it does not function properly. In rainy season, it gets silted and blocked and in dry seasons it carries insufficient water.

Mr Henry Ryan, who is a pastor complained that he received threats from Forest Department when he tried to stop SFI from logging in riparian areas. The destruction of the forest cover in the catchment of the streams used by community has polluted water sources.

The mengkung plant which is used for handicraft is available only at certain locations which has impacted the supply of this crucial raw material.

The hunting practice is also affected by logging and change in nature of the forest.

The road connectivity to their settlement has improved. However they feel the road is used by SFI for transporting their logs. Hence, the benefit of the road is not exclusively for the Ulu Bole community. However, they acknowledge that the road has contributed to their options to access multiple income opportunities in Sipitang and other parts of Malaysia.

The plantation activity has attracted outsiders to make claims on lands which their ancestors used. They cited an example of a close relative of ADO of Sipitang District claiming Native Title on the lands that belong to their Kampong.

The in-migration of the plantation labours also has created issues like stealing of their poultry and approaching their women. The presence of un-known outside population poses threat to their sense of security.

Stakeholder Engagement: No one from SFI has come to consult them in past two years. There is no fixed system of communicating their grievances. The water supply and native customary rights issues are significant issues by the community. SUHAKAM and PACOS have discussed with them on these issues and have promised to help them on asserting their rights.

Meeting Attended By :

1. **ERM:** Swayam Panda, Noorzana
2. **Stakeholder Group:** Community from Ulu Bole
3. **Stakeholder Representatives:** Refer Participants Attendance Sheet

Photo Documentation



Community Consultation in Kg. Ulu Bole



Community Consultation in Kg. Ulu Bole

Participants Attendance Sheet

Date: 23/05/2014		Kampung: Ulu Bole	
Sub District:		District: Sipitang	
State: Sabah		Group/Stakeholder: Amilable Community Members	
Purpose of Meeting: Options on Social Impacts from SFI			

S.No.	Name	Designation	Contact Number	Signature
1	Lias Mandang			[Signature]
2	PaPana			[Signature]
3	Mandang imbol			[Signature]
4	Louis Luzob			[Signature]
5	Sigor Sarau			[Signature]
6	Minggu Koyor			[Signature]
7	Pempion Bangau			[Signature]
8	Kakayau Sumpak			[Signature]
9	Tome Luv			[Signature]
10	TABED LUN			[Signature]
11	BARAU HUEK			[Signature]
12	PASIH B. MANDANG			[Signature]
13	SULWIAH B. MAYAU			[Signature]
14	TABITA B. KEUNG			[Signature]
15	FA LIPANCE PANANTAN			
16	MORIYS PUEK			
17	BIBIANO SARAU			[Signature]
18	JUNE MANDANG			[Signature]
19	MILIAH BT KAYA			[Signature]
20	YURANG PENGIRAN			[Signature]
21	ROSTAH BT KAYA			[Signature]

<u>Basic details</u>	
Location: Rundulang	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 23 rd May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

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<u>Key points Discussed :</u>
Following Key points were discussed during the meeting: • Social Composition (ethnic groups) • Livelihood Practices (cultivation, hunting, fishing) • Dependence on Natural Resources; • Social Infrastructure and Services; • Cultural Heritage Sites; • Impacts of SFI operation; Social Composition: The Kampong constitutes 40 Murut families located in 12 locations. A Livelihood Practices: Farming is primary livelihood for all families living in Rundulang. 70% of families have Native Titles over their land and rest of them have applied for Native Titles and have not got the title yet. These families led a nomadic life shifting from one location to another before they finally got land titles and everyone is in the process of settling down. They have adequate reserve land for future expansion and would not need to venture into Forest Reserve areas. Earlier people only cultivated paddy (rice) and chillies, and now they grow a variety of vegetables along with paddy in their farms. With the help of modern equipment, people can clear forests easily and expand their farms. Some of them (approximately 20% families) have planted rubber which is a good source of income for them. The farming is dependent on rain. They keep poultry for self-consumption and occasionally sell them locally. The productivity of their farms have declined over last 5 years. The younger generation has now got education and look for jobs/employment in cities. At least 10 families are employed in SFI which supplements their income from farming. Dependence on Natural Resources: They collect rattan and langsung from the community forest on state land and use them for handicraft. The baskets and other utility items made by them are both used at home and they also occasionally sell them. They collect Durian from the forest which they consume and also sell in Sipitang market. Hunting and fishing is practiced by all households. They go to the river which is just 15 mins walk from their house. Hunting of the wild animals such as deer and wild boar supplies them meat. None of them go for licence for hunting as they rarely go into the forest reserve. No significant reduction of the natural resources used by them is faced by the community. Most of them use gas for cooking, though few households still use fire-wood generated from their farm and supplemented from the community forest land. Social Infrastructure and Services: The village is dependent on river for the supply of drinking water. There is a gravity water supply system for the village and they get adequate water supply throughout the year. Most of the households use traditional latrines. The village do not have electricity supply, however some of the households have generators. The village is connected through a road which is maintained by SFI. They access Sipitang by using their personal bikes or lorry/trucks. There is a government clinic at Maligan which is can be accessed within 30 mins. They take approximately 3.5 hours to reach the District Hospital at Sipitang for any sickness that requires hospitalisation. The Kempong does not have a community hall. They access the community church at Maligan.

Cultural Heritage Sites: As the village is an off-shoot of community at Maligan, they use the burial ground in Maligan. Some of them have burials within SFI concession area/ forest reserve area. These sites are accessed by them once in a year. SFI Impact: No significant adverse impact is experienced by the village due to SFI's activities. They acknowledge the benefits of improved road conditions and increase in income opportunities for younger generation. Stakeholder Engagement: They were shown a map with SFI boundary long back. At least 4 years back there was a consultation meeting held with them by SFI.	
<i>Meeting Attended By :</i>	
1. 2. 3.	ERM: Swayam Panda, Zana Stakeholder Group: Village Headman and Community members Stakeholder Representatives: Refer Participant Attendance Sheet
<i>Photo Documentation</i>	
	
<i>Participants Attendance Sheet</i>	
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<u>Basic details</u>	
Location: Maligan	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 23/05/14
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

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<u>Key points Discussed :</u>	
- The community has informed that the village was established after Japanese invaded Sabah region around 1941. Originally inhabitants came from Tahol region and trace their lineage from Akal Bin Laluhun. - Presently four hamlets Kg. Ulu Meligan, Kg. Rundulang, Kg. Mengaym and Kg. Luguon are under village Head Men Mr. Karani Langub - Nearly village is having nearly a population of 1000 living in 90 families and 95% population is of Muruts tahol and 5% constitutes Dusun, Lundayeh and Chinese - The village is having the required basic infrastructure such as road, church, community hall, government clinic, household electricity connection and piped water supply , - Most of the people are occupied in agriculture, hunting, fishing and collection of NTFP and major sources of income includes selling of rubber , palm oil and hunted meat for SFI labours - Community members are generally aware of SFI operations such as plantation and logging besides that SFI also undertakes CSR activities such as handicraft development. - The decision with respect to land claims on reserved forest land coming under SFI concession area is still not finalised and claimants are looking forward to resolve these issues as soon as possible. However SFI do not restricts in assessing their resources. - The community is concerned about water pollution due to logging, damage of roads due to overloading and spraying of pesticides which might have negative health impacts in a long run.	
<u>Meeting Attended By :</u>	
1.	ERM: Haider Abbas & Sumati Bhatiya
2.	Stakeholder Group: Community
3.	Stakeholder Representatives: Refer Participant Attendance Sheet
<u>Photo Documentation</u>	
	
<u>Participants Attendance Sheet</u>	

<u>Basic details</u>	
Location: Melutut	District: Tenom
Project: SFI retrospective SIA of opened areas	Date: 23-05-2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

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Key points Discussed :

The summary of the discussion with the community is as given below:

Community profile: Melutut was established in the 1940's and was named after a rock that makes a sound "tut-tut-tut" when clicked together. The sound is believed to cause the death of any one who hears it. The Kampong was established in an attempt of the British to develop more control over the population. They were asked to migrate to the area from their then residence near the Indonesian border.

Major incidents: one of the major incidents in the community was a disease outbreak in the 1970's which had symptoms of rashes and fevers and had resulted in the death of 30 people in a month. The cure for the disease was never found.

Livelihood: the main sources of livelihood in the community are through agriculture, along with dependence upon the forest resources. The women of the community are also engaged in making and selling of handicrafts.

Forest dependence and relation with SFI: The only forest resource in the area is the SFI forest. The dependence on the forest is for timber, meat, fruits and wild vegetables, medicinal herbs, NTFPS and as the water catchment for the area. The community was reportedly unaware of the demarcation of the forest boundary in the 1980s, as at the time of the survey they were told that it was a general survey to understand the resources in the area. Four HHs reportedly have titles within the SFI land, while every HH in the Kampong is dependent upon the forest for sustenance. Furthermore, according to the map given by the forest department, a significant portion of the land of the Kampong (mostly reserved land) is within the SFI boundary. While the relations with SFI were severely strained in the 1980s-1990s, the situation has improved in the last decade, since the coming of BILT as now the SFI team communicates with the community and has been undertaken activities and initiatives for their development.

Meeting Attended By :

1. **ERM:** Manish Singh, Ian Bryson, Tufail Khan, Akshita Misra, Men Trek
2. **Stakeholder Group: Community Members of Melutut**
3. **Stakeholder Representatives:** (given in the sheet below)

Photo Documentation



Participant Attendance Sheet

Date: 23.05.2014		Kampung: Kg. Malutut	
Sub District: Ulu Tomani		District: Tenom	
State: Sabah		Group/ Stakeholder: Local Communities	
Purpose of Meeting: SIA			

S.No.	Name	Designation	Contact Number	Signature
1	Amun Angie	Ketua kampung		[Signature]
2	Lotok Angie	Panduduk		[Signature]
3	Tongan Angie	-		[Signature]
4	Anduat Indri	-		[Signature]
5	Agustin Ambak	-		[Signature]
6	Lumbis Ukang	-		[Signature]
7	Raimis Atun	-		[Signature]
8	Roland Layat	-		[Signature]
9	Rawing Ambit	-		[Signature]
10	Lina Bara	-		[Signature]
11	Rosmary Animpali	-		[Signature]
12	Martin Antugos.	-		[Signature]
13	Ranjila Peter	-		[Signature]
14	Kukus Andrat	-		[Signature]
15	Lakiah Atun	-		[Signature]
16	Suliah Ambak	-		[Signature]
17	Jalipi Koi	-		[Signature]
18	Wayar Angkai	-		[Signature]
19	Leyu Ampas	-		[Signature]
20	MANISH SINGH	ERM		[Signature]

SABAH FOREST INDUSTRIES

Date: 23.05.2014		Kampung: Kg. Malutut		
Sub District: Mu Tomani		District: Tenom		
State: Sabah		Group/ Stakeholder: Women's Group		
Purpose of Meeting: <i>To develop an understanding of the gender dynamics in the community</i>				
S.No.	Name	Designation	Contact Number	Signature
1.	Gulia Ambun	Committee Members of Handicraft group		Gulia
2.	Rosmary Aimpah	"		Rosmary
3.	Lina Baru	"		Lina
4.	Jalipi Koni	"		Jalipi
5.	Lisa Arud	"		Lisa
6.	Larsah Andahai	"		Larsah
7.	Naygar Angkai	"		NAYGAR
8.	Rausin Tongon	"		Rausin
9.	Andorot Amuntul	"		Andorot
10.	MANISH SINGH	ERM		Manish
11.	TUFAIL KHAN	ERM		Tufail

<u>Basic details</u>	
Location: Mahunsop	District: Tenom
Project: SFI retrospective SIA of opened areas	Date: 24-05-2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

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<u>Key points Discussed :</u>	
• Kempong Mahunsop was reportedly established in 1950s by a person called as Abau Ahil. This is not gazetted Kempong. It is a part of Tinura Kempong that is gazetted settlement; • Total population of the Kempong is about 350 as reported living 45 number of households. People living in this Kempong are either from Murut or Malay ethnic community; • Average land holding size of the native ranges between 3 to 6 families. 30 out of 45 households of the Kempong area having private native title land; • The main crops in the Kampong are banana, paddy, rubber, coffee and palm oil. While rubber and coffee were introduced in 1980's, palm oil was introduced only this year • According to the community, there is presently no pressure on the land in terms of land for future expansion, as they have sufficient land for the present population. However, a proposal has been put for additional land to the land and survey department for the future generations. However that land falls under the forest area, and they have not heard anything since 1980's. • The main livelihood profile of the community is comprised of agriculture, including paddy, coffee, and rubber, government jobs, private jobs, and services such as shop keepers, selling of firewood etc. apart from this, all the households also undertake hunting and fishing for self-consumption. However, there is reported to be a decline in the hunting and fishing practices in the Kampong. • In terms of infrastructure availability, the Kampong is dependent upon natural springs and creeks for water supply, which is supplied through a gravity system at the individual household level. However, the Kampong reported a water shortage of two months in a year, during the dry months of July to August due to a reduction in the water pressure. All the families are reported to have access to electricity and sanitation facilities. • The community has to travel to Tenom for the purpose of engaging in trade of goods and agricultural products. Also, the closest medical facilities are located in Tenom, at a distance of 2 hours. The main health problems in the area are Diarrhoea, Malaria and common fever. Due to the distance, most of the households prefer home remedies for the medical problems before resorting to hospitals and doctors. • The main culturally significant sites in the area comprise of burial grounds and the church • The community was of the opinion that presently they are not severely impacted by the SFI presence, as they are still able to access the land within the forest boundary, however in a situation where access may be restricted, the community would be impacted in terms of livelihoods, sustenance in the form of hunting and gathering activities as well as access to burial grounds.	
<u>Meeting Attended By :</u>	
1.	ERM:
2.	Stakeholder Group:
3.	Stakeholder Representatives:
<u>Photo Documentation</u>	



Participant Attendance Sheet

SABAH FOREST INDUSTRIES

Date: 24/05/2014		Kampong: Mahwahag	
Sub District:		District: Tenom	
State: Sabah		Group/ Stakeholder: ~~community~~ group elders & men	
Purpose of Meeting: To develop an understanding of the community			

S.No.	Name	Designation	Contact Number	Signature
1.	ILAI B Amuket			celat.
2.	Sahap B Akis			Sahap
3.	Amiat B Ansuai			Net
4.	udin B Ampin			duke
5.	MATIAS B BAGAP			matias
6.	Jettai B Ampayees			Hei
7.	Amay B Annot			Amay
8.	AKIM B IPANG			Akim
9.	RISHA B Ambatik			Risha
10.	Morifa bin Awa			Morifa
11.	MUSA bin Abau			M
12.	AMPANG. AHIL			Shaphic
13.	Kolstar- Bawai			Kolstar
14.	ANUAR PALING			A
15.	ANDIPOH LANGAYAN			Andipoh
16.	Ambaluv gam Pau			Ambaluv
17.	TUPAIL KHAN	ERM		Tupail
18.	MANISH SINGH	ERM		Manish

<u>Basic details</u>	
Location: Tinura	District:
Project: SFI retrospective SIA of opened areas	Date:
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

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<u>Key points Discussed :</u>	
• The Kampong Tenura was formed in 1977 and is a registered Kampong. The main communities in the Kampong are Murut and Kadazan Dusuns. Most of the Kadazan Dusuns have moved to the Kampong post marriage. The main languages in the Kampong are Bahasa and Murut. The total population in the Kampong is 450 while the total number of HHs is 90. • In terms of infrastructure availability, the Kampong has access to water supply at the individual household level, sourced from the local springs and creeks through a gravity system. The water quality is reported to be good, with the Kampong not facing any water shortage throughout the year. All the houses have electricity supply. While most households have private latrines, there are a few households who have to use the common toilets built along the river, due to overcrowding of their private toilets. • The Kampong is well connected to the other Kampongs and district through motorable roads. The community travels to the tenom town for medical services and accessing the market for agricultural produce. • The community has a floating fund system for supporting families through major expenses. This fund involves monetary collection from all households in situations where a household has to undergo a major expense such as marriage or a funeral. A record is maintained of the contributions per household, and in a reciprocal amount has to be paid when the situation is reversed. • The major health problems in the Kampong are Malaria, Dengue, Glout, Diabetes and High Blood Pressure, a growing problem in the village is of strokes. The community prefers to utilize home remedies before resorting to hospitals or doctors. • The main source of livelihood in the community is through agriculture, supported by dependence upon the forest resources. While the cultivation of paddy and vegetables is mostly for self-consumption, the cultivation of rubber, coffee and palm oil is for sale.	
<u>Meeting Attended By :</u>	
1.	ERM: Ian Bryson, Akshita Misra, Me Trek
2.	Stakeholder Group: Community Members of Tenura
3.	Stakeholder Representatives: (given in the sheet below)
<u>Photo Documentation</u>	
	
<u>Participant Attendance Sheet</u>	

SABAH FOREST INDUSTRIES

Date: 24-05-2014		Kampong: Temura		
Sub District: T		District: Temora		
State: Sabah		Group/Stakeholder: Local Community		
Purpose of Meeting: develop an understanding of the kampung & their relationship with the forest & SFI				
S.No.	Name	Designation	Contact Number	Signature
01	NU BIN AMPASU			<i>[Signature]</i>
02	Salaw Bawok		014-2838186	<i>[Signature]</i>
03	SAMUZ AFAKAL			<i>[Signature]</i>
04	BARANI BIN BXL			BARANI
05	ASOK BIN BUKINTA			ASOK
06	ROHANA BINTI AMPASU			<i>[Signature]</i>
07	LOMAS BINTI ASOK			<i>[Signature]</i>
08	HUYANG BINTI ANDAAS			<i>[Signature]</i>
09	JULIANA YAYUP			<i>[Signature]</i>
10	Ruut INSU			<i>[Signature]</i>
11	uhus Angkar			<i>[Signature]</i>
12	Rupia OSOP			<i>[Signature]</i>
13	Julima Kalupu			<i>[Signature]</i>
14	Lunia Afaras			Lunia
15	mimié petrus			<i>[Signature]</i>
16	ROSE Gantok		0	<i>[Signature]</i>
17	Akshita Miera	ERM		<i>[Signature]</i>
18	Ian Bayson	ERM		<i>[Signature]</i>

<u>Basic details</u>	
Location: Kualamuya	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 24 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

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<u>Key points Discussed :</u>	
- The community has informed that the village was established after Japanese invaded Sabah region around 1941 and in order to save their lives from the attack, most of the community members had left the village and had to take safe passage in jungles. After getting independence it renamed as Kaulamuya and the inhabitants of the village trace their lineage from Antakah Bin Ambulul. - Presently three hamlets Kg. Ganui, Kg. Stpmuaya and Kg. Muaya Baru is under one village Head Men. - Nearly village is having nearly a population of 345 living in 200 families and 90% population is of Muruts tahol and 10% constitutes Dusun, Lundayeh, Bajau and Chinese - The village is having the required basic infrastructure such as road, church, community hall, household and electricity connection, however most was the people undertakes roof top rain water harvesting for drinking . - Most of the people are occupied in agriculture, hunting, fishing , services and collection of NTFP and major sources of income includes selling of rubber , palm oil and hunted meat for SFI labours - Community members are generally aware of SFI operations such as plantation and logging. Further community has informed the present management is having strong community relationship. And most of their issues are adequately discussed with CSR team. However they expressed the desire to get some financial contribution for celebrating festivals which was earlier practised by Lions management. - The decision with respect to land claims on reserved forest land coming under SFI concession area is still not finalised and claimants are looking forward to resolve these issues as soon as possible. Further it was reported that SFI restricts their entry to the forest , however as informed by SFI they only give warnings and report the incidences to local police for administrative actions. - Community members have expressed their desire to work for SFI in non-technical grades and they strongly feel that if the jobs are given to local it will certainly improve the socio – economic status of the villagers. - The community is concerned about water pollution due to logging, damage of roads due to overloading and spraying of pesticides which might have negative health impacts in a long run. - The community have expressed the need for maintaining village roads and supply of drinking water for community development .	
<u>Meeting Attended By :</u>	
1.	ERM: Haider Abbas & Sumati Bhatiya
2.	Stakeholder Group: Community members from Kg. Kualamuya
3.	Stakeholder Representatives: List of Participants is given as Annexure XX
<u>Photo Documentation</u>	



Participants Attendance Sheet

SHEET 1 OF 2

SABAH FOREST INDUSTRIES

Date: 24/5/2014		Kampong: Kg. Kuala Muga	
Sub District:		District: Sipitang	
State: Sabah		Group/ Stakeholder: VILLAGE COMMUNITY	
Purpose of Meeting: Community Consultation			

S.No.	Name	Designation	Contact Number	Signature
1	LE UMUM bulayo	Ketua Kampung	010 946 6744	
2	JOSEPH UMUM			
3	Murkus Burabas	Pertua	014-6553103	
4	JOSEPH BOH	KETUA BELIA		
5	KAMAT BOW POE	Priase	0168217432	
6	Lupemang Gekaroh	Pengarahi JKKK	0168155093	
7	Cladius BIAN			
8	HASHIM YUDI			
9	Buandi B. Pudukon			
10	Alex Mansal			
11	ANTAIM BIAN			
12	PARSIH AMBARIS			
13	MARIPA. B. GUKANG	SETIA USHAH / BENDAHARI JKKK	0168124172	
14	AGNPAHAS B. BOW	Penduduk	0168218404	
15	JUSTIN O JIMIA			
16	JABLE B. BAUGAN	Penduduk		

Meeting – X

<u>Basic details</u>	
Location: Kaban	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 24 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

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<u>Key points Discussed :</u>	
- As informed the village was established around 1960. Originally the inhabitants came from nearby village Long Pasia. The main reasons behind the establishment of this village are the competition for resources and insufficient infrastructural facilities. Presently it located close to state highway traversing Sipitang and Tenom district of Sabah. The villagers trace their lineage from Mr. Labuung Tuba. - Presently there are no hamlets associated with Kampong Kaban. - Nearly village is having nearly a population of 200 living in 30 families and 90% population is of Lundayeh and rest 10% constitutes of Muruts Malaya, Dusun, and Chinese - The village is having the required basic infrastructure such as road, household electricity connection church, community hall, playground and piped water supply , - Most of the people are occupied in agriculture, service hunting and collection of NTFP and major sources of income includes salary selling of rubber and palm oil. - Community members are generally aware of SFI operations such as plantation and logging however the group of respondent was not aware of SFI's CSR activities related training and handicraft development. - The community has informed that they are experiencing a shift from agriculture to services sector. The prime drivers for such changes are education and reduced land holding due sub division of land among siblings and non-availability of claimable land under NT. - The community was having land claims on the SFI concession area and having few documents such as photographs and maps; however most of these claims are rejected by the state government. As most of the community members are engaged commercial farming of rubber and other agriculture activities supplemented by jobs therefore their dependence on forest for livelihood is very limited. However for subsistence they still collected NTFP and do hunting on very rare occasions such as marriages and festivals. - As understood from the discussion with community the major development needs are related to development of connecting village road , water supply in dry season and maintenance of playground.	
<u>Meeting Attended By :</u>	
1.	ERM: Haider Abbas & Sumati Bhatiya
2.	Stakeholder Group: Community members from Kg. Kaban
3.	Stakeholder Representatives: Refer Participant Attendance Sheet
<u>Photo Documentation</u>	
	
<u>Participants Attendance Sheet</u>	

<i>Basic details</i>	
Location: Bamban	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<i>Key points Discussed :</i>
Following Key points were discussed during the meeting: • Social Composition (ethnic groups) • Livelihood Practices (cultivation, hunting, fishing) • Dependence on Natural Resources; • Social Infrastructure and Services; • Cultural Heritage Sites; • Impacts of SFI operation; Social Composition: This is a Lundayah Kampong where 62 households live. The total population of the Kampong is approximately 470. The village was registered way back in late 1950s. The name of the village is derived from the presence of bamban trees in plenty around this place. Almost 70% of the villagers use community land (reserved for Kampong) and only 30% have formal Native Title for their land. Livelihoods: The villagers mostly do farming and plantation work. They have rubber and palm plantations. At present everyone has in an average possess 3 to 4 hectares of land. The younger generation however prefers to take up jobs in private and government organizations. The younger generation migrates to cities in search of modern jobs and sends back remittances to their families living in the village. The village has a relatively higher literacy rate and families have better economic condition. Families who do not depend on remittances are engaged in farming and planting rubber. Traditional farming only supplies them rice for home consumption. Due to soil quality and climatic fluctuations the yield from the farm varies and is not seen as a dependable livelihood source. Approximately 60% of the families get their income through rubber plantation. Recently, there is an increase in palm cultivation too. The collection of fruits and other edible items is only done by elder population. They generally do not go too far off. Fishing and hunting is mostly done for self-consumption. They mostly hunt wild boar and deer and go to forest for hunting once in a month. Dependence on Natural Resources: The farming is entirely dependent on rainfall. The community practices traditional farming system which do not use any external input such as fertilizers and manures. Hence, their livelihood system to a great extent depends on the local eco-system. The community reports that though they do not face shortage in supply of natural resources, but they have to put more efforts. Now-a-days, they spend more time and have to go far off to collect these resources. Social Infrastructure and Services: The village has electricity supply and a motorable road. They access Sipitang market for selling their products and buy their requirements. Most of the households use cooking gas though there are a few houses who still use fire-wood. The education facility upto secondary school is located in a nearby place which can be accessed in 15 mins by road. They send their children to Kota Kinabalu or other cities in peninsular Malaysia for higher education. Similarly, the health service is also accessible in 15 mins and for major illness they go to Sipitang District Hospital. The village receives their water supply through gravity system from river (sungai) Muaya. Cultural Heritage Sites: The community reported that no grave sites or any other cultural heritage sites of significance are situated within the forest reserve areas. Impact of SFI: The community counts two significant impacts due to SFI's plantation activities in the area. The issue with foremost importance is boundary of the forest reserve and reduction

of the forest resources. On the boundary issue, though they were given a map, but it did not have sufficient information. Hence, no clarity is there on boundary issue. The next most significant issue is the pollution of the water sources. The water in river Muaya and Mendulong are not muddy it also carries washed out pesticides used in the plantation. Hence, getting safe drinking water supply is a major issue for the community. Stakeholder Engagement: The community denies on any formal stakeholder engagement activities from SFI. However, they do recognize Ms Angelica. Most of the issues are around the boundary and land issues on which they never get any specific answers, neither from Forest Department nor from SFI.	
Meeting Attended By :	
1.	ERM: Swayam Panda, Zana
2.	Stakeholder Group:
3.	Stakeholder Representatives: Refer Participants Attendance Sheet
Photo Documentation	
	
Community Consultation in Kg. Bamban	Community Consultation in Kg. Bamban
Participants Attendance Sheet	

<u>Basic details</u>	
Location: Kelangsat	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<u>Key points Discussed :</u>	
• The community has informed that they are having claims on land coming under SFI concession area however most of these claims have been rejected by the govt. further there are no cultural or burial sites inside the concession areas. • Presently people are not aware of land survey as well as SFI boundary and till date have not seen any map showing the village and SFI boundaries. Although they are having the copy of their village maps. • Most of the community members access forest for collection of NTFP and hunting with any restrictions from SFI. Further main source of livelihood is agriculture and most of the income comes from rubber and oil palm plantation. • As informed SFI has limited stakeholder engagement with the community and nobody from SFI comes there to discuss their issues. Although community is aware of SFI's activities related to planation and logging however they are not well aware of SFI CSR's activities. • Community members perceive that the activities of SFI are creating environmental misbalances .The air and soil pollution has negatively affected the production of crop. And soil erosion resulting due to logging has badly impacted the quality of river. • Community is concerned about the negative health impacts which are likely to be caused due the extensive the usage of pesticides by SFI. Community perceives that the rain water carries the pesticides from the SFI concession area which generally located on the top and mixes with river water which also used for domestic purposes such as drinking and bathing. Therefore is can potentially cause cancer and other diseases as well as may enter into food chain.	
<u>Meeting Attended By :</u>	
1.	ERM: Haider Abbas
2.	Stakeholder Group: Community members from Kg. Kelangsat
3.	Stakeholder Representatives: Refer Participant Attendance Sheet
<u>Photo Documentation</u>	
	
<u>Participants Attendance Sheet</u>	

Date: 29 15/5/17		Kampong: Kg. Kelangas		
Sub District:		District: Sipitang		
State: Sabah		Group/Stakeholder: General community		
Purpose of Meeting: SIA				
S.No.	Name	Designation	Contact Number	Signature
1	Akup Malaing	-	0178305800	Akup
2	Angkuf Ambor	-	-	Angkuf
3	Angus Tangiu	-	-	Angus
4	Tamali Kikat	-	-	Tamali
5	Melaci Pandarak	-	-	Melaci
6	Rose Lawai	-	-	Rose
7	Pilipi Malaing	-	-	Pilipi
8	Zibah Malaing	-	-	Zibah
9	Haliza Bonstou	-	-	Haliza
10	Anstwin Tukile	-	-	Anstwin
11	Sarina Elang	-	-	Sarina
12	Landaman Napui	-	-	Landaman
13	Rosnah Lawi	-	-	Rosnah
14	Zibah Malaing	-	-	Zibah
15	bara elang	-	-	Bara
16	DENNY TONIS	-	-	Denny

<u>Basic details</u>	
Location: Pakiak	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<u>Key points Discussed :</u>	
- As informed the village was established around 1954. Originally its inhabitants are from village Kadu Densiangan. Further as reported the entire village is inside the SFI concession area. - Presently there are no hamlets associated with the village however few scattered houses are seen outside the main village. - The community is a heterogeneous mixture of different ethnicities. Murut Tagol (70%) is in majority followed by 20% Muruts Kolor and rest 10% constitutes of Dusun, Malaya, and Chinese. - The village seems to be less development as compared to other villages. There is no electricity supply and people are dependent on generator for electricity. Most of the houses do not have water supply and therefore dependent on river for drinking and domestic consumption. Besides that village is having church and community hall. - The Community members do not experience much of changes in their living conditions, and still consider agriculture as main source of livelihood. However due to education, youths are attracted towards services sector. - Reportedly the entire village is located inside (L-31) SFI concession area and had applied for NT claims to land and survey department. Further SFI activities do not pose much of the problem in their day today life because the adjoining forest is reserved as class II forest. However SFI do not allow plantation such as rubber. - As informed the SFI does not restrict their entry to forest and NTFP collection, however give warnings on timber collection. As if now community is not restricted by SFI but due to wildlife and forest act they are fearful of getting caught. - Most of the people are occupied in agriculture, service hunting and collection of NTFP and major sources of income includes selling of rubber and palm oil. - Community members are generally aware of SFI operations such as plantation and logging however the group of respondent was not aware of SFI's CSR activities related training and handicraft development. - The community has informed that the average land holdings with families are getting reduced due sub division of land among siblings and non-availability of claimable land under NT. - The community was having land claims on the SFI concession area and having few documents and maps; however most of these claims are rejected by the state government. - As understood from the discussion with community the major development needs are related to development of connecting village road and water supply.	
<u>Meeting Attended By :</u>	
1.	ERM: Haider Abbas & Sumati Bhatiya
2.	Stakeholder Group: Community
3.	Stakeholder Representatives: List of Participants is given as Annexure XX
<u>Photo Documentation</u>	



Participants Attendance Sheet

1 of 2

SABAH FOREST INDUSTRIES

Date: 25/5/2014	Kampung: Kg. Peking
Sub District:	District: Sipitang
State: Sabah	Group/Stakeholder: Local Community
Purpose of Meeting: Community Consultation	

S.No.	Name	Designation	Contact Number	Signature
1	SENGGOT BIN KUMUA		012 8036205	[Signature]
2	WANS BIN SUNGUT		012 8355422	[Signature]
3	Ummu Kulaga	KETUA kampung	0199406944	[Signature]
4	Saher Kumua		0198075210	[Signature]
5	ANDRIAN ARIPIAN		0178326312	[Signature]
6	Rafaeland Bin Robin		01114862360	[Signature]
7	Benny Bin Sanyar		-	[Signature]
8	Rafael Ramies		013-9217761	[Signature]
9	JANIS BAW		-	[Signature]
10	FERRIS JANIS		010-944607	[Signature]
11	YANAR YONG		"	[Signature]
12	TUNAR YONG		"	[Signature]
13	PETTERUS BALANG		-	[Signature]
14	DEEY - AMUNGO		-	[Signature]
15	LEAPING LINTUNG		-	[Signature]
16	JOUHISBIN KATAI		"	[Signature]

Meeting – XIV

<i>Basic details</i>	
Location: Pakiak	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Youth Group Discussion)	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<i>Key points Discussed :</i>	
• The village is having sizable number of the youth and they are generally engaged in agriculture, fishing, hunting and jobs. After completing the primary education, most of the youths at the age of 16 and above they generally start contributing in their family occupation. • As agriculture requires more efforts and gives less returns therefore youths are more attracted towards services sector. And in search of jobs they are going outside to other cities such as KK of KL. • The employability of these youth is less as compared to others, because they generally lack required qualifications. Most of these youths are able to receive formal education up to primary or secondary. And for further studies they are required to go to KK because facilities for higher education are not available in Sipitang. Cost of higher education one of deterring in getting higher education. • Although most of the youth are desirous of getting gainfully employment in services sector but due lack of proper qualifications most of them are not able to find suitable jobs. Although few are able to get petty jobs such as driver, delivery boy and salesmen and hardly able earn 700- 800 Rn. But generally most of them return to the village and continue their tradition occupations. • Youths are looking forward to be incapacitated on the aspects related to income generation and livelihood preferable in the areas related to intensive agriculture and allied areas such as poultry, pisciculture, poultry farming and floriculture etc.	
<i>Meeting Attended By :</i>	
1.	ERM: Haider Abbas
2.	Stakeholder Group: Youth Group
3.	Stakeholder Representatives:
<i>Photo Documentation</i>	
<i>Participant Attendance Sheet</i>	

<u>Basic details</u>	
Location: Kg Pakiak, (Kg Solob)	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Women Group Discussion)	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<u>Key points Discussed :</u>
• Most women in the discussion identified themselves as housewives though they were involved with both agriculture (paddy, vegetable growing), and plantation activities (rubber planting and tapping, tending to fruit trees, harvesting etc). They had received training from the Rubber Board on rubber-tapping, a few years ago. • Other than hunting, women and men shared all cultivation and livelihood related activities. • They were all aware of SFI its work of logging and plantation, though no one from the village was currently employed with SFI. They were interested in job and work opportunities with SFI but said that the people from their village who had applied at SFI tended to not qualify. They felt that this may be because there was inadequate opportunity for higher education near Pakiak/Solob. • It was the perception of some of the members of the group that there was a marked difference in the way the Lion's Group had engaged with their village vs their engagement with Ballarpur Group. They stated that they were consulted much more by the Lion's group who understood and agreed that their Kampong land, that fell within the SFI concession, would not be disturbed by SFI's activities and that they could continue their plantation and agriculture related activities. They also said that if the Lion's group made any mistakes, they compensated for them. • On the other hand, Ballarpur Group had not respected this unwritten agreement and a road had been constructed (2013) that ran through their NCR land, requiring the removal of their rubber trees. They tried but were unsuccessful in stopping the contractor from undertaking the road work. They also stated that even as they were unhappy about not having been consulted or indeed compensated) for the loss of their trees, they were happy with the construction of the road, and thus, would not be interested in belated compensation. They did emphasise that they would want to be consulted and their agreement sought for any future interventions on their land. • The issue of the boundary of SFI was also an emotive one. Even as the community is aware that this village falls entirely (including the communal and NCR areas) within the SFI boundary, they continue to use the lands and NCR with no problems of access. They recalled two separate exercises where the community had been involved in 'painting lines' (first in Red, and in the next round, after a year, in yellow) to define boundaries for SFI and the Kampong. They also mentioned another category of 'blue lines' for riparian rights. They appeared to believe that this exercise was part of the boundary survey exercise and also that it left them confused and suspicious of the intention of the exercise. • The women reported that their Kampong JKK is working on the case of the 100 acres of land backed by a Land Application that had been filed on behalf of the community. Ref HH questionnaire on NCR Claims for details- there, this land claimed was stated to be 5000 Acres, including the Kampong land). The women in the group were not aware of the details but felt that the area claimed was about 100 Acres and fell in the compartments L31, L32* . They stated that they will not allow such exercises in future. • The church that the community are members of, does not celebrate Christmas, the Harvest Festival or any other festivals. Community Needs: • SFI's work has made the water in the stream and their gravity water source muddy.

They would like filters installed to clean this, especially after rains. More water tanks are also needed at the Kampong. • They would like to be consulted more and would like more frequent interaction and engagement with SFI/Ballarpur representatives. • They did not have any other problems in the village and were happy with the road connection. * SFI clarified that they were aware of this case and the area in question, which is closer to 300Ha.	
<i>Meeting Attended By :</i>	
1.	ERM: Sumati Bhatia
2.	Stakeholder Group: Women from Pakiak (all ages)
3.	Stakeholder Representatives: See list of participants.
<i>Photo Documentation</i>	
	
<i>Participant Attendance Sheet</i>	

Date: 25 MAY 2014		Kampung: PAKIAK (SOLOB)	
Sub District:		District: SIPITANG	
State: SABAH		Group/ Stakeholder: WOMEN	
Purpose of Meeting: ISSUES & IMPACTS - WOMEN FOCUS			
S.No.	Name	Designation	Signature
1	BATAENORYATI SUNDAP		[Signature]
2	Siah Sungap		[Signature]
3	KDSMEH ANDULUS		012 856120 [Signature]
4	Salamah Pimpingit		[Signature]
5	Taiman Citot		[Signature]
6	Leinah Jhon		[Signature]
7	Talabak Kalcayan		[Signature]
8	Bagian yamen		011 2533344 [Signature]
9	Talangbung yamen		[Signature]
10	Ansoni Antsal		[Signature]
11	Raulina Alau		[Signature]
12	Lina Sugah		[Signature]
13	Jolivia Jolivi Jimmey		0138532296 [Signature]
14	Ancarai Linat		[Signature]
15	Karina bupang		[Signature]
16	SUMATI BHATIA		[Signature]

17

<u>Basic details</u>	
Location: Bakuku	District: Tenom
Project: SFI retrospective SIA of opened areas	Date: 25-05-2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

<u>Key points Discussed :</u>	
• The Kampong was established in 1957 and is one of the oldest Kampongs in the area. while the Kampong is registered, it does not have a head man of its own presently and instead directly reports to the native chief. The population in the Kampong is approx. 600 individuals and 127 households. The main ethnic groups in the Kampong are Murut Tagals and the main language is Murut and Bahasa. • In terms of access to infrastructure, the Kampong has access to piped water supply sourced from the surrounding streams through gravity. All the households are reported to have access to electricity and sanitation facilities. While the Kampong has a primary school, the closest higher education is in Tenom or in Sipitang and labua. The level of literacy has reportedly increased with time, with the entire population in the Kampong being literate • The primary cultural site in the area is the stone carving of the seven Murut brothers which is supposed to depict the origin of the ethnic group. • The community was of the opinion that while the land available for the community and the dependence on the forest resources has undergone a change, it is not entirely the result of the declaration of the forest reserve. The community was of the opinion that while the Kampong had initially had enough land for future generations, over time due to the relocation of a number of Kampongs into the area such as Melutut and Kaang, tracts of land were given to these communities from the reserve lands of Tenura as an act of good will. However now the Kampong tenure itself is short on land, with the land and survey department not replying to their requests for more land. Also, while the dependence upon hunting has decreased, it is reported to be result of the reduction in the number of animals found, due to an increase in the human population which has increased the rate of extraction.	
<u>Meeting Attended By :</u>	
1.	ERM: Manish Singh, Ian Bryson, Tufail Khan, Akshita Misra, Min Trek
2.	Stakeholder Group: Community representatives of Bakuku
3.	Stakeholder Representatives: (as given in the sheet below)
<u>Photo Documentation</u>	
	
<u>Participant Attendance Sheet</u>	

Date: 25/05/2014		Kampung: Kg. Boluk, Ulu Temoni		
Sub District: Kemabong		District: Temoni		
State: Sabah		Group/Stakeholder: General community		
Purpose of Meeting: COMMUNITY CONSULTATION.				

S.No.	Name	Designation	Contact Number	Signature
1	Yohana Ampar		0198695013	[Signature]
2	MARIZAN KOCOM			[Signature]
3	MOLINA MURATI			[Signature]
4	Tapien Tingkasan			[Signature]
5	Pongran Keri			[Signature]
6	Timmy Ampar			[Signature]
7	Kiriz Endokol		013891255	[Signature]
8	Ahn Benon			[Signature]
9	Johanus Tunggu			
10	Tuka Kaluhu			
11	Amat Ulan		630103-12-6393	[Signature]
12	Rikiz Busuan			
13	Ahng Maricng			
14	Ahop Ipu		480622-12-5022	[Signature]
15	Maripo Ambol			[Signature]
16	Pisara Asah			[Signature]
17	Larson Alomban			
18	Yanus Gandig		648016-12-5203	[Signature]
19	Bumbung Tapi			[Signature]
20	Manich Ling	ERM		[Signature]
21	Ashita Nigra	ERM		[Signature]

Meeting – XVII

<i>Basic details</i>	
Location : Alutok & Kaang	District: Tenom
Project: SFI retrospective SIA of opened areas	Date: 25/05/14
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<i>Key points Discussed :</i>	
• The Kampong Alutok is comprised of the settlements of Alutok and Kaang. The total population in the Kampong is 382 with a HH number of 92. The main ethnic groups in the Kampong are Murut Tagal, Lundayas and Kadaza Dusuns. The main language in the Kampong is Murut Tagal. • In terms of infrastructure, the Kampong is reported to have access to water through piped water at the household level, sourced from the local streams and creeks. All the households are reported to have access to sanitation facilities and electricity with common toilets also being maintained at the Kampong level. • The community informed ERM that the customary laws and practices supersede any law of the state for the community. The native customs are maintained by the village headman, who takes a decision and awards fines in case of any conflict in the society. while the access to native courts is available to the community, they prefer not using the same and instead prefer to solve the issue at the Kampong level itself.	
<i>Meeting Attended By :</i>	
1.	ERM: Manish
2.	Stakeholder Group: Indigenous people
3.	Stakeholder Representatives: as given in the sheet below
<i>Photo Documentation</i>	
	
<i>Participant Attendance Sheet</i>	

<u>Basic details</u>	
Location: Solob	District: Sipitang
Project: SFI retrospective SIA of opened areas	Date: 24 th and 25 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project (Community Consultation)	

***Important Notice:** This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.*

<u>Key points Discussed :</u>
Following Key points were discussed during the meeting: • Social Composition (ethnic groups) • Livelihood Practices (cultivation, hunting, fishing) • Dependence on Natural Resources; • Social Infrastructure and Services; • Cultural Heritage Sites; • Impacts of SFI operation; Social Composition: The Solob Kampong is comprised of 3 clusters of habitations and comprise of more than 100 households. There are Murut, Dusun and Lundayeh community. Livelihood: Farming is the major source of livelihood which includes growing paddy and vegetables and tapping rubber. Half of the people those who had applied for the native titles have got it, however rest of them still waiting. Only 20% families are engaged in plantation only, and rest of them depend on farming only. At least 2 members from each family is engaged in farming. The farming is dependent on the rainfall. The yields from the farm is mostly used for self-consumption. The additional labour available at the household level is engaged in rubber plantation and extraction works. The cash income of the family is mostly from selling rubber. However, families face problem to grow rubber tree in forest as deers eat them up. Deers love to eat young rubber tea. As the natural forest cover is dwindled, deers do not have enough to eat and come to their planation and farm lands. Dependence on Natural Resources: They hunt deer and wild boar. Though, they do not like the meat of the deer, but they kill deer to protect their rubber trees. They also hunt wijang, nisa, monyet, landuk and tuipai. Fishing is not allowed in the river close to them. In 2012, Department of Fishery communicated that fishing is not allowed. It is allowed only twice in a year in certain stretches of sungai Solob and Sungai Mendalong. The practice of collection of fruits from forest is not followed as there is hardly any fruit trees left in the forest. Every household keeps poultry and are mostly used for self-consumption. Families depend on LPG and induction cooking plates, though there are a few households who still use firewood. The younger generation is more inclined to jobs in private or government organization. Only one or two person is employed in SFI. Some of them also migrate to other urban centres Social infrastructure and Services: All settlements in Solob are well connected through roads, electricity and telephone connectivity. The communities depend on river for their water supply and complain about the water quality. People have toilet facility at home. People own two-wheelers and more than 40% people have truck/lorry/car by which they access Sipitang Town. Primary Schools are present within the settlement and secondary school can be reached in 1.5 hours. The higher education opportunities are available only at Kota Kinabalu. The nearest government clinic is located at Mendulong, and it takes 40 mins to reach there. The village has a practitioner of Traditional medicine and people also utilize his services. Certainly families with elderly people receive Government allowance of approximately 300 RM. SFI Impact: The communities in Solob have settled for a long time and they believe their ancestors developed these areas. Hence, many of them have claimed native titles to these lands.

They have been raising the boundary issue and their right over their ancestral land for the last two decades. They are disappointed that this issue is not sorted out yet. They had a meeting with SFI and Department of Forest in 2013, but no concrete action has been taken as of yet. Most of the roads in their area is provided by Government, hence, they have derived no benefits from infrastructure expansion by SFI. Earlier, SFI management used to contribute for celebrations of festivals such as Christmas. The community acknowledges that SFI has not disturbed the land they have developed even though it is marked within the boundary of SFI concession. Hence, land conflict has never caused tension Stakeholder Engagement: The community members were not aware about the boundary demarcation work by SFI. SFI's engagement with the public is quite sporadic; however, they have reached out to Ms Angelica or Mr Kelho regarding their grievances. The Village Headman Mr Lekei understands that SFI depends on forest department to confirm on the status of the land. The land and boundary issues are stuck with the Government Agencies which is taking a long time.	
Meeting Attended By :	
1.	ERM: Swayam Panda, Zana, Rutuja Tendulkar
2.	Stakeholder Group: Village Headman and representatives of Community
3.	Stakeholder Representatives: Refer Participant Attendance Sheet
Photo Documentation	
	
Community Consultation in Kg. Solob	Community Consultation in Kg. Solob
Participants Attendance Sheet	

<u>Basic details</u>	
Location: Karagan	District: Beaufort
Project: SFI retrospective SIA of opened areas	Date: 26 th May 2014
Purpose of the visit: To understand the Livelihood and Social Impact of the Project	

Important Notice: This document, intended for internal use of ERM, provides a working summary of the main facts captured during the meetings held, not formal minutes. It is therefore deliberately not exhaustive or chronological and, being provided for information, is not intended for official review or approval.

Key points Discussed :

- **Kempong History:** Karagn Kumpong was reported to be established about 200 years back. Murut Ethnic group was reportedly the original inhabitants of this Kumpong. People from Kadayan ethnic community started coming, buying land from the main inhabitant and settled down here;
- **Demography:** Presently there are 77 families in the Kumpong. 71 of them are from Kadayan ethnic group and rest 6 are Murut people. total population of this Kempong is 377;
- **Land profile:** Total land area of the Kempong is 700 acres. Out of which, about 100 acres have purchase by Chinese people for rubber plantation. Rest is owned by the natives of the Kempong. There is no spare state land available in the Kempong. Entire land area of this Kumpong was reported as native title land, owned by 77 families of the Kempong. Average land holding size of the families ranges between 5 to 7 acres. Only 3 families were reported to having relatively bigger land holding size of 20 acres each;
- **Housing pattern:** Kg. Karagan seems to be different from other typical Kumpong where residential areas are mostly located in the state land. In Karagan, houses were observed to be built upon private land of each of the households. unlike other typical Kumpong, Karagan has no earmarked area for further expansion of the Kempong;
- **Facilities & Amenities:** All houses have piped water supply and toilet facility. Village is having electricity supply as well. Personal vehicle is key mode of transportation. About 10% families do not have any personal transportation, rest are having either motor bike or four wheeler vehicle. Village is well connected with gravel road. one grocery shop is there within Kempong and people generally go to Beaufort market for marketing. There is a primary school within the village. Beaufort town is main location for further studies for the students of the Kempong. There is no medical facility within the Kempong. Beaufort town has government hospital which is usually visited by the people of this Kempong for any medical situation. There is a community hall as well;
- **Social Groups:** there is a youth group and a women group in the Kempong which remain active for any community level function. Youth group is also active for any sports activity. Apart from this, there is a Kempong level political body as well that is affiliated to UMNO (United Malays National Organisation) that is quite influential in any community level decision making process;
- **Occupation:** Key sources of livelihood for this Kumpong are service sector and plantation activities. About 30 persons are in government service, 2 are in private job. Rest of the families are majorly dependent upon rubber & fruit tree plantation activities. Entire families of the Kempong are having their own plantation area. Few persons also working as daily wager in plantation field of other natives of the Kumpong. Each family earns about 400 to 500 RM per month on an average by plantation activity. Wage rate for daily wagers is 176 RM per month. Nobody in the Kempong have any kind of livestock. People go for hunting, but mostly within the Kempong area. They seldom do to SFI area for hunting purpose. No other benefit is being derived from SFI area;

- **Proximity to SFI area:** Kampong is surrounded by plantation areas. One side of the Kempong boundary touches SFI area where Kempong people are intending to get 250 acres of plot size for further expansion of the Kempong. They don't have any sort of claim over this identified land parcel.

Meeting Attended By :

1. **ERM:** Hyder Abbas, Tufail Khan
2. **Stakeholder Group:** Community member
3. **Stakeholder Representatives:** Refer Participant Attendance Sheet

Photo Documentation



Community Consultation



Community Consultation

Participant Attendance Sheet

Annex 6B

Sample Community
Meeting Records of SFI
since 2009

DISCUSSION WITH VILLAGERS FROM KUALA TOMANI, KEMABONG

Date:	07.04.2009	Time:	12.00 Pm
Venue:	F/T Meeting Room E		
Attendance:	Micheal Junim (TP Manager) Oshman Adam (TP Executive) Abd Hamid Binsin (CSR executive)	SFI	
	Matah Mansih Raning Mansih Villager Baini UndokJairy Piong	Villagers	

No.	Matters discussed	Remark
01	Background The purpose of villagers to come is to submit their request as follows: 1. Claim of payment of compensation on monthly basis for utilizing their NCR area at P9 as Logyard. 2. En. Raning claimed that he has a fish pond at logyard site. However, the pond is now covered with soil due to leveling works at the area by SFI contractor. Therefore, he claims for payment of compensation for the damaged pond. 3. They want to follow-up a pledge made by SFI to bear cost of installation of water supply meter to houses at Kg. Maanas, Kuala Tomani. The pledge was made during an occasion attended by MP Tenom at Kg. Maanas in 2005/2006.	Representatives of SFI at that time were led by Human Resource Manager.
02	SFI Stands 1. TP Manager informed them that P9 (Logyard) is located within SFI concession area that gazetted as Sipitang Forest Reserve. The area is actually governed under Forest Enactment 1968 which is enforced by Sabah Forestry Department. Therefore any claim of NCR shall be referred to government department concerned for decision. In addition, as FMU holder within forest reserve, SFI has no right to excise any part of the area. It also has no right to lease any part of the area to any other party. However, if we found out that there are orchard/fruit trees planted by villagers affected by SFI's operation, it will consider an amount of compensation based on rules and regulations enforced by Agriculture Department. Or if the villagers are able to produce land title or any document from relevant government department to endorse their NCR claim based on Sabah Land Ordinance or Forest Enactment, SFI may open a room for discussion to resolve the conflict. Thus, for now no compensation is to be paid to any party within that area (P9 Logyard). 2. TP Manager told the claimant that he was involved in inspection of area to be converted as logyard at P9. He did not any fish pond in that area. Therefore, there is no compensation for this claim until an inspection/investigation proved otherwise. 3. TP Manager told them that he will refer their query to the person concerned, who attended the meeting between villagers, SFI, District Offices and MP. They were assured that they will be informed of any outcome.	For their NCR claim, they were advised to refer their claim to the respective government department for final decision. A joint inspection; SFI (Survey, Logyard, Production, Road, Enforcement), claimant and contractor, has to be conducted to find out the truth of this claim.

Minutes recorded by Abdul Hamid Binsin

DISCUSSION WITH VILLAGERS FROM KG MASANOI ON NCR CLAIM AT P20

Date:	01.04.2009	Time:	10.00 am
Venue:	CSR Office		
Attendance:	Angelica Suimin (CSR Manager) Abd Hamid Binsin (CSR executive) George Pulikalapus (Sr. Surveyor)	SFI	
	Ibang Adan Musa Pangieng Representative from Masanoi and two other villagers	Villagers	

No.	Matters discussed	Remark
01	<u>Background</u> The villagers claim that they have NCR at P20 which they describe as their old kampong. They were living before moving to Kg. Masanoi and some other kampong in Tomani/Tenom area in 1960's. They moved to other kampongs not because they were forced by the government but their own alternative to get closer to basic amenities such as clinics, schools, etc. As the kampong is now easily accessible by road, they intend to come back to the kampong and want SFI to excise the land from its concession area. They said that they have proofs that they used to live in that area for years as there are coffee trees, burial ground and ruin of houses. They also claim that their ancestors' graves were damaged by logging operation by one of SFI Contractor. The contractor bulldozed the burial ground for stumping as intermediate landing for logs from blocks before being trucked to SFI mill. Thus, they want to claim for compensation of the damaged graves.	The last contractor who's working in that area is Best Trading/Hang Sin Co.
02	<u>SFI Stands</u> CSR Manager informed them that P20 is located within SFI concession area that gazetted as Sipitang Forest Reserve. As concessionaire, SFI is bound to conform to the rules and regulations set out by the government under Forest Enactment 1968, Timber License Agreement and Plantation License Agreement. Under that rules SFI has no right to; lease any part of the land to third party, excise any part of the land, transfer or erect any boundary marking without consent from the government. They were also informed that NCR is not recognized in any part of forest reserve. The excision of any area from forest reserve is under jurisdiction of Cabinet Ministers and approved by State Governor. There was a case in Kampong Motolop, Pangi, where villagers claimed that they used live in L17, one of SFI concession area, and wanted SFI and Forestry Department to excise that part of land. They got replied from Forestry Department's director informing that their application for excision of the land was rejected based on that reason. For any case like this, SFI is referring to the government for final decision and stick to it. However, in the case of damaging the graves by logging contractor, SFI is looking into this very seriously. Therefore, a joint inspection; SFI and the claimants will be conducted. If the claim is genuine, the respective contractor will be responsible for any consequences; fine/legal action.	For their NCR claim, they were advised to refer their claim to the respective government department for final decision. Survey and Enforcement Section of SFI will conduct a joint inspection with the claimants. The date and time of inspection will be determined by the section concerned and the claimants.

Minutes recorded by Abdul Hamid Binsin

MEETING WITH KK LAKAI SIROH AND JKK ANSIBUL OF KG. SOLOB AND TWO OTHERS

Date:	28/10/2010	Time:	7.45AM
Venue:	CSR OFFICE		

No.	Matters discussed	Remark
01	KK LAKAI SIROH of Kg. Pantai introduced himself as the new Ketua Kampong for Kg. Solob which is a few KM from his house. Initially he come alone but later joined by few others who prefers to wait outside the office. Only 4 of them came including the JKK Ansibul.	
02	Purpose of meeting: To find out the dialogue schedule between the Solob community , SFI, Land and Survey and Forestry Department. KK Lakai informed that he went to see the Sipitang DFO sometimes last week on the boundary issues between SFI and kampong lands. However, he was asked to see CSR Manager to find out more about this matter. I explained to him and JKK that SFI is willing to have dialogue anytime with the community and infact scheduled some dates in May but unable to do so since the agreement with JKK Ansibul a month earlier was to bring the FD and land and survey representatives. Explained to him about the boundary situation and land matters that still under the controlled of FD. It is pointless for SFI to have dialogue with community without the local authority (FD/Land Survey) because SFI status and kampong people are the same as investors or user of the land. Both parties have to wait until the boundary re-survey commences and agreed by the authority. KK Lakai and JKK Ansibul both felt that there's no point having the dialogue now not until the government authorities are ready to meet them. Insisted that Dialogue must happen before survey works commences.	
	Observation and Recommendation: 1. KK Lakai seems to know a lot of information on SFI including SFI plan to survey the boundary and knows who are the consultant selected. Without realizing during the discussion he blurted out some classified information that only high officials in SFI would know. He is actively involved in politics and swear that he was in politics to get more clout in his land issues (claimed that he has 400 ha in L31). 2. Suggest that the next meeting with FDO that some of questions that the kampong people forwarded should be addressed professionally and there's no need for them to send the kampong people to SFI since they know the answers. This will cause distrust and anger to some communities being pushed around for simple questions and spending unnecessary cost. RECORDED BY: Angelica S. Suimin, 29/06/10	

Meeting Regarding on Harvesting Operation at L30, L31, L32, & L33

Date:	03/12/2012	Time:	
Venue:	Training Room 1, SFI		
Attendance			
S. No	Name	Designation	
1	K.L.HO	Head of Raw Material	
2	Mohamad Abu Bakar	District Forestry Officer (DFO)	
3	Nancy Chia	Sr. Manager	
4	Kunal Shekhar	Raw Material's Manager	
5	Angelica Suimin	CSR Manager	
6	Paul Tingkun	Asst. Manager	
7	Benedict Angkui	Asistant Manager (Road)	
8	Junextopher, J. Maing	Asistant Manager (Planning & Mapping)	
9	Andy Martin	CSR Executive	
10	Jennifer Yukin	CSR Executive	
11	Rosdianah Emran	CSR (GEMS Student)	
12	Ansibul bin Anduss	JKKK, Kg.Solob	
13	Lakai Siro	Head Villages, Kg.Solob	

No.	Matters discussed	Remark
01	Meeting started about 10.20 am with the welcoming remarks from Mr. Andy as an emcee for the meeting and thanked all the attendees. The main purpose of the meeting was to discuss Log Production harvesting plan at L30, L31, L32, and L33 & L23 and to determine whether there is any Land issues or land claims by nearby communities. Meeting proceed with the explanation and clarification of the problems from Head village of Kg.Solob, Mr. Lakai Siro.	Mr. Andy Martin (CSR Executive)
02	KK Lakai Siro apologized to make everyone waits in the meeting. He had received the letter 1 week earlier before the meeting and tried to invite the several kampong people, but unable to attend the meeting at SFI due to some other activities in the villages as Christmas is around the corner.. Boundary Mr. Lakai explained that the boundary in that area is very unclear. There was a letter and a map issued by the Land and Survey Department (Beaufort Branch) showing different maps from SFI, this is yet to be verified by Land and Survey and Forestry department- Harvesting Lakai Siro expressed his concerned that previously SFI's contractor use to pay compensation to kampong people whenever they are doing logging nearby the kampong area. CSR Manager informed that since BILT took over policy has changed since the focus now is towards sustainable livelihood and not to pay individuals. A department was created to deal with capacity building in the community and necessary precautions are taking care by the operation staff to ensure that the livelihood of the communities were not affected like excising the catchment area and to follow the strict requirements of the EIA on buffer zones and informing the community prior to entry. The new policy is in place since 2009.	Mr. Lakai Siro (Head Village of Solob) For info only
03	CSR Manager, proceed the meeting by pointing out the area to be harvested and asked the two community elders where are the possible conflict area. Mr. Lakai Siro and Ansibul Andus the JKK both mentioned that the land claims affected area are L30,L31,L32,L33 compartments since there are overlapping boundary issues on these areas some kampong people have orchards established in patches of these areas but compartment L23 is not affected. Both of them agreed that this place is too far from the kampong and nobody is claiming that area so SFI may proceed the harvesting work. CSR Manager asked Lakai the estimated area affected in the four compartments but he was unable to indicate what was the hectarage affected. Therefore, CSR Manager suggested that a pre-limary joint perimeter survey coordinated by DFO Sipitang, SFI mapping, private surveyor and Kampong representatives are done to determine the area affected (LA, NT and "NCR") but this exercise is NOT to FINALISE the boundary marking but an indicator to SFI harvesting team to commence work on the unaffected areas thus kampong"claim areas' will not be affected.	KK Lakai Siro Ansibul Anduss (JKKK) Mr. Mohamad (Forestry Dept) SFI

	Upon completing the pre-liminary boundary and parameter survey the harvesting team may commence the work at the 4 compartments and the land claims area will be revisited again according to harvesting plan. DFO inquire who will be the representative of the community in the preliminary perimeter survey. The headman, Lakai suggested the JKK Ansibul will represent the kampong during the event which the DFO will notify the relevant people in January,2012. JKK Ansibul agreed on this and is ready to carry out the parameter	
04	K.L. Ho reminded all that the terms “compensation and contribution” (<i>pampasan dan sagu hati</i>) which need to be carefully used as it has different meaning to avoid any misinterpretation from others especially the kampong’s people.	K.L.Ho (Head of Raw Material)
05	<u>Others matters</u> The kampong people suggested SFI to build a gate in front of the Weighing Centre to avoid any outsider to get into the kampong for illegal hunting and fishing. However, there must be a majority agreement among the kampong’s people regarding on the suggestion. After that, they should submit a letter to SFI with a copy to DFO regarding on the suggestion. The matter will be discussed further between SFI and Forestry Department, and any results will be informed later to the kampong people.	KK Lakai Siro Ansibul Anduss (JKKK) Mr. Mohamad (DFO)
06	<u>Conclusion</u> As a conclusion, preliminary survey will be carried out at L30, L31, and L32 & L33 coordinated by DFO’s office with the private surveyor and SFI. The survey will be conducted together with the kampong people, The JKKK of Kg. Solob will represent kampong solob in the exercise. There is no kampong’s people claim area at L23. The decision for the date of survey will be by early January 2013.	DFO KL Ho Junextoper Maing

MEETING AND DISCUSSION WITH COMMUNITY ELDERS IN SIPITANG AREA (24 VILLAGERS)

Date:	29/01/2014	Time:	08:30 am
Venue:	Training Room 3 SFI		
Main Objective	To give information about SFI activities to all the community leaders around Sipitang (24 villagers) area. To rapport a relationship between community and SFI management.		

No.	Matters discussed	Remark
1	Opening: Meeting with community leaders, village (first group) chaired by Mr. Julius M. Miajim. -Briefing on the program -welcome speech by CSR manager. Angelica Sinimis.	
2	Briefing by the Department of Human Resources (Career Opportunities) presented by Mrs. Siti Hasmah Ibrahim: - -Background Company SFI / mission and vision. -Job Vacancy -Statistics recruitment throughout the state - Intake of foreign workers in the SFI -Also touched on Minimum Wage RM800.00 Jeffry Lagan (JKKK Mendulong): Apply to recruitment in SFI especially at the Plantation (Plantation) should not qualify as academic qualifications and work experience. JKKK (Representative) Ask that the list of vacancies indicated in a briefing from a human resources officer distributed to all community leaders to facilitate the process of advertising.	Siti Hasmah (HR Senior Executive) explained that only unskilled workers require minimal qualification in the recruitment process but for a higher position it requires higher qualification and approval in accordance with SFI standards to meet the demands of work. Mr. Rayner (Manager of plantation dept) -Give feedback which he stated that the considerations in hiring, especially at the plantation will be evaluated based on experience to help employees around Sipitang. Siti Hasmah (HR Executive) -Will be considered
3	Briefing by the Department of Plantation (Plantation Management) presented by Mr. Rayner Kamijan/ Manager of Plantation dept: - The duties and responsibilities of the department of Plantation is guided by the approved PDP, FMP which among others provide rules and regulations on slope, riparian reserves use of pesticide and fertilizers- The area of currently planting activities are active is in Tenom, Sipitang and Beaufort. - He briefed on the overall plantation development updates in every region. - Lukas Pangiran (KK Mendulong) suggested that a meeting / dialogue between management SFI Mendulong village community to be held in Mendulong regularly. - SFI has not repaired their grandstand. - He also commented on the operation of the SFI (for herbicide Gromoxone was used since 1982) that has resulted in the pollution of the River Muaya and Mendulong River where the river is a source of water for	Mr. Rayner explained that the Gromoxone and paraquat is banned by the government and since Bilt took over it is shelved out and no longer in use as per requirement by law and Forest certification. He added that now CSR is established in SFI whatever grievances that might arise from the community and meeting with communities are regularly organize by CSR and if there is a need in the village level, it will be organized accordingly. .Ms Angelica explained that the pipeline issues that have been implemented in cooperation with LIGS Mendulong was given by SFI

	the villagers Mendulong particular. - Claiming that the following standards are not complied with by the Contractor Riparian SFI. Issues agro forestry also submitted that where no seed is provided after a year they plant. Jeefry Lagan (JKKK Mendulong) :- - Suggested that the marking of felled timber is made in order. Areas marked for felling should be checked by the SFI management to ensure that forest harvesting is not exceeding as it should - He admitted that there is an internal problem among the community with regards to the pipeline and water connection in kg. Mendulong . - Suggested that any assistance given must pass through the village elders first. - Mr. Zaili Ibrahim (Head Village of Kg. Melalia) apply to any grant of money from the SFI to the residents who are not income or contribution on Hari Raya . JKKK representative from Melalia suggested that the village infrastructure improvements such as roads, halls, and bridges.	with support of the and the assemblyman YB but villages have internal squabbles who will get the contract which has resulted in acts of sabotage of one of them cutting the pipe causing their own problem. The community elder from Pepolor, Josie Manang commented to Mr. Lucas Pengiran that his people should learn how to appreciate government aid project or SFI by looking after their pipelines as one community and work towards development for all and not on individual gain only. If anyone construct building or give pipeline it's the responsibility of the community without being dependant. Ms. Angelica insists that the policy of giving cash donations to public is no longer a practice in SFI since Bilt took over. A new policy that focus on livelihood promotions and Capacity building and various generating income programmes to allow community to have sustainable livelihood such as food processing. -For information, SFI-KPD is doing a collaborative programme on Honey bee trial to evaluate the potential of this Projects to be developed in the Sipitang and trial being conducted in Mendulong nursery. if successful village selection of participants will be made to undertake the project in the near future. -Ms. Angelica explains SFI has changed it policy on this since BILT took over, Infrastructure development is provided for by governments and we are complementing this through livelihood promotions and capacity building..
	Briefing by the Department of Production by Raynold Kimping (Executive raw material sourcing out) - Talk about the process of buying wood from the village. - Conditions of purchase - The purchase process - Wood prices in the market-SFI Manang Josie (Head Village of Pepolor) - queries with the help of seeds from the SFI to people who	Ms. Angelica will forward the recommendation to the nursery manager and suggested that Communities interested in the programme can write directly to the Plantation GM

	are interested in planting timber.	
5	Briefing by the Department of Social Responsibility (Jennifer Yukin / CSR Executive) on CSR activities -The objective of the CSR - Areas (By Region) - SFI-Stakeholders Reps Respond JKKK -Information derived from the meeting will be communicated to all members of UMNO Youth. -Suggested that SFI contribute cash incentives to all community leaders in the village. - Results from the survey, 20% of villagers working with SFI	Ms. Angelica responded that SFI has no policy of giving incentives or cash donations to community elders since they are paid by government. -CSR is always open to suggestions or complaints from surrounding communities SFI and if this answer is unacceptable they can forward a letter to our management but NO guarantee that the management will change the policy.
6	Recommendations from the village community leaders to organize a special study tour of village elders into the SFI Factory and Nursery.	Ms. Angelica agreed to organise the trip in May,14 date to be fixed later. Village elders will be notified once the relevant department agreed to accept visitors. Visits will be made throughout the SFI included in the nursery.

MEETING AND DISCUSSION WITH COMMUNITY ELDERS IN SIPITANG AREA (24 VILLAGERS)

Date:	30/01/2014	Time:	02:00 pm
Venue:	Training Room 3 SFI		
Main Objective	To give information about SFI activities to all the community leaders around Sipitang (24 villagers) area. To rapport a relationship between community and SFI management.		

No.	Matters discussed	Remark
1	Opening: Meeting with community leaders, village (first group) chaired by Mr. Julius M. Miajim. -Briefing on the program -welcome speech by CSR manager. Mdm. Angelica Sinimis.	
2	Briefing by the Department of Human Resources (Career Opportunities) presented by Mrs. Fauziah (HR Executive): - -Background Company SFI / mission and vision. -Job Vacancy and overview of the employees in SFI including foreign workers and List of vacancies to be filled. Gurkah / Patrick Ipun -Are employees of SFI all taken CIDB? -Request a copy of the mission and vision of the company. Christoper -What is the minimum wage? -No engineering certificate but have experience Jovita Alai -How to apply? Pn. Angelica -Can SFI staff submit an application on behalf of the villagers.	Human Resource Management Department -In process: providing a CIDB step by step. -will be given a copy of the presentation -Minimum Wage: RM800 -Can, and will be considered -Fill application form, attach a resume and copies of certificates. -Allowed. Make sure the telephone number is active and can be contacted for an interview.
3	Briefing by the Department of Plantation (Plantation Management) presented by Mr. Leo Dunstan: Assistant Manager /Mendulong estate. - The duties and responsibilities of the department of Plantation is guided by the approved PDP, FMP which among others provide rules and regulations on slope, riparian reserves use of pesticide and fertilizers- The area of currently planting activities are active is in Tenom, Sipitang and Beaufort . He briefed on the overall plantation development updates in every region. Salong Timbun - Why Gromoxones is not allowed? Melinchi Mutang SFI-operation has resulted in pollution of rivers, including the use of poison. -The threat to the villagers. Gurkah Ipun. -Where plantation licenses issued? Contamination by oil-contractor.	Ms. Angelica responded that this is a banned solution under the pesticides Act as it has an Effect on the environment and health of users. This also not allowed in the Forest certification system. Mr. Rayner -Gromoxone is Insoluble / rain will

	-SFI needs to know about the pollution that is taking place. Water samples were taken for review by the Department of the environment. -Cooperation between the villagers and the SFI should have to deal with pollution problems. Are SFI provides standards for all contractors. -Can people get a copy of the SOP to the villagers? Kurus Simugang SFI- asking about the bridge of Sg. Iteh if it still to be maintain or not. Melinchi Mutang -Have an interest to plant trees, but having trouble with road access-Highways to be improved. Christopher Contractors, truck driver drive slowly when passing through the village. Salong Timbun -Alienated land of the villagers but SFI is using the road through it. What action SFI? Jovita Alai Security Issues. 1. Truck that exceed the load limits. 2. Tires that are not used should be disposed of in the proper place. 3. Truck drivers are not licensed.	bring it to the river and cause pollution. This is the reason that since BILT too k over we follow whatever local/international regulation in our plantation practice. There should not be no worries that this is used as it is not in our list and we adhere to the government guidelines (EIA/Forestry) on the rule on -Riparian zone / slope gradient -Proper storage of fertilizer -Certification by International Organization. -In-house SOP is followed. Mdm. Angelica -Express appreciation village chief and JKKK to openly complaints and share their grievances- Contacting the CSR / Department concerned. Mr. Fredoline Technical Service Asst manager,added that environment and Quality audit monitoring is carried out in all the operation: 1. = Monitoring provides detailed information on environmental issues 2. The Auditor will record any findings on the ground. If found not to reach standard, the certificate will be withdrawn. -All documents have been given to the contractor. Benidick Angkui -Road Engineer -The proposal on the Bridge at Sg. Iteh: has been submitted to his superiors for consideration though is -SFI no longer use the road / bridge Sg. Iteh again. Road Engineer assured him that he will have a meeting with all the Contractors to inform them on this issue. The safety manager is monitoring this too and carry spot check along the public road to ensure safety for all. Mdm. Angelica -Compensation is normally given for the affected land but it will be worked out at the land and survey department to determined the land staus and also the size involved and negotiations with, landowners

		in the presence of land survey department and SFI. Wilfred Modoit-Plantation manager - warning to the contractor. -Not allowing the truck through the factory. - take the vehicle registration number, photograph and make a complaint to the SFI.

Figure: Supporting Photo documentation of Stakeholder Engagement Undertaken by SFI



Plate 1: Meeting with the communities at Kg. Katubu, Kemabong Tenom



Plate 2: Meeting with the communities at Kg. Maraba, Beaufort



Plate 3: Meeting with the Headmen and JKKK at Kg. Rundum, Kemabong



Plate 4: Meeting with the communities at Kg. Alutok, Ulu Tomani



Plate 5: Meeting with the Women's group at Kg. Meligan



Plate 6: Meeting and briefing on the SFI operation to Communities at Kg. Mendulong and Kg. Bamban

Annex 6C

Sample of reports submitted
by CSR community mobilizers

COMMUNITY ORGANIZER REPORT AT KG. KAPULU, KEMABONG TENOM				
<u>NAME</u>		<u>MONTH</u>	<u>DESIGNATION</u>	<u>IC NUMBER</u>
Tujuh Moyok		October 2013	Community Mobilizer	841120-12-6297
BIL	ACTIVITY / ISSUE	YES / NO	ACTION / RESULT	COMMENTS
	(Commitee Members Monthly Activity/ Village Current issue in village related to the certain activity)	(If 'Yes'-How many participants and number of meetings/ If 'No'-explain)	(Decision making -[Majority or Individual] and action of CO to make solutions)	(If any additions)
EDUCATION COMMITEES				
1	Opportunity to futher education (University, College etc.) after finish form five e.g talk about education awareness etc.	NO		
2	Monthly Meetings	NO		
3	Effort in education improving primary school – Outside Volunteer	No		
4	Adult Education- KEDAP	No (No Implementation)		
SOCIO-ECONOMIC COMMITEES				
1	Handicraft's group, agriculture, Farmers association etc.....	Yes	Processing application of planting Banana and cocoa (Agriculture Project)	
	i) No. of Meetings were conducted	Yes	Meeting with communities regarding on agriculture programme	
	ii) Total of income	No		
	iii) Total of revolving fund	No		

	iv) Technical training/Entrepreneurship/ Financial/ Management training related to handicraft by relevant agencies, NGO or individual	No		
	v) Outside visitor (University, Gov Agencies, NGO etc.) related to handicraft	No		
2	Development Programme by Government agencies: - Agriculture dept. Fisheries Dept,Forestry, University, LTGS, SLDB, RISDA etc	No		
LAND MANAGEMENT COMMITTEES				
1	Village land encroachment issue/ Forest Reserve	No		
2	Monthly meetings whether with Committee members or Government agencies including NGO	No		
3	Training related to land management (e.g NCR and Boundary)	No		
RESOURCES MANAGEMENT COMMITTEES				
1	Natural Resources Management:			
	i) Traditional medicinal plants (Botanical Garden)	No		
	ii) Protein resources (Tagal Systems)	Yes-Individual Tagal system		
	iii) Watershed catchment (Gravity water supply)	Yes		
	iv) Wildlife (wild boar, deer, mousedeer, etc)	No		

	v) Non Timber forest production(Rattan, Bamboo, <i>salingkawang</i> etc)	Yes		
2	Improvement and Tagal management system.	No		
	Monthly meetings whether with Committee members or Government agencies including NGO	No		
CUSTOM AND CULTURE COMMITTEES				
1	Villagers and committees effort in awareness activity to preserve village customary and culture:	Yes		
	i) Murut Traditional Dance	Yes		
	ii) Murut Traditional Custom	Yes		
	iii) Murut Traditional Food	Yes		
	iv) Handicraft	Yes		
	v) Folklore	No		
2	Committees monthly meetings with CO or Government agencies and NGO	Yes	Villagers worried about the Communal title land	
3	Involvement in cultural activity in village or outside organized by Government agencies or NGO	No		
VILLAGE SECURITY				
1	Outsider encroachment that affect the villagers security	No		

2	Encroachment including stealing natural resources (e.g illegal hunters) and CO involvements in village security meetings	No		
YOUTHS				
1	Youth Development Programme in terms of leadership and capacity buildings	No		
2	Public awareness in social problems and Youth current challenges	No		
3	Youth job opportunities and meetings or discussion with relevant agencies such as Gov agencies, CO commitees, NGO etc.	No		
OTHERS				
1	Any others activities	No for this month		
Received on: Prepared by: Tujuh				

Annex 7

Compensation Rates of Major Crops

Bil.	Jenis Tanaman	Nilai (RM) / Umur (Tahun)	
		Immature	Mature
1	Cempedak	RM 41.40 (Thn 1 – 5)	RM 259.20 (Thn 6 – 20)
2	Tarap	RM 45.00 (Thn 1 – 5)	RM 244.80 (Thn 6 – 15)
3	Mangga Wani	RM 33.30 (Thn 1 – 3)	RM 194.40 (Thn 3 – 14)
4	Durian	RM 79.20 (Thn 1 – 5)	RM 3,420.90 (Thn 6 – 21)
5	Getah	RM 19.80 (Thn 1 – 6)	RM 41.40 (Thn 6 – 22)
6	Rambutan	RM 35.10 (Thn 1 – 3)	RM 679.50 (Thn 4 – 13)
7	Nanas	RM 5.00 (1 Thn)	RM 6.00 (Thn 2 – 3)
8	Kelapa	RM 27.90 (Thn 1 – 5)	RM 45.90 (Thn 6 – 20)
9	Kelapa Sawit	RM 28.80 (Thn 1 – 3)	RM 63.00 (Thn 4 – 20)
10	Langsat	RM 47.70 (Thn 1 – 7)	RM 490.50 (Thn 8 – 22)
11	Mangga	RM 33.30 (Thn 1 – 3)	RM 194.40 (Thn 4 – 14)
12	Pokok Nona	RM 47.70 (Thn 1 – 6)	RM 196.20 (Thn 7 – 21)
13	Betik	RM 4 (1 Thn)	RM 5 (Thn 2 – 3)
14	Pisang	RM 5 (1 Thn)	RM 6 (Thn 2 – 3)
15	Limau Kapas	RM 23.40 (Thn 1 – 2)	RM 460.80 (Thn 3 – 13)
16	Lada Padi	RM 11.00 (Thn 1 – 2)	RM 45.00 (Thn 3 – 4)
17	Cekur Manis	RM 4 (Thn 1 – 2)	RM 2.00 (Thn 3 – 5)
18	Jambu Air	RM 20.70 (Thn 1 – 2)	RM 94.50 (Thn 3 – 9)
19	Eucaliptus	RM 19.80 (Thn 1 – 6)	RM 41.40 (Thn 6 – 22)
20	Mempelam	RM 33.30 (Thn 1 – 3)	RM 194.40 (Thn 3 – 14)
21	Bambangan	RM 47.70 (Thn 1 – 6)	RM 196.20 (Thn 7 – 21)
22	Merintam	RM 17.55 (Thn 1 – 3)	RM 339.75 (Thn 4 – 13)
23	Kembayau	RM 43.20 (4 Thn)	RM 213.30 (Thn 5 – 17)
24	Jotropa	RM 19.80 (Thn 1 – 6)	Rm 41.40 (Thn 6 – 20)
25	Acasia	RM 19.80 (Thn 1 – 6)	RM 41.40 (Thn 6 – 22)
26	Sukun	RM 36.00 (Thn 1 – 4)	RM 170.10 (Thn 5 – 14)

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Annex 8A

FPIC Framework

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Native customary rights in Sabah are those rights which result from a long series of habitual or customary actions, constantly repeated, which have, by such repetition and by uninterrupted acquiescence, acquired force of a law within a geographical or sociological unit. The concession area granted under the timber licence to SFI has a close interface with these customary rights and there are several potential areas of impingement. This section identifies these indigenous peoples, the range of customary rights that may be affected by SFI operation, screens potential areas where these impingements will occur, consultations held with their representatives to set up a free prior and informed consent process where applicable.

1.1 *ETHNIC COMPOSITION AND ETHNOGRAPHIC PROFILE*

The socio-economic baseline studies conducted for the SFI concession area between 2008 and 2012 have covered 79 villages spread across Sipitang, Beaufort and Tenom districts. Most of these villages are multi-ethnic. Some villages in Tenom District are inhabited by only Muruts. In the rest of the villages, multiple ethnic groups reside together. The ethnic composition of the villages around the SFI concession area is provided in the table below (see Table 1.1).

Table 1.1 *Ethnic Composition of the Villages around SFI concession area*

<i>Sl No</i>	<i>District</i>	<i>Village Name</i>	<i>Ethnicity</i>	<i>Population</i>
1	Beaufort	Kg Bukau	Murut Bukau	200
2	Sipitang	Kg Sungai Iteh	Murut Tagol, Dusun, Lundayeh, Melayu, Chinese	350
3	Sipitang	Kg Kaban	Murut, Dusun, Lundayeh, Iban, Chinese	500
4	Sipitang	Kg Ganui	Murut, Lundayeh, Dusun	200
5	Sipitang	Kg Kebawang	Murut Tagol, Dusun	300
6	Sipitang	Kg Kelangsalat	Murut, Dusun, Sino	500
7	Sipitang	Kg Kesili Sungai Tiga	Murut Bukau, Bisaya, Dusun, Lundayeh	200
8	Sipitang	Kg Sindumin	Kedayan, Bisaya, Kadazan, Murut, Lundayeh & Chinese	800
9	Sipitang	Kg Pepolor	Dusun, Murut, Cina, Lundayeh & Jawa	132
10	Sipitang	Kg Banting	Kedayan, Murut, Kadazan	1000
11	Sipitang	Kg Seputol	Murut Bukau, Iban, Brunei, Kedayan	300
12	Sipitang	Kg Inuman	Kedayan, Dusun, Murut, Brunei, Bugis, Bisaya	330
13	Beaufort	Kg Weston	Brunei, Bugis, Bisaya, Kedayan	5000
14		Kg Lubuk Darat	Kedayan, Dusun, Murut, Brunei, Bugis, Bisaya	300

<i>Sl No</i>	<i>District</i>	<i>Village Name</i>	<i>Ethnicity</i>	<i>Population</i>
15	Beaufort	Kg Lingkungan Ulu	Dusun, Murut, Brunei & Bugis	230
16		Kg Bamban	Lundayeh, Dusun	570
17	Sipitang	Kg Kuala Muaya	Murut Tagol, Dusun, Lundayeh	220
18	Sipitang	Kg Marau	Murut Tagol, Dusun, Lundayeh	250
19	Sipitang	Kg Melamam	Murut Tagol	300
20	Sipitang	Kg Mendulong	Lundayeh, Dusun, Murut	422
21	Sipitang	Kg Tanah Merah	Murut Tagol, Dusun, Lundayeh	150
22	Sipitang	Kg Melagau	Murut Tagol, Dusun, Lundayeh	100
23	Sipitang	Kg Pisukau Layun	Dusun, Murut, Bajau, Bisaya, Kedayan, Lundayeh, Cina	600
24	Sipitang	Kg Pelakat	Kedayan, Bisaya, Kadazan, Brunei	500
25	Sipitang	Kg Melalia	Kedayan, Bugis, Jawa, Bisaya, Dusun, Brunei, Murut	380
26	Sipitang	Kg Kalamauh	Kedayan, Bisaya, Dusun	400
27	Sipitang	Kg Mesapol	Lundayeh, Murut, Dusun	900
28	Beaufort	Kg Lumadan	Bisaya, Murut, Dusun	1000
29	Beaufort	Mg Maraba	Kedayan, Dusun, Brunei	575
30	Beaufort	Kg Labui	Dusun, Kedayan, Bisaya, Bugis	119
31		Kg Naluyan	Kedayan, Bisaya, Bugis	400
32	Beaufort	Kg Batu 6 1/2	Dusun, Kedayan, Bisaya, Bugis	365
33	Beaufort	Kg Karangan	Kedayan, Dusun, Murut	300
34	Beaufort	Kg Saliwangan	Dusun, Murut Paluan, Bisaya, Lundayeh, Indonesia Timur	580
35	Sipitang	Kg Meligan	Murut Tagol, Dusun, Lundayeh, Chinese	1000
36	Sipitang	Kg Rundulang	Murut Tagol	238
37	Sipitang	Kg Long Pasia	Lundayeh	700
38	Sipitang	Kg Long Mio	Lundayeh	190
39	Sipitang	Kg Iburu	Murut Tagol	500
40	Sipitang	Kg Ulu Bole/ Lumampau	Murut Tagol	400
41	Sipitang	Kg Bangsal	Kedayan	450
42	Sipitang	Kg Kawang Baru	Lumbawang/ Lundayeh, Kadazandusun	380
43	Sipitang	Kg Kawang Lama	Lumbawang/ Lundayeh	110
44	Sipitang	Kg Marintaman	Kedayan, Brunei, Bugis, Dusun, Lundayeh, Murut, Chinese	343
45	Sipitang	Kg Kuala Mengalong	Brunei	600
46	Sipitang	Kg Luagan	Kadayan, Brunei, Bisaya, Iban	502
47	Sipitang	Kg Menengah	Brunei, Bisaya, Chinese	2538
48	Sipitang	Kg Naparan	Kedayan	480
49	Sipitang	Kg Ranau Ranau	Murut, Lundayeh	720
50	Sipitang	Kg Samin	Kedayan, Lundayeh	350
51	Sipitang	Kg Sri Menanti	Lundayeh	320
52	Sipitang	Kg Ulu Sipitang	Kedayan	1552
53	Sipitang	Kg Pantai	Kedayan, Murut	700
54	Sipitang	Sipitang Town	Chinese, Kedayan, Brunei	3000
55	Sipitang	Kg Tanjung Nipis	Kedayan	900
56	Sipitang	Kg Solob	Murut, Lundayeh	250

<i>Sl No</i>	<i>District</i>	<i>Village Name</i>	<i>Ethnicity</i>	<i>Population</i>
57	Sipitang	Kg Pangarawan	Murut Tagol	310
58	Tenom	Kg Sugiang	Murut Tagol, Dusun, Lundayeh	350
59	Tenom	Kg Mamaitom	Murut Tagol, Dusun, Bajau, Malay	500
60	Tenom	Kg Kungkular	Murut Tagol	400
61	Tenom	Kg Skim Tabung Getah	Murut Tagol, Lundayeh, Dusun, Bajau, Malay	1548
62	Tenam	Kg Sumambu	Murut Tagol	220
63	Tenam	Kg Tilis	Murut Tagol	280
64	Tenam	Kg Kapulu	Murut Tagol	220
65	Tenam	Kg Bakuku	Murut Tagol	420
66	Tenam	Kg Lalang	Murut Tagol	251
67	Tenam	Kg Marais Lama	Murut Tagol	500
68	Tenam	Kg Marais Baru	Murut Tagol	300
69	Tenam	Kg Kaparungan	Murut Tagol	200
70	Tenam	Kg Kaliwata	Marut Tagol	200
71	Tenam	Kg Katambalang	Murut Tagol	200
72	Tenam	Kg Sinilaung/ Kuala Tomani	Murut Tagol	1013
73	Tenom	Kg Bangkulin	Murut Tagol	1000
74	Tenam	Kg Kaang	Murut Tagol	120
75	Tenom	Kg Tinura	Murut Tagol	392
76	Tenom	Kg Malulutut	Murut Tagol	275
77	Tenom	Kg Aluntok	Marut Tagol	268
78	Tenom	Kg Mahunsop	Marut Tagol	350

Source: Socio-economic Baseline Studies, PACOS 2008-2012

There are 9 ethnic groups living in these villages. They are: Dusun, Murut, Lundayeh, Malayu, Iba'an, Kedayan, Brunei, Bugis, Bisaya and Chinese. The Chinese, Malayu, Brunei, Bugis and Bisaya are found in small numbers. The rest of the ethnic groups have a collective ethno-linguistic identity as '*Kadazandusun*'.

The Kadazandusun identity emerged in 1989 by bringing 40 ethno-linguistic groups who decided to end their political factionalism between *Kadazanism* and *Dusunism*, which had emerged in the early 1960s. This common cultural identity aims for a unified, cooperative and progressive community. The *Kadazandusun* identity includes all persons whose mother tongue is any of the 40 dialects¹ and who habitually express the traditions, custom and other cultural manifestations of the same.

This new cultural identity is based on broad similarities in their respective cultures and their similar shared experience of colonial administration which shaped their contemporary socio-cultural and political organizations. The

¹ Ethnic Groups included in Kadazandusun identity are: Bonggi, Bundu, Dumpas, Gana, Garo, Ida'an, Kadayan, Kimaranang, Kolobuan, Kuijau, Lingkabau, Liwan, Lobu, Lundayo, Makiang, Malapi, Mangkaak, Minorkok, Murut, Nabai, Paitan, Pingas, Rumanau, Rungus, Sonobu, Sinorupu, Sukang, Sungei, Tatana, Tangara, Tidong, Tindal, Tobilung, Tolinting, Tombonuo, Tuhawon, Tutung, Bisaya, Lotud, and Sonsogon.

Kadazandusun identity has existed for almost a quarter century now and is generally accepted as group identifier among its constituent ethnic groups. A short description of traditional socio-cultural leadership of the three prominent ethnic groups around SFI's concession area is provided below.

1.1.1 *Kadazan Dusun*

Traditionally each *Kadazan Dusun* village was headed by a village head or *Orang Tua* and has a paramount leader or *Huguan Siou*. The village head managed the community affairs with the help of a team of other respected and elderly community members (*Mohoingon Tangabaa*) who advise the headman on *adat* (customs). The priestess (*Bobohizan*) played an important role in the community life. She gave advice on matters related to beliefs, customs and *sogit*. The membership to a village was voluntary and members were free to leave it and join another if the village headman of the other village was willing to receive him. The village head who is in the charge of overall administration of the village presided over community meetings and hearings.

1.1.2 *Murut-Tagol*

Similarly, Murut-Tagols lived in small clusters and formed a kampong under a headman. There was no supreme head of the group, each kampong head was treated equal. Hence, they consulted each other wherever required and did not order one another.¹ The position of the headman was not hereditary. Persons interested in the position needed to express their interest and the final decision was based on the choice of the community.

The headman settled all violation of *adats* for his own kampong. If the matter involved a person from another kampong, then he sent a message to the headman concerned and suggested a conference. The meeting generally took place at a neutral place, where both headmen met and the settlement of *sogit* (compensation) was decided. Thus, all matters with neighbouring friendly communities are settled through the mediation of headman. If the offender is from an enemy group, the wrong is avenged at the first opportunity.

1.1.3 *Lundayeh*

Lundayehs are believed to be indigenous to highlands of North Kalimantan and southwest of Sabah. Lundayehs means *upriver people* or *people of the interior*. Lundayehs also live in clusters and elect a headman who administers the *adat*. The membership to a particular village community is voluntary. One needs the permission of the village community through the headman to live within it. The permission to live with a community depends on one's personal reputation.

¹ G.C. Woolley, *The Timogun Muruts of Sabah*, Natural History Publication (Borneo), Kota Kinabalu (2004), p.15.

1.1.4

Kedayan

Kedayans are believed to be from Brunei, but also found in coastal Sabah particularly in Sipitang, Labuan, Beaufort and Kuala Penyu. Kedayans farm padi and are known for their knowledge of medicinal plants. Kedayans are reported to follow a syncretic form of Islam and they continue to practice some customary festivals and inheritance practices. Thus, women are entitled to own land and if husband dies the property goes to wife.

1.2

THE LEGAL SYSTEM AND NATIVE CUSTOMARY RIGHTS (NCR)

The charter for the British North Borneo Company which established the first colonial power over Sabah granted a careful regard to the customs and laws of the natives especially with respect to property and personal matters. The laws adopted or passed in subsequent colonial period reinforced this 'careful regard to native customs'. The first law directed specifically to native affairs was the Native Rights to Land Proclamation of 1889, which tried to establish a system of land registration. In subsequent years, three pieces of legislation laid foundation of native law administration in three spheres, i.e. tenure and land rights, village administration, and judicial system. The formalization of the customary laws in these three spheres is discussed below.

1.2.1

Definition of Native

The interpretation (Definition of Native) Ordinance 1952 defines a native as either:

"a- any person both of whose parents are or were members of a people indigenous to the Colony; or b-any person ordinarily resident in the Colony and being and living as a member of a native community, one at least of whose parents or ancestors is or was a native within the meaning of paragraph (a) hereof; or c-any person who is ordinarily resident in the Colony, is a member of the Suluk, Kagayan, Simonol, Sibutu or Ubian people or of a people indigenous to the Colony of Sarawak or the State of Brunei, has lived as and been a member of a native community for a continuous period of 3 years preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the Colony is not limited under any of the provisions of the immigration ordinance, d- any person who is ordinarily resident in colony, is a member of a people indigenous to Indonesia or Sulu group of islands in the Philippines or the Federation of Malaya or the Colony of Singapore, has lived as and been a member of a native community for a continuous period of five years immediately preceding the date of his claim to be a native, has borne a good character throughout that period and whose stay in the colony is not limited under any of the provisions of the immigration ordinance. The native court played an important role in identification of natives as the process requires a declaration from the native court in support.

The Native Rights to Land Proclamation 1889 clearly declared State ownership on land and all claims to land has to be registered with District Officer. The native rights in land (ref S5) constituted (a) land under cultivation or land used for housing, (b) land planted with fruit trees (c) isolated fruit trees if enclosed by a fence, (d) grazing land stocked with animals, (e) wet and dry paddy land so long as it was cultivated for at least three years prior to registration, (f) burial grounds, and (g) rights of way. All native owners of the land must have a certificate of tenure issued by the District Officer.

The Land Ordinance, while defining the customary tenure and registration process classifies the land into three categories: (a) freehold, (b) communal, and (c) native reserve. The holder of customary rights has a permanent, heritable and transferable right of use and occupancy subject only to actual cultivation. A native has to do is to show “continuous occupation or cultivation for three consecutive years or more”. If he has no documentary title, under section-67 (2), he may be required by the Collector to take out a Native Title to be registered in the Native Title Register upon payment of the prescribed fees.

Section-5 of the Forest Enactment 1968 empowers Yang di-Pertua Negeri constitute any state land, other than land reserved for a public or special purpose under any written law to be a forest reserve of specific class (I- Protection Forest, II- Commercial Forest, III- Domestic Forest, IV- Amenity Forest, V- Mangrove Forest, VI-Virgin Jungle Reserve, VII-Wildlife Reserve). Section-23 prohibits forest produce from any forest reserve to be removed beyond its boundaries without authorisation. Licences are to be obtained from the Director of Forest to undertake prohibited acts under section 20 and 23. The Act requires authorisation of the Forest Division for felling any tree, cutting, extracting or removing any forest produce, to carry out any fire, erection or construction of building or livestock enclosure, cultivating any land or clearing up any land for cultivation or for any other purpose. Thus, the customary rights of the natives to sustain subsistence based livelihood and protect their culture and heritage is conditional to authorization from the Forest Division.

The traditional leadership and political structures of ethnic groups living in Sabah region was also integrated to colonial administration through The Village Administration Proclamation 1891. This made provision for the District Officer to appoint village headmen and described their duties. The headman continued to administer *adats* (customary rules). The proclamation bestowed on the headman duties to report a range of events including presence of criminals, crimes such as murder or unexplained deaths and diseases in his village. The headman was also given power to arrest, and to

allot unoccupied land and to regulate building constructions in villages. The headman also enjoyed power to try and sentence offenders¹.

The new system only recognizes the Village Head. To warrant one village head, there should be at least 250 people or about 50 households. The village head has the authority to preside over the hearings and is assisted by elderly members of the community and take decisions following adats established by the community. Jawatnakuasa Keselamatan Dan Kemajuan Kampong (JKKK) or Village Security and Development Committee has taken the place of the earlier traditional village council. The role of the Village Head has changed. Apart from being the custodian of *adat*, he is now expected to do other things, such as accelerate economic development in their area. If the matter is not settled, then it is reported to Native Chief, who is appointed by Government. The Native Chief looks after several village heads and is subjected to District Chief. The District Chief is the chairperson for the Native court.

1.2.4

Native Courts

The Native Administration Ordinance of 1937 introduced a Native Court system. The Native Court comprises of chiefs and headman of the district empowered by the resident to attend and adjudicate. The procedure and practice is regulated in accordance with native law and custom (*adat*). The jurisdiction of the native court arises in cases involving a breach of native law or custom where one or both parties are a native. After independence, Native Court Ordinance with its amendment in 1958 introduced a new appeal system and procedure. The Section 10-A of the Ordinance it established a Native Court of Appeal which is presided over by a judge of Supreme Court.

Strengthening of the administration of the *adat* through native courts was further achieved in the Native Court Enactment (NCE) 1992. The *adat* includes way of life, basic values, systems of beliefs, code of conduct, manners, conventions and cultural practices according to which indigenous society is ordered. The NCE requires that the Native court to be composed of two or more members and where the suit arises from the breach of native law or custom, at least one member of the court must belong to the race whose law or custom is alleged to have been broken.

The native court has powers of a magistrate's court to summon and hear witnesses except that a warrant of arrest issued by a Native court must be endorsed by a Magistrate before execution. No advocate can appear in native's court. The penalties which the court orders to be paid in any suit may be in cash or in kind and deferred payment is provided for. Any part of the penalty imposed may be used to pay compensation to the person injured if the latter agrees not to maintain a separate suit for recovery of damages.

¹ Refer Native Courts in Sabah and Sarawak, 2005.

The administration of justice through the Native Courts has provided continuity to the traditional judicial system. However, the standardization of some of the customary laws has some negative impacts. For example, the meaning of *sogit*, as a means to restore community solidarity has been diminished due to drastic change in payment of fines in kind to cash. *Sogit* paid in cash goes to the individual household and not the whole village.

1.2.5 *Current status of the Customary Practices*

One third of the indigenous population follows Islam and the remaining two third follows Christianity in Sabah. Under the influence of these institutionalised religions, pre-existing traditional social and cultural systems have been eroded. The traditional rituals practiced during hill rice cultivation, marriage and death have been discontinued or are now very rarely practiced. The new legal systems have introduced individual ownership of resources which were earlier communally owned. The exposure to market-based economics has introduced commercialisation of natural resource management. The making of certain crafts and tools has decreased or completely disappeared. Similarly, the herbalists and Bobohizan's (priestess) play a very peripheral role in the health and well-being of the community¹. Consultations with community member give a sense that the traditional knowledge of useful herbs is limited to a few individuals in most villages.

The practice of *adat* or traditional law and practices to regulate community behaviour and maintain harmony and cohesiveness is still prominent in interior areas. However, the influence of commercialization and need for cash to meet modern requirements of the family, the values concerning managing the resource base is eroded. This is manifest in commercial utilization of the forest produce and opportunistic use of the native customary rights to win more land or earn some quick cash. The imbalance due to different educational qualification and external exposure has resulted in a situation where some people make efforts to grab more land at the expense of genuine farmers who want to work the land².

1.3 *CURRENT LIVELIHOOD SYSTEM AND ADATS LINKED TO NATURAL RESOURCE MANAGEMENT*

Traditionally, the extraction of natural resources was controlled, based on need, thus ensuring its sustainability. The livelihood dependency on forest land has not changed much. Even now, each family produces its own needs, though unlike in past, sells a part of the produce in nearby market places for cash income. A family can clear a small patch of forest land which is usually a secondary forest. When the fertility of the land is reduced, a fallow period is

¹ Phelan, R. (1983) "The Form of Priesthood in the Kadazan (Dusun) System of Religion"

² Felix Tongkul (2002) "Traditional Systems of Indigenous Peoples of Sabah, Malaysia: Wisdom Accumulated Through Generations", PACOS Trust, Penampang, Sabah, Malaysia

observed to give the land rest and restore its fertility. The farmer generally makes his own tools and does the work himself, though he may take help from other community members in heavy works like forest clearance. Most of the production is consumed in the household. Surplus farm produce, is either given to needy members of the community or sold at market places in District head quarter.

Figure 1.1 *Handicraft, hunting and fishing supplements the padi farming.*



Individual members also go for hunting or fishing to meet the protein requirement of their households. On special occasions the whole village community organizes hunting and fishing expeditions located far from their villages. At the end of such expeditions, the catch is shared equally among each of the participants. If the group decides to sell part of the catch, the cash obtained is equally shared among them. If the surplus meat and fish cannot be sold, they are preserved. The principle of reciprocity and social responsibility is shown through the sharing and exchange of tools and farm produce among members of the community¹.

The High Conservation Value Forest (HCVF) Study reports that 98.3% walked to the hunting grounds and the rest of them used boats, four-wheel drive vehicles and motor cycles. Majority of the community still prefer traditional hunting methods such as spears, traps and blow pipes. A total of 39.9% used hunting weapons such as self-made guns and bullets. Half of the respondents hunted more than twice weekly, 31.5% hunted once a month, 12.9% hunted once a week and 8.4% hunted about twice a year. Most of the hunting yields were for private consumption.

The traditional knowledge in art and craft is only survived in some households. Majority of them make these items for personal use or as decorative items in their own homes. According to these handicraft makers, the raw materials used are rattan, bamboos, lianas, and “siar” collected from the nearest forest. Information on the exact locations of the raw materials was not gathered; however, it is not known if they were collected from state land or the SFI area.

¹ Ibid.pg-24.

The collection of medicinal plants for treating minor ailments still continues. In all cases, the medicinal plants are used to treat minor ailments such as diarrhea, skin problems and fever for children. These plants were collected in small quantities. Most of the households (82%) use both firewood and gas for cooking. Only 14% depend solely on firewood while 4% depended solely on gas.

The belief that spirits dwell in the environment and they are to be respected is the foundation for sustainable natural resource management. The concept of *Gompi-guno* (use and care) ensures that natural resources are utilized in a sustainable manner. The communal ownership of resource and the practice of taking only what is needed from the natural environment is well ingrained in adat. The excessive taking of fish in rivers and wild-life in the forest are regulated by adherence of certain *adat* and beliefs (*Oundop*, *Ovuk* or *Toni*). Usually selective hunting is practiced whereby only matured animals are killed. If one is greedy and hopes to get more, it is believed that the spirit who looks after the resource will appear in different forms and scares the person away.

The springs and streams are strictly guarded and *adats* put restriction on disturbing them. It is a traditional belief that those who disturb these places will get/receive something bad in return such as falling sick by the spirit of the spring. The places along small streams where fishes usually lay their eggs are taken care of and given due respect. When the number of fish is on the decline in rivers, a traditional conservation mechanism known as *Tagal* is practiced. Under this system, a communal understanding is proclaimed that marks a stretch of river as 'no fishing zone' for a certain period of time¹.

1.4 CULTURAL AND HERITAGE RESOURCES

The cultural and heritage resources within and around SFI concession were identified during socio-economic baseline by PACOS and HCVF studies. Some of the significant cultural heritage sites identified in these studies are discussed here.

Kg. Long Pasia is one of the famous tourist spots in Sabah. Several archaeological sites such as Tapak Ulung Buayeh, Batu Berukir², Batu Angan³, Lengayan and the old burial site or "Tanem" are the main places of attractions in Long Pasia. Most of the archaeological sites are within the state land and not in the SFI area.

¹ SFI-CSR department is making efforts to revive these traditional natural resource conservation practices in selected villages.

² Batu Berukir is a stone carved by Upai Semaring (believed to be a local folk hero) with his bare hands and supernatural abilities

³ Batu Angan are the stones used by Upai Semaring to cook. Lengayan are believed to be the footprints left by Upai Semaring

Apart from that, Maga waterfall, located about an hour's walk from Kg. Long Pasia, is also another popular tourist spot. In the Ulu Padas area today, several crocodile and snake mounds are still visible. There are sites serving as burial grounds for the villagers upstream of Ulu Padas. These sites, which are well protected, are located in stateland and no disturbances have been reported. No burial ground from this village is found within the SFI concession area.

Several archaeological sites at Kg. Maligan such as the carved stones are believed to have been carved by seven men using supernatural powers. One of the known carved stones, named Batu Binatikan, is located about one kilometer from the village. Batu Tinundob (footprints from the seven brothers) is located within the village area and is also one of the archaeological sites. Batu Tinara is another legendary stone believed to have been broken up by the seven brothers.

Several sites located within the SFI compartment served as burial grounds for the villagers from this village. These burial sites are located at Sg. Bubuluh, Sg. Mangkop, Tinudop, Napairon and Kuala Sg. Laogon.

It is reported that in Kg. Alutok, Kg. Kaang and Kg. Malutut that the remains of the carved stone called 'Batu Berukir' which is linked to the folk heroes known as seven brothers. It takes about half an hour to walk from the main road of Malutut Village to reach the carved stone. The burial ground for villagers from Kg. Alutok and Kg. Kaang is found within the stateland upstream of Sg. Segamut. Villagers from Kg. Malutut have their own burial site within the village far away from SFI operations.

In Kg. Tinura, villagers revere three stones called Batu Marak, Batu Gong and Batu Teriak which gives them signs before any death occurred among the villagers. The Batu Marak is located on the hill in the village. It is believed that the stone would look bright before any death occurred in the village. Batu Gong is believed to be located somewhere in the jungle and people could only hear the sound it made, which is similar to the sound made by a gong used by the Murut or Dusun during a wedding ceremony. Like the brightness of Batu Marak, the sound of Batu Gong was a bad omen. Whenever the 'gong' was heard, it was a sign that someone from the village would die. This belief is also practised among the villagers in Kg. Lalang. Batu Teriak is believed to be located somewhere in the jungle. The villagers would hear a sound like people screaming, indicating that there would be death in the immediate future. However no one has ever seen the stone. For Kg. Tinura, there is a site in the village compound that serves as their burial ground. For villagers from Kg. Lalang, an area near to Sg. Titindakon is their burial site and this is located within the stateland.

The archaeological site in Kg. Magunsop is a big cave from which the water flows into Sg. Magunsop. This is unique for the village and is located about half a kilometre from the village. Within the village compound, there is a site

Figure 1.2 *Culture and Heritage*



Customary rights and culture and heritage resources were identified during EIA studies, HCV study, and socio-economic baseline studies. The potential for impacting Native Customary Rights (NCR) and Cultural Heritage Resources (CHR) in Industrial Timber Plantation (ITP), Titled Land (TL) and Natural Forest Management (NFM) is screened in the table below. The tick

marks in the box indicates that the potential for the NCR/CHR issues to be encountered. The cross mark denotes that no NCR/CHR issues are likely to be faced.

Table 1.2 *Screening of NCR and CHR issues in SFI operation areas*

Compartment	ITP		TL		NFM		Year	Area
	NCR	CHR	NCR	CHR	NCR	CHR		
L1	x	x					2018 2019	301 1303
L2	x	x					2019 2020	756 328
L3	x	x					2020	1171
L4	x	x					2020 2021	221 181
L5	x	x					2019 2020 2021	53 379 100
L6	x	x					2015 2016	741 166
L7	x	x					2016	1469
L8	x	x					2018	1733
L9	x	x					2017 2018 2019	278 379 326
L10	x	x					2014 2015	515 632
L11	x	x					2016 2017	424 851
L12	x	x					2017	1202
L13	x	x					2014 2015	126 9
L14	x	x					2016 2017	100 7
L15	x	x					2015 2017 2018	113 6 25
L16	x	x					2015 2016 2017	257 379 101
L17	x	x					2019 2020	712 472
L18	x	x					2017	114
L19	x	x	x	x			2017 2018	245 329
L20	x	x	x	x			2018 2019 2020	39 368 213
L21	x	x	x	x			2020	359
L22	x	x					2021	26
L23	x	x					2016 2017	155 372
L24	x	x					2017 2018	881 522

Compartment	ITP		TL		NFM		Year	Area
	NCR	CHR	NCR	CHR	NCR	CHR		
L25	☒	x	☒	x			2015 2016	246 268
L26	☒	x	☒	x			2020 2021	155 18
L27	x	x	x	x			2021	65
L28	x	x	☒	x			2020	105
L29	☒	x	☒	x			2019	157
L30	☒	x	x	x			2018 2019	731 384
L31	☒	x					2014 2015	313 493
L32	☒	x					2015 2016	343 1098
L33	☒	x	x	x			2018 2019	544 209
L34	x	x	x	x			2018	334
L35	x	x					2017 2018	946 357
L36	x	x	☒	x			2019	619
L37			☒		x	x		
L38			☒		x	x	2019	61
L39			☒		x	x	2019	23
L40	x	x					2019	117
L41	x	x					2019	133
L42	x	x	☒	x			2019	10
L43	x	x	☒	x			2019 2020	63 515
L44	x	x					2014 2015	309 117
L45	x	x					2021	82
L46	x	x						
P1	x	x					2017	621
P2	☒	x					2017 2018 2019	400 1290 234
P3	x	x					2014 2015 2016 2017	50 134 201 43
P4	x	x					2017 2018 2019 2020 2021	158 201 201 167 16
P5	x	x	x	x			2015	508
P6	x	x					2015 2016 2017	198 1235 289
P7	x	x					2019 2020	462 964

Compart ment	ITP		TL		NFM		Year	Area
	NCR	CHR	NCR	CHR	NCR	CHR		
							2021	321
P8					X	X		
P9	☒	X					2015 2016	836 2075
P10	X	X					2016 2017	2108 292
P11	☒	X					2014 2015	1394 1137
P12	X	X					2019 2020	1056 354
P13	☒	X					2020 2021	936 430
P14	X	☒					2014 2015 2016	321 964 221
P15	X	X					2015	2210
P16	X	X					2017	2104
P17	X	X					2014 2015	430 396
P18					X	X		
P19	X	X					2016 2017 2018	743 964 295
P20	X	X					2017 2018 2019	1034 1943 25
P21					X	X		
P22	☒	X						
P23	☒	X						
P24	X	X					2015 2016 2017	894 1290 269
P25					X	X		
P26	X	X					2019	964
P27	X	X					2019 2020	954 297
P28	X	X					2014 2015	648 1267
P29	X	X					2015 2016	667 1150
P30	X	X						
P31								
P32								
P33								
P34								
P35								
P36					X	X		
P37							2016 2017	793 909

Compartment	ITP		TL		NFM		Year	Area
	NCR	CHR	NCR	CHR	NCR	CHR		
P38					X	X		
P39					X	☒		
P40					X	X		
P41					☒	X	2020	405
P42							2020 2021	1241 648
P43					☒	X		
P44					X	☒		
P45					X	X		
P46					X	X		
P47					X	X		
P48					X	☒		
P49					X	☒		
P50					☒	☒		
P51					X	☒		
P52					☒	☒		
P53					X	☒		
P54					X	☒		
P55					X	☒		
P56					☒	☒		
P57					X	X		
P58					X	X		
P59					X	X		
P60					X	X		
P61					X	☒		
P62					X	X		
P63					☒	X		
P64					☒	☒		
P65					X	☒		

Source: Compiled from PDP, FDP, EIA, HCV Study Reports of SFI Concession Area

The sample of villages covered during the field visit in Tenom and Sipitang area confirmed that the presence of cultural and heritage resources is limited to only a few villages. However, there is a varying degree of reliance on the forest produce from forest reserve for households in the villages situated along the SFI concession boundary. The brief overview of the protection areas in SFI concession is presented in table below.

Table 1.3 *An overview of protection areas in SFI concession*

Sl No	Protection Area Category	Compartment Number	Protection Area Category	Compartment Number
I	Forest Conservation Area	L10, L11, L12, L17, L25, L37, L38, L39, L43, L46, P1, P3, P4, P5, P8, P20, P25, P26, P36, P43, P46, P48, P49, P51, P54, P59	Forest Conservation Area	L10, L11, L12, L17, L25, L37, L38, L39, L43, L46, P1, P3, P4, P5, P8, P20, P25, P26, P36, P43, P46, P48, P49, P51, P54, P59
II	Community Forest Area	P9, P11, P15, P52	Community Forest Area	P9, P11, P15, P52
III	Recreation Forest	L35, L42	Recreation Forest	L35, L42
IV	Burial Sites	P34, P52, P41, P26, P24, P28	Burial Sites	P34, P52, P41, P26, P24, P28

2.1 AN OVERVIEW OF SFI'S OPERATION

The SFI operations are broadly classified in two heads, i.e.

- (i) Industrial Timber Plantation (ITP)
 - a. In Concession Area (Forest Reserve);
 - b. In Titled Land;
- (ii) Natural Forest Management

The key activities in ITP operation include nursery, land clearing, site preparation, planting and maintenance.

- Nursery;
- Land Clearing (Under Brushing, Felling)
- Site Preparation (Mechanical Crushing, Lining, Open Planting Paths, Pitting);
- Planting (Pre-plant spraying, Planting pulp-wood, Planting solid-wood, Fertilising, Blanking/Supporting); and
- Maintenance(Weeding, Singing (acacia only), Pest and Disease Control).

In NFM area the log harvesting is done from the virgin forests using Reduced Impact Logging (RIL) technique and logged areas are restocked. The FMP plans to undertake the logging between 2012 and 2015. It was learnt that SFI has not gone ahead on this RIL logging plan in places where it was not commercially viable. As per the current approved plan, there is a halt to harvesting after 2015 to allow a period for recovery of the forest. It is estimated that the second cycle could commence in about 2038, though there would be an annual allowable cut (AAC) of around 46,000m³.

Hence, the impact on the land and customary land-use practices in ITP operation areas will have higher potential than NFM areas.

2.2 EXISTING OPERATING PROCEDURES AND PRACTICE

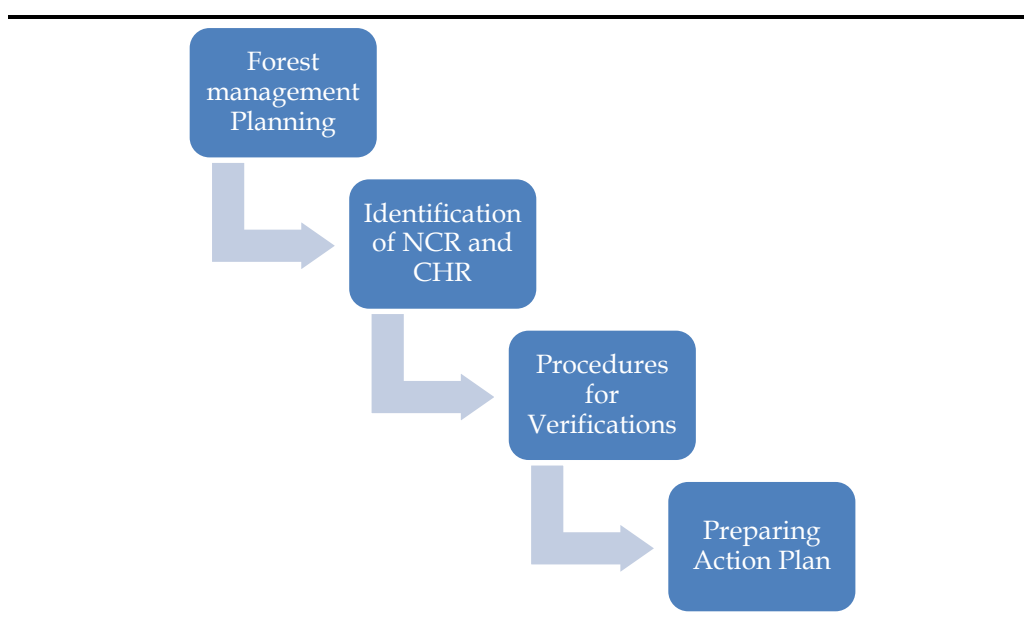
Since 2007, SFI's approach to community engagement has changed significantly. Through the advice of its Kadazandusun CSR manager and numerous indigenous staff members, SFI's approach to engagement, disclosure and agreement formation has been based primarily on respect for the rights of the areas' indigenous people. The company's CSR Department has authored four Standard Forestry Practice operating procedures that cover community engagement: conflict resolution (CSR/SOC.C4 Rev.4); stakeholder engagement (CSR/SOC.C1-C2 Rev.3); mechanism for handling land claims (CSR/SOC.D3 Rev.4); and compliance to ILO Convention 169 (CSR/SOC.C5 Rev.3).

When planning to establish a new plantation or re-entry to an existing concession area for harvesting or planting, the Plantation Regional Manager or

Forester In-Charge will inform CSR about the activities three months prior to the activities. CSR then notifies the neighbouring village headman/ headmen and community elders (even though they may not be directly affected but may be using the same public road or maybe hunting nearby) and requests permission for a community level meeting to discuss anticipated project impacts. If the community elders are agreed then a date will be fixed to meet the community. CSR and Plantation staff will go to the village for the meeting and also to carry out presentations on SFI Forest activities and measures employed to mitigate impacts.

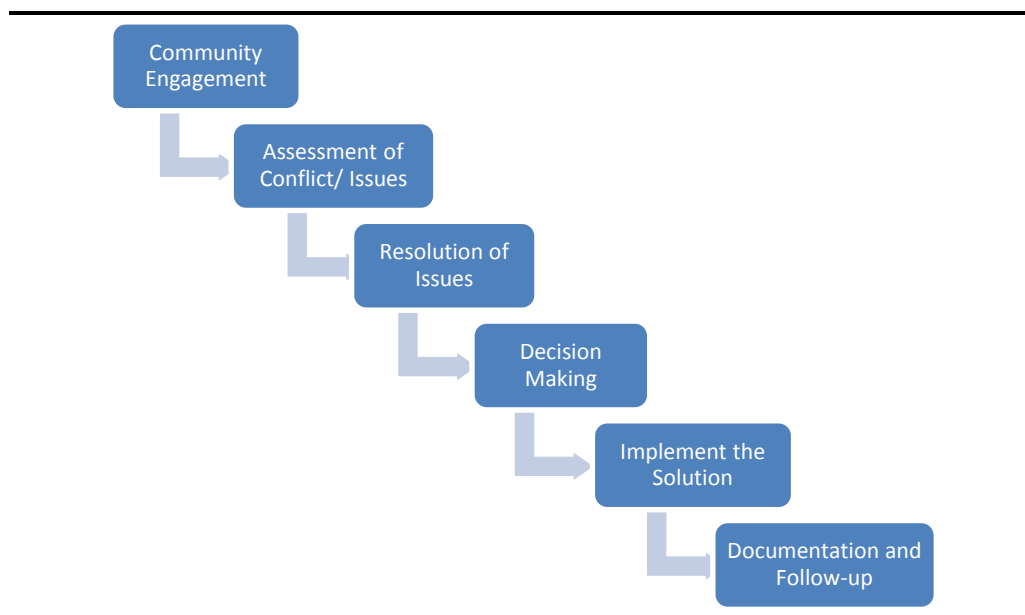
Standard Operating Procedure (SOP) to comply with ILO Convention 169 mandates CSR Department to train field surveyors and operation staff to handle issues related to high conservation value forest and cultural heritage and other important sites for local indigenous communities. CSR also takes the lead in communicating with stakeholders on current and planned activities of the SFI. The SOP outlines a four step procedure as shown in figure below.

Figure 2.1 *Steps for Identifying and Protecting Indigenous Peoples' Rights to Traditional Land and Cultural Heritages*



SFI also has adopted a SOP for conflict resolution process to identify potential conflicts relating to land tenure and land use rights of indigenous people in areas affected by SFI operations. The SOP puts CSR in the forefront of identifying potential conflicts and addressing community grievances. The organized action to deal with community grievances is outlined in 6 steps as depicted in figure below:

Figure 2.2 *Steps in Conflict Identification and Resolution*



As per this process, the CSR initiates the community engagement well before the SFI operations start. This pre-operation community engagements cover following aspects:

- i. Introduction to SFI operation;
- ii. Harvesting and plantation development;
- iii. Trickle down effects of project (financial and social aspect);
- iv. Employment opportunities with SFI;
- v. Forest Enactment;
- vi. Land ordinance and legal framework;
- vii. Briefing on conflict management procedure;
- viii. Capacity Building;
- ix. Dialogue session to air out differences;
- x. Consensus Building.

This pre-operation community engagement has helped bringing clarity and transparency regarding SFI's operation and potential impacts and benefits for the local community. A conflict assessment report is prepared in joint effort of the departments concerned and the management at appropriate level is involved in this conflict resolution process. Each department documents every formal discussions or negotiation process through formal memo and keeps the concerned Government department informed on these matters. The SOP covers the implementation and its documentation of its successful resolution.

The plantation and production departments also have established procedures to conduct pre-operation screening of environmental and community related issues. The pre-harvest and pre-plantation checklists are used for screening any existing NCR and CHR issues in the intended area of operation.

The process of establishing meetings typically follows the procedure outlined below; which is a local protocol practiced and accepted by the government.

- Consent from the District Officer/District Forest office is required if a major social or environmental study is to be carried out in the district or in the Forest Concession area. This should happen two weeks prior to the activities.
- An approval letter should be sourced from the District Officer/District Forest Officer (in SFI concession) and it should be copied and given to the community elders to signify that there is government endorsement for the activities to be carried out.
- Notification to the headmen and Village Development and Security Committee on the timeline and objectives of the activity should be delivered at least two weeks prior to commencement of any work to allow time for the community to set aside time to meet from farm work. The letter of notification should also be copied to the Native Court or District Officer.
- The results of any significant research undertaken in the project area should be to project affected communities for keeping and reference; it can be in summary form and typically CSR will present the results to the community. This often occurs in the native language of the community.
- If additional time is required for any consultation activities, community elders have to be informed that an overnight stay will be necessary and that additional facilities will be required in the village. In addition, communities regard it very rude if no notification is given and offended that they have been limited in the provision of full hospitality.

Figure 2.3 Preharvesting Check-list Screening NCR and CHR issues



SABAH FOREST INDUSTRIES SDN BHD

Pre - Harvesting Checklist

Version 3 - February 2011



Region:

Compt:

Block:

Audit	Yes	No
1 Operational harvesting plan completed: * Map showing the following: block boundaries, HCVFs, terrain and soil data, felling direction, extraction routes, landings, haulage roads and transport direction, and stream crossings. * Updated stand data * Markets and product specifications * Expected start and end dates (consistent with AWP) * Communications and security arrangements		
2 Block boundaries identified and verified in-field Comments :		
3 Research Plots, Recreation Areas & used trails marked and reported. Comments :		
4 HCVF Assessment. Have the following items been observed, reported, marked and protection measures implemented where required: HCV 1 Protected Mammals, Reptiles, Amphibians & Birds Comments : HCV 2,3 Salt licks, Small Crown Forest & Heath Forest Comments : HCV 4 Streams, Riparian Reserves & Associated Habitats; Overslope Areas >2ha & Water Catchments Comments : HCV 5 Medicinal Plant, Rattan, Bamboo, Resin and Latex collection Comments : HCV 6 Archaeological and Burial Sites Comments :		
5 Position of pipelines, telephone lines, power lines and other items which could possibly be damaged mapped and identified in - field Comments :		
6 All roads and depots completed with adequate drainage structures in place Comments :		
7 Extraction routes and landings identified in - field Comments :		
8 Slash management prescriptions. Tops, branches and bark to be : ? Broadcast ? Stacked in rows @ _____ m espacement with gates _____ m apart ? Stacked in stocks		

Audit	Yes
9 Re - establishment : none / coppice / replant Stump heights are not to exceed _____ mm Stump treatment (specify)	
10 Areas and roads to be demarcated, identified and suitable warning signs and identification boards available. Comments :	
11 Special fire protection measures implemented where required Comments :	
12 Pre - harvest clean and other preparations completed (underbrushing) Comments :	
13 Local authorities, neighbours and other stakeholders notified (where required) Comments :	
14 Infield stacks / stacks at landing / stacks at depot not to be / to be marked with :	
15 Specified machinery and equipment available an in safe working condition Comments :	
16 Operations and workers trained and certified to operate on SFI property Comments :	

Agreement :

I hereby agree to comply with the above mentioned standards, and that the operational harvesting plan takes into account the compatibility of equipment for that particular site and that all harvesting practices will be carried out in accordance with the SFI harvesting control self assessment programme.

Signature Harvesting Executive _____	Date _____
Signature Plantation Executive _____	Date _____
Signature Harvesting Manager _____	Date _____
Signature Regional Manager _____	Date _____

It was apparent from the consultations with communities and examination of the documentation made available that the community engagement process in the BILT regime has changed from the earlier practices. Most of the village communities admit that the process is now more transparent and responsive as compared to the period when the SFI concession area was under government then Lion Forest Industries Bhd. control. A very low bar was set by the government in the early 1980s with regards to community consultations for the demarcation of the original forest reserve that now constitutes SFI's concession area. No communities consulted during May 2014 fieldwork could recall there being any general engagement by government authorities about the establishment of the reserve at the time and most only learned of its existence during boundary demarcation or after the fact.¹

Figure 2.4 *consultations with community elders in Sipitang Area*



Since the establishment of the SFI concession area in the early 1980s and its management by others, the issues and grievances of the community are centred mostly around land title, conservation of riparian areas, maintaining water quality and preservation of their grave sites/heritage sites. The strengths of the current practice and system of SFI are as follows:

- SFI has established operating procedures which screens NCR and CHR issues prior to starting its operations;
- SFI through CSR initiates community engagements months before the operation taking place;
- SFI organises village meetings to disclose their operation plan and invites comments and grievances from the community members;
- SFI has a grievance redress mechanism and it discloses its details during the pre-operation community meetings.
- The issues related to land claims are taken up and forwarded to FD and LSD as per requirement;

¹ See paragraph 6.54 and 6.79 of Suhakam (2013) in which the Human Rights Commission of Malaysia reports a similar finding in Sabah regarding a lack of consultation prior to the opening of plantations by the government and private companies.

- The record of the negotiation process is maintained along with the final agreement to resolve land issues.

These practices establish a process and structure for good faith negotiation with local communities. Following areas or aspects are identified for strengthening this process further.

- The pre-project community engagement meetings should inform them about a social impact assessment process for the proposed works;
- The key social impact issues should be assessed in participation with representatives from the community;
- The outcomes of this impact assessment along with the mitigation/management measures should be disclosed to the community members and their inputs for mitigation sought;

3.1

INTERNATIONAL CONVENTIONS AND STANDARDS

The requirement for accord is derived from IFC Performance Standard 7 paragraphs 10 to 17, which set out the triggers for free, prior and informed consent (FPIC) with indigenous peoples affected by project impacts. FPIC is required if any of the following circumstances are expected to occur:

- impacts on lands and natural resources subject to traditional ownership or under customary use;
- relocation of indigenous peoples from land and natural resources subject to traditional ownership or under customary use; and
- impacts on critical cultural heritage or use of traditional knowledge for commercial purposes.

In addition the following international conventions require consultation with indigenous people regarding use of land and natural resources with which they may have interests and rights.

ILO Convention 169 in 1989 recognised the aspirations of Indigenous People to exercise control over their own institutions, way of life and economic development. Article-4 of this convention requires National Governments to adopt special measures to safeguard IP's rights over land, habitat and cultural identities. Article-7 recognises their right to decide on the priorities for the process of development that affects their lives, beliefs, spiritual well-being and to exercise control to the extent possible over their economic, social and cultural development. It provides them the privilege of participation in the formulation, implementation and evaluation of plans and programs which may affect them directly. Article-8 states that due regard should be given to the customs and customary laws of IPs in applying national laws and regulations. Article-15 of the convention dealing with the right to land (territory) and natural resources includes the right to participate in the use, management and conservation of natural resources.

United Nation's Declaration on the Rights of Indigenous People (UNDRIP) 2007 in Article 28 recognises that FPIC process is essential for using their land (territory) and natural resources which they have traditionally owned or otherwise occupied or used, and which has been confiscated, taken occupied used or damaged without their free prior and informed consent.¹

The para-5 of the general recommendation No.23 by UN committee on the elimination of racial discrimination especially calls upon State parties to

¹ Malaysia voted in favour of UNDRIP in the UN General Assembly (Nordin and Ibrahim 2014:195).

recognize and protect the rights of indigenous people to own, develop, control and use their communal lands, territories and resources and where they have been deprived of their lands and territories traditionally owned or otherwise inhabited or used without their free and informed consent to take steps to return those lands and territories. Only when this is for factual reasons not possible, the right to restitution should be substituted by the right to just, fair and prompt compensation.

UN Committee on economic social and cultural rights in their concluding observations on Ecuador (para 35) strongly urged that the State parties to ensure that indigenous people participate in decisions affecting their lives. The Committee particularly requests that the State party consult and seek the consent of the indigenous people concerned prior to the implementation of natural resources-extracting projects and on public policy affecting them.

3.2 *MALAYSIAN OR SABAH LEGISLATIONS*

Part-IV of the Land Ordinance for Sabah deals with native law. It recognises the customary tenure and protects the land held by natives by prohibiting sale of native land to non-natives. The customary tenures of the natives are permanent heritable and transferable right of use and occupancy.

This obligation to recognise customary tenures of the natives is also integrated into the timber licence granted to SFI. The license to use the concession area by SFI for industrial plantation is subject to native customary rights. Section 22 of both the ITP and NFM area licences states with regards to native law that: (i) the rights and privileges of the natives under the existing Government Laws and Regulations, including Customary Law, are not affected or limited in any respect under this Agreement; (ii) the Licensee shall recognise such rights and privileges including, without limitation to those relating to entry into the Licence Area to collect certain wood species and exploit minor forest produce (as allowed and defined in the Forest Enactment 1968 and Forest Rules 1969) for their own personal use and not for business purposes; and (iii) the Government may with the consent of the Licensee excise any part of the Licence Area where native customary rights have been established. While the licence text does not explicitly state that consultation and consent is required, it is presumed from the licence text that SFI would need to assess the existence of native rights and extent of minor forest produce collection through consultation.

3.3 *GOOD INDUSTRIAL PRACTICES*

The Forest Stewardship Council (FSC) has included FPIC as a pre-condition for certification. The new version of principles and criteria for FSC certification approved in March 2012 has broadened the scope of right to FPIC.

This framework is developed as part of the social impact assessment (SIA) for converted forest concessions held by SFI. Kadazandusun, Murut and Lundayeh people were asked to describe customary modes of consultation and decision making and to assimilate these with contemporary questions of land access and use by companies such as SFI. The methodology is therefore a subsidiary process within the larger SIA and is based primarily on data sourced during focus group discussions and in-depth interviews. Attention was given to ensure the views of women were attained.

Questions were primarily focussed on agreement formation processes and the role of customary law, or *adat*, in the resolution of grievances associated with communal discord. Focus was primarily on the various means through which reconciliation is attained, known locally as *sogit*, the customary system of restorative justice. Discussants were asked to think about various scenarios in which *sogit* would restore good relations between people after discord had formed. Scenarios were varied and changed between *kampong* (village) discussions but included discord related to arranged marriages, using another person's land, property damage (including grave sites) and petty theft. Discussants were also asked to think about the application of *sogit* with non-indigenous people and institutions such as companies.

Figure 4.1 *Consultations with elders on Sumuku and Adats*



Practice by SFI's CSR Department was also reviewed to understand the degree to which its personnel have been following the principles of *sumuku* in affected community ICP activity since 2007.

The following section outlines key principles associated with customary decision and agreement making processes discussed with project affected people during fieldwork in May 2014.

5.1

ADAT

Adat is a Malay term that means customary law. It is commonly used to describe the rules and norms used to govern and regulate indigenous social, economic and cultural life. Such rules have over time been codified in Sabah and its various districts and cover matters such as marriage and sexual relations, land and property inheritance, agriculture and the penalties associated with each. The *adat* of Sabah's indigenous peoples forms the foundation of jurisprudence for the state's Native Court system.

Acknowledgement of the contemporary importance of *adat* existed in all villages visited during fieldwork in May 2014. However, the centrality of *adat* in daily life was more pronounced in rural areas such as Tenom District and less pronounced in mixed urban, peri-urban and rural areas such as Sipitang District.

It is in *adat* where the requirement for community consultation (*sumuku*) for land access and usage is found. For instance, in Halogilat (Beaufort District) and Tinura (Tenom District) the study team was told that agreements between owners and users of land are entered into using *adat* principles. These included the negotiated payment of rent or a portion of the crop grown by the user and the restriction from growing anything permanent such as fruit trees. Key to the agreement formation process is the requirement to seek out the owner of the land and ideally request permission prior to planting a crop. Kadazandusun anthropologist Benedict Toppin told the study team that in such a scenario, if *sumuku* was conducted in retrospect (i.e. after the planting), the user would also be required to pay *sogit*. In addition, any damage to or removal of plants or trees would be compensated on a like-for-like basis.

5.2

VILLAGE HEADMAN

While the general principles of *adat* are widely known among residents of the Project area villages, interpretation and judgements under *adat* are generally undertaken by the village headman. Most villages visited during the fieldwork in May 2014 have a headman (*Orang Tua*), or at least access to one in a nearby hamlet or village. In rural areas where the relevance of the headman is more immediate than elsewhere, *adat* requires that the headman be the focal point for consultation with the community. In some non-rural villages there was scepticism about the contemporary effectiveness of the headman as

disseminator of disclosed information though these villages have additional channels through which project related consultation can occur. The headman role was before the British time either held by an individual or a group of elders depending on the indigenous group and the scale of its population.

Today the headman is primarily a village level representative of the state's Native Court system appointed by the State Public Service Commission. If a matter cannot be settled by the local headman then he refers the matter to the Native Court, which is typically headed by another state appointee, namely a Native Chief. The village headman also sits on the Village Development and Security Committee (*Jawatankuasa Keselamatan dan Kemajuan Kampung* or JKKK), which is typically in effect the representative of the government in power and serves to seek and deliver development, security and infrastructure opportunities to the village.

5.3

SUMUKU

The word *sumuku* most directly translates as 'request consultation'.¹ *Sumuku* has come to signify a customary mode for attaining permission through consultation and it can be enacted prior to an action or in retrospect. The process of attaining accord is embedded within a broader conceptual framework called *rumomut* (in Kadazandusun), which means to connect through communication (to commune with nature and others). A company can initiate *rumomut* with a community in order to establish *sumuku*; the ultimate goal of which would be to reach *piumpangayan* (in Kadazandusun); this is a mutually shared sense of good will and understanding attained after public disclosure of intentions, community discussion and agreement on the conditions of accord.

Expert on Kadazandusun culture, Benedict Toppin, agreed that the English word 'accord' is a suitable synonym for *piumpangayan* as it captures the potential that both sides to a negotiation may have needed to make compromises to reach a mutually acceptable arrangement to move forward on an issue. Toppin added that the two most important elements that must precede *piumpangayan* are full disclosure of each party's intentions and any related information. It is also important that all members of an affected community bear witness to the moment of accord as the community will play an equal role in the enforcement of the accord into the future. Evidence of the accord can range from meeting minutes through to the planting of a rock (i.e. an oath stone) in a physical location to signify the agreement. In the past, such rock plantings may have also involved the sacrifice of chickens or pigs, the blood of which would take away any negative feelings about the accord.

¹ Analysis of the term *sumuku* is limited in the anthropological literature on Borneo cultures. It was first mentioned by priest Staal in 1925 (Staal 1925), who was later paraphrased by anthropologist Peter R. Phelan in 1983 (Phelan 1983).

Curses may also be involved, the use of which would be to instil fear in anybody who may think about breaking the accord.

5.4

SOGIT

Sogit is the customary system for restorative justice and typically involves the payment of compensation (in cash or in livestock) to aggrieved parties and victims as a penalty for wrong doing and as a means of reconciliation. *Sogit* literally means 'to cool'. In the past, *sogit* was paid to a community in the form of animals which were slaughtered and their parts divided between members of the long house. The belief was that any offence against *adat* was an offence against the community, resulting in discord that could only be cooled through *sogit*.

If the infraction is fairly minor and admission of fault is clear, *sogit* is followed between parties to restore equanimity. If the matter is unresolvable then the matter is brought to the village headman for assessment and ruling. If he cannot solve it or either party appeals his decision, the matter is sent to the Native Courts. If the matter cannot be resolved there, then it would typically be transferred to the common law (civil or criminal) court system.

The use of *adat* has remained strong in Tenom District villages and disputes are regularly resolved through *sogit*. An example was given in Tinura of when a forestry sub-contractor damaged a grave site that had been demarcated by villagers. The aggrieved villagers took the matter to the headman who then took it to the Native Court. The sub-contractor submitted to the jurisdiction of the Native Court (possibly because he too was indigenous) and the matter was resolved. The headman in Tinura believes that it would be possible for a non-indigenous company to submit to the Native Court because there was always redress on appeal to the civil court system if either party disputed the ruling. It is however highly unlikely that the Native Court would deal with such a matter in the first instance.

5.5

CONCLUSIONS

SFI has been practicing a fairly consultative form of ICP since at least 2008, which has proven the effectiveness of *sumuku* as a means to find mutually acceptable accord between SFI and directly affected indigenous people. SFI should continue to formalise its community communication framework, or *rumomut* in Kadazandusun. The ultimate aim of which is attainment of a mutually shared sense of good will and understanding through public disclosure of intentions, community discussion and agreement on the conditions of accord, or *piumpangayan* in Kadazandusun.

While the research team was assured that internal community consultative processes are gender and age inclusive, SFI should establish a pilot program as part of this framework for disclosure of project related information to project affected women and youth. SFI could encourage the community to

organise separate meetings for women and youth but it is imperative that SFI be a participant or at minimum an observer in such fora. The central aim of such meetings is project information disclosure and discussion in order to attain broad community support for the project. These need to be separate from capacity development workshops for women and youth, which are clearly motivated by different intentions and aimed at attaining different outcomes.

While the Native Court institution and the role of headman is eroding, there is still great support in communities for the principles of *adat*; incorporating these principles into mechanisms for consultation and grievance resolution will enhance the sustainability of any accord formed for the implementation of impact mitigation and management measures. SFI has incorporated this into their conflict resolution procedure under 'hukum adat or fine/sogit. For example, a contractor was summoned by Native Court to pay for sogit when he accidentally hit an unmarked old grave.

This framework should be employed in order to gain acceptance of two primary activities by SFI: mitigation and management measures that trigger the need for consultation under IFC PS7; and research required to ensure that the access of indigenous peoples to land customarily used by them is not restricted under the terms of its forestry licence.

6.1

INTRODUCTION

The title “Sumuku Accord” was developed in consultation with SFI CSR Manager Angelica Suimin and leaders from various villages in the project area. It is a working title and is designed to stimulate discussion and debate among SFI’s indigenous stakeholders. The name may change, but the intention is to establish a platform on which mutually agreed accord can be formulated that will allow for the sustainable implementation of project related impact mitigation and management measures.

The objective of this Accord is to provide a planning framework for SFI in its future engagement with project affected indigenous people that meets FPIC requirement. The aim is to provide a culturally appropriate system for negotiating, attaining and sustaining accord with affected indigenous people for SFI’s activities. A lasting accord is one built on the foundation of respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of affected indigenous peoples.

The process of attaining FPIC in this framework is designed both as a means of reaching accord over the mitigation and management measures for project impacts, as well as a mechanism for providing support to and the development of community decision-making processes. To the end, this framework is based on the principle of *sumuku*, the requirement among Kadazandusun, Murut and Lundayeh people that they be consulted about matters that directly affect them and that a process is enacted that involves them in the generation of outcomes that are mutually acceptable to all parties. The principle of *sumuku* is founded on inherent respect between parties and that the process of accord generation ultimately results in lasting and harmonious relationships. The process must be inclusive and all must feel that they have participated in the creation of accord to ensure its sustainability. This document establishes the mechanisms through which SFI will establish and maintain an ongoing relationship with affected indigenous people based on informed consultation and participation (ICP) about project decisions throughout the project’s life-cycle. The ultimate outcome will be a system that demonstrates and ensures that a culturally relevant and acceptable process for attaining and sustaining the free, prior and informed consent of affected indigenous people has been implemented.

6.2

TRIGGERS

The need for implementation of this framework will be based on an assessment of the potential impacts of each project during the initial scoping phase of each SIA, which occurs as a part of the broader Environmental and

Social Impact Assessment (ESIA) for each project. The need to use this accord framework will be triggered by the following identified circumstances occurring within the SFI concession area:

1. impacts on lands and natural resources subject to traditional ownership or under customary use;
 - customary use refers to patterns of long-standing community land and resource use in accordance with customary laws, values, customs and traditions, including cyclical or seasonal use;
2. relocation of indigenous peoples from communally held land and natural resources subject to traditional ownership or under customary use; and
3. impacts on critical cultural heritage or use of traditional knowledge for commercial purposes.
 - critical cultural heritage consists of internationally recognised heritage of communities used for long-standing cultural purposes and legally protected cultural heritage areas.

SFI should always be attempting to reach and maintain a shared vision of each forestry project as it arises through its regular ICP processes. However, if the need for FPIC is triggered in the ESIA scoping phase for each compartment or combination of compartments, then this framework is activated. This screening should be done with a checklist which contains following key indicators (See Annexure-A for the FPIC screening tool).

- Grave mounds;
- Small hut;
- Carved wooden poles;
- Fruit trees;
- Oath-stones;
- Concentration of bamboo or rattan trees;
- Springs or perennial streams;
- Waterfall;
- Caves;
- Fallow farmlands;

It is recognised that some indigenous individuals, families and groups currently utilise portions of the SFI concession area for customary purposes such as NTFP collection, hunting and fishing. It is also recognised that some also use portions of the area for cultivating rice and growing fruit trees, while other have chosen not to clear any new land in the SFI concession area for such purposes. Fieldwork during May 2014 with a sample of affected villages confirmed that most people conducting such activity do so in full awareness of the fact that the concession area is under alternative usage by SFI as designated under licence by the government. They are therefore aware of the existence of the forest reserve but continue to exercise their right of access, and in some cases occupancy. Government recognition of native customary rights

within the SFI concession area and the subsequent excision of respective portions of land is legally permissible under the terms of the timber licence agreement , and the study team is aware that some applications for such exist. Given the existence of these applications and knowledge of long-standing customary usage for hunting and collecting, the need for FPIC will be triggered in certain areas.

In addition, fieldwork in sample villages confirmed the very low likelihood that indigenous (or indeed any) people currently reside within the SFI concession area, therefore reducing the potential need for any relocation due to physical displacement as a result of the project. Fieldwork did however confirm that cultural heritage sites such as graves are present in some portions of the SFI concession area.

In light of these pre-existing conditions, it is highly probable that any mitigation and management measures for customary usage only of portions of land within the concession area will require negotiation for compensation for the loss of any identifiable improvements in such portions in conjunction with livelihood restoration measures relative to the scale of the loss. During the SIA for each project, SFI will be responsible for determining the level of dependence each identified household has with the customary natural resources used within such portions of land within its concession area. The assessment will produce a metric for the actual loss and loss of access, and aid in the development of proportional livelihood restoration measures that can be negotiated with the affected households. In addition, mitigation and management measures for the protection and maintenance of any critical cultural heritage sites will need to be negotiated and mutual agreement attained.

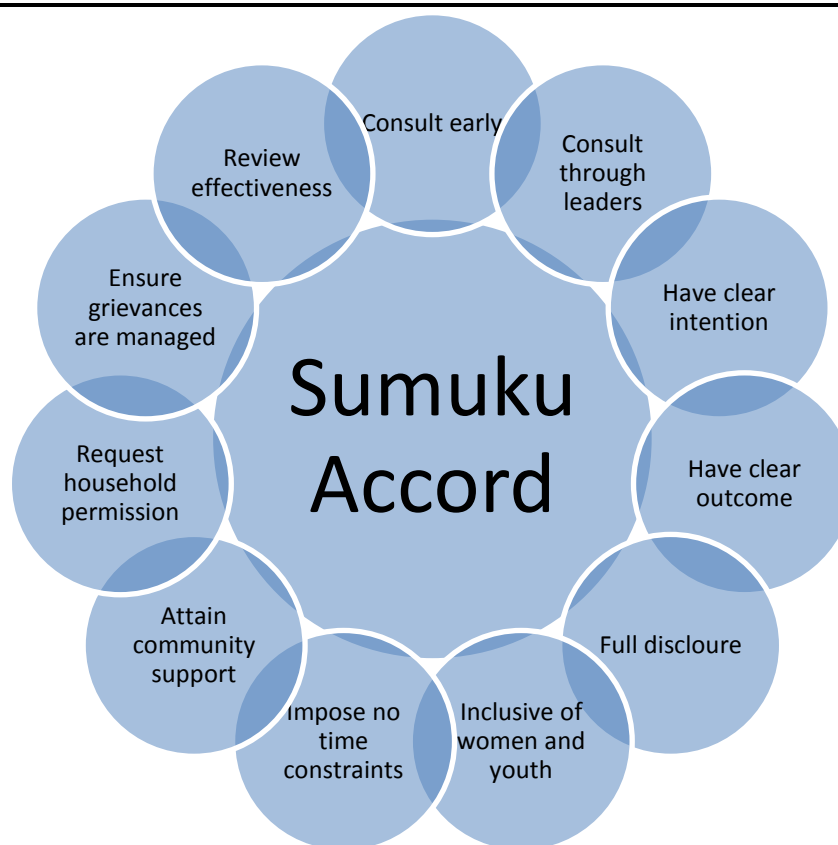
6.3 *PRINCIPLES OF THE SUMUKU ACCORD*

The sumuku accord with any village community will be based on the traditional value system and principles as follows:

- Consultation with all related stakeholders should occur as early as reasonably possible.
- In communities, the request for consultation should be channelled through the village headman and other respected leaders.
- SFI should clearly state its intentions and desired outcome at the beginning of all consultations.
- Community and government stakeholders should receive full disclosure during consultation of all potential impacts.
- Community consultations should be inclusive of women and youth, encouraging their participation in negotiations and decisions.

- Negotiations towards an accord should within reason, take as long as required to ensure all affected people are aware of impacts and proposed mitigation and management measures.
- Communal accord is required where impacts are on lands held under communal title, while household accord is required where impacts directly and adversely affect the livelihoods of individuals and families.
- Accords should be iterative and open to review if proven ineffective through monitoring and evaluation processes during and after implementation.
- Grievances associated with accords will firstly be managed in consultation with the relevant village headman.

Figure 6.1 *Principles of Sumuku Accord*



The Sumuku Accord will be judged on the basis of its process (which should be prior and free), relevance (information disseminated should be relevant and material for decision making) and a clear outcome (An agreement which is acceptable and verifiable). These four essential components of the Sumuku Accord is elaborated below in the context of SFI.

Free Process:

A free process in the concession area would comprise choice in determination of the date and time of consultation and the manner in which it occurred.

Evidence of a free process in the concession area therefore would be one in which a majority of the community provided their support for the initiation of the Sumuku process. Evidence of communal accord can be recorded in a number of ways depending on context. For instance, at the beginning of a public disclosure forum, attendees can be asked to indicate by a show of hands if they are there willingly (of their own accord) or unwillingly (forced under duress or intimidation). For a less public record of evidence, see the description below of the post-accord formation exit survey that would be conducted by a third-party independent monitor.

Prior Process:

A prior process is one that comprises raising early awareness of impending impacts and proposed mitigation and management measures. Initial consultation with communities about plans to develop particular projects (i.e. development of compartments for whatever reason: timber harvest or plantation) would be the starting point from which a third-party independent monitor could effectively measure evidence of a prior process. Identification of forest users engaging in long-standing customary practices from within the community should occur through a public meeting, which would constitute the beginning of pre-project (i.e. prior) information disclosure and public participation.

This early consultation would subsequently include the participation of customary users of the forest in the identification HCV elements within the impact area, and constitutes participation in the definition of the project and includes criteria for inclusion in decision-making about avoidance.

All pre-project consultations and public disclosure meetings (i.e. disclosure of impact assessment results, discussion about mitigation and management measures, and accord formation events) should be witnessed by the monitor and assessed for their effectiveness in delivery of clear and understandable project information to communities.

Informed Process:

An informed process will be judged from the evidence of the effectiveness of information delivery and broad comprehension of the project, its impacts and the proposed measures to avoid, minimise, mitigate and manage these impacts. SFI CSR Department staff should regularly test community's level of comprehension of these project elements and revise the information disclosed to ensure optimal transmission has occurred.

An optimal comprehension level could be measured through a sample of community members being asked a number of simple questions about the project elements, such as:

- Do you know the location of the currently proposed project?
- What do you understand SFI plans to do in the compartment?
- What changes will occur in the forest? and

- What is SFI doing to manage these changes?

The SFI through the independent monitor should conduct this comprehension testing. Careful attention should be paid to include the following segments from the population in comprehension testing: elderly, disabled, single-mother, male youth, female youth and minority ethnic group.

Consultation and Consent:

The consent formation process (sumuku) must comprise a clear articulation of what SFI wants from the community: that is, where long-standing customary forest usage is communal, their broad communal support for the project impacts to occur and for the management measures to be put in place.

Additional effort should be made by SFI to ensure that male and female youth as well as the infirm and elderly are able to participate in decision-making processes. It is probable that such segments of communities may be omitted from the accord formation process.

It should be added that while a village is typically comprised of a majority ethno-linguistic group (i.e. Murut, Kadazan, etc.), there appeared to be no exclusion of those from other ethnic groups who only formed a minority within the population. These people (male and female) had typically married into the village, and while their status varied in terms of rights (e.g. ownership versus usufruct in land), they appeared to participate equally during consultations.

Evidence of inclusiveness in the formation of consent for the project's impacts and management measures can be tracked through the comprehension testing of disclosed information as well as through the post-accord exit survey conducted by the independent third-party monitor.

6.4

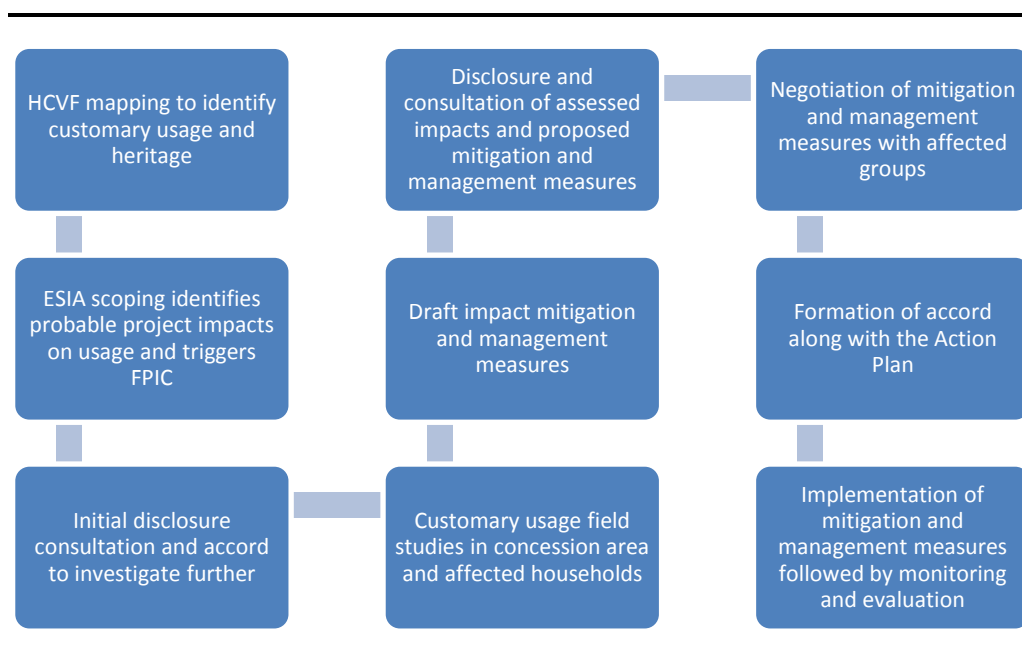
IMPLEMENTATION MECHANISM

The SFI Conservation Department will start with priority cultural and provisioning ecosystem services identified in HCVF, EIA or any other prior assessments undertaken in the project area. The data from this exercise will be shared with relevant communities, the SFI CSR Department and the SIA study team.

During the ESIA scoping phase, the study team will identify any probable impacts on indigenous people's long-standing customary usage of natural resources within the concession area that would trigger the need for FPIC to be attained (see triggers section above). These triggers are most likely to involve long-standing customary use of the SFI concession area for NTFP collection, hunting and fishing. Long-standing customary use of land for cultivation will be rare but is still possible. If the compartments are located in

contiguity, then they can be covered under a single FPIC process specifically when they are linked to a single community or Kampong.

Figure 6.2 *Steps in the Sumuku Accord implementation process*



The CSR Department (or its equivalent) begins the accord formation process by seeking consultation with potentially affected community members through their village headman. There is a possibility that the headman may not enjoy support from the community (this may be due to the current process of political appointment of headman). In such cases, the community should be given an option to nominate any alternative person, whom they authorise to coordinate the process with SFI as their representative. The CSR Department will provide the results of the SIA scoping phase in an accessible format and request permission to undertake additional studies for the SIA.

Once communal accord to continue the SIA studies has been attained the CSR Department in collaboration with the SIA study team will conduct research in project affected households to document and assess the character and pattern of its member's long-standing customary natural resources usage in the SFI concession area. Any other long-standing customary usage and impacts on critical cultural heritage will also be assessed at this time.

The SIA study team will document and assess the impact of the project on customary usage of land and natural resources and draft proposed mitigation and management measures. The assessment will produce a metric for the actual loss and loss of access, and aid in the development of proportional livelihood restoration measures that can be negotiated with the affected households (and community if found necessary). In addition, mitigation and management measures for the protection and maintenance of any critical cultural heritage sites will be developed if required for communal agreement.

The CSR Department will present the results of the SIA and the proposed measures to all relevant stakeholders (including Forest Department) and request permission to consult with project affected households. If there is planned impact upon long-standing communal use of land held under communal title outside the SFI concession area, then consultation will be held with relevant community members on this matter specifically.

In consultation with the relevant village headman, the CSR Department will conduct consultations with men, women and youth to both disclose information about the mitigation and management measures but also to reach a position in which broad community support for the project has been attained from a majority within each group.

The State Forest Department (SFD) has the legal mandate to own and protect the Forest Reserves. SFI being only the lease holder, cannot accept or acknowledge any easement or ownership claims. If the process of Sumuku involves recognition of such rights, SFD would be involved as a key-stakeholder in this process. In such cases, the Sumuku Accord will be a tripartite agreement.

These series of consultations will also explain the legal rights of all parties and negotiate, address and resolve issues prior to reaching accord. The project grievance mechanism will be explained to all affected individuals, households and communities and demonstrated to ensure that processes are broadly understood. Government representatives will be invited to participate as observers to all accord formation consultations.

Agreements reached during these consultations between village members and the SFI CSR Department will be recorded on paper. The Sumuku Accord will have an Action Plan (The format of the Action Plan is provided in Annexure-B at the end of this document) for each village. The Legal and Finance Department will keep copies of the agreements in its office in Sipitang. Any additional representation of accord as per customary practices by the community, such as the planting of oath stone or observing of any ritual, will be considered by the CSR Department.

Prior to any physical work being undertaken on the project, agreed compensation and livelihood restoration measures as stated in the Action Plan in Sumuku Accord. As a rule, no household will experience adverse livelihood impacts as a result of the project. Mitigation and management measures monitoring and evaluation process will be implemented at the scheduled point and time by an independent review team. The methodology will also include a qualitative review of the effectiveness of accord making and keeping processes and the results will be made available to third party observers and the government. The independent review team will make recommendations to SFI on ways to improve or enhance this framework.

The Sumuku process principally starts with the intention of reaching an agreement. However, if the process fails to reach any agreement, SFI would document the negotiation process to demonstrate their efforts for a good faith negotiation. The consent achieved need not be a consensus of everyone in the community. There may be dissenting views in the community. If majority of the community members endorses the agreement that does not vitiate the interest of any minority ethnic groups, it should be construed as a broad consent. It is imperative that SFI will not initiate the work if a Sumuku Accord could not be finalised. If the process is successful and an agreement is reached, following processes should take place.

6.5.1 *Post-accord Exit Survey*

Immediately after each public meeting that has seen a final and conclusive statement of communal and/or individual household accord produced, the independent third party monitor should conduct a post-accord exit survey with participants. This should be a simple five minute interaction that gauges the satisfaction of a sample of community participants and all directly affected households that have been engaged by SFI. Questions should include:

- Did you participate in these meetings freely?
- Do you fully understand what is about to happen in the concession area?
- Do you fully understand what SFI is going to do to ensure project impacts will not leave you/community in a worse situation?
- Do you agree to SFI implementing these plans to manage impacts;
- Do you know what to do if you find the project is adversely impacting you or the community; and do you believe this process has produced an agreement that will last for a long time.

6.5.2 *Maintaining the Agreement/ Sumuku Accord*

Through application of this framework, SFI will be able to demonstrate that accord has been attained through a process of free, prior, informed consultation and participation that allowed for good faith negotiation towards project consent. Evidence of this process will be documented through the implementation mechanism described above and include:

- ESIA scoping results and project information and potential impacts presented in a form acceptable to affected communities;
- record of request for consultation with village headman and respective affected households and communities;

- record of SIA household and community study results in a form acceptable to affected communities;
- record of each consultation with affected households and communities including meeting minutes showing date, time, attendee details, agenda and outcomes; and
- record of any project related agreement reached between SFI and an affected household or community.
- Community feedback of participation in the process as well as implementation of the principles.
- Records of SFI grievance redressal process and the company's actions on grievances related to non-adherence to the Sukumu accord.

6.6

RESPONSIBILITIES

The SFI Legal and Finance Department is primarily responsible for the implementation of this framework once triggered through the findings of the SIA scoping phase. The following list of responsibilities is in chronological order and follows the implementation mechanism.

- The ESIA study team will inform the Legal and Finance Department that the FPIC of households and communities (if required) within certain villages is necessary based on its assessment of potential project impacts.
- Legal and Finance Department may request CSR Department for access to these villages and to engage with community members at a specific date and time. This date is typically no sooner than two weeks after the request is issued.
- The CSR Department is responsible for translating the results of the SIA scoping phase into a format that is acceptable to affected communities and effectively communicates SFI's project intentions.
- The CSR Department is responsible for confirming the results of the scoping phase in the villages and providing the SIA study team with a qualified list of households to target during the SIA.
- The SIA study team is then responsible for conducting all requisite studies with identified households and communities to ensure all planned and unplanned project impacts can be appropriately assessed, mitigated and managed.
- The SIA study team is responsible for drafting proposed mitigation and management measures, including compensation and livelihood restoration and critical cultural heritage management and conservation measures where necessary.
- The CSR Department is responsible for translating the results of the SIA into a format that is acceptable to affected communities and effectively

communicates SFI's proposed project impact mitigation and management measures.

- The CSR Department is responsible for disclosing the project impact mitigation and management measures, negotiating their acceptance, and reaching agreement with respective leaders, households and communities.
- The CSR Department is responsible for inviting and ensuring attendance of government representatives as third party observers at accord formation consultations in villages.
- The SIA study team is responsible for qualifying affected household and community FPIC and ensuring that any accord reached will be durable and sustainable.
- The Legal and Finance Department is responsible for recording, documenting and managing all project related agreement documentation.
- The SFI Management is responsible for the implementation of all project related mitigation and management measures.
- The CSR Department is responsible for the management of the project grievance mechanism.
- The independent review team is responsible for assessing the effectiveness of this framework in attaining and maintaining project-related FPIC of affected communities and households.

6.7 MONITORING & REVIEW

6.7.1 *Monitoring of Sumuku Process and Implementation of Sumuku Accord*

The Sumuku process will be watched by a third party/independent observer at some crucial landmarks. These significant landmarks are;

- Pre-logging/plantation public disclosure audit;
- Post-Sumuku Accord exit survey;
- Sumuku Accord Implementation Completion audit

Pre-logging/plantation public disclosure audit

This audit will be after or concurrent with the public disclosure process. At this preliminary stage, the independent observer will assess the adequacy of SFI's effort to avoid/minimise impacts and will examine if communities are provided all relevant information (refer principles discussed for informed process in section 6.3) to effectively participate and make informed decision to protect their rights. Some of the key questions that this audit will address are as follows:

- Is the process followed by SFI to identify and review property interests and dependency on the traditional/customary resource use adequate?
- Did this assessment particularly assess women's role in the management and use of the natural resource base affected by SFI operation?

- Did SFI make any effort to avoid potential impacts on land, natural and cultural heritage resources of communities?
- Are mitigation measures adequate to minimize the potential impacts from proposed SFI operations?
- Did SFI disclosed and build the capacity of the local communities on their rights over customary use of natural resources under the law?
- Did the information disclosure process appropriate to the comprehension level of the community to reasonably understand the project's short and long term impact?

Post Sumuku Accord Exit Survey:

This assessment or survey will be done once the sumuku process is reported to have completed and the accord has been signed. In the event of the failure of the process to be concluded, this survey will be conducted at the point when active engagement is aborted. The monitoring objective at this stage is to check if the sumuku process is adequately documented and the agreement reached is fair and protects the rights of the indigenous people. Some of the key questions that this audit will address are as follows:

- Is the process of negotiation and discussions held during the engagement adequately recorded?
- Was the sumuku process free and ensured participation of vulnerable groups?
- Is the mitigation measures/compensation agreed with the community is fair?
- Are the risks to the livelihoods of the indigenous people mitigated through introduction of alternative livelihood sources which are sustainable and culturally acceptable?
- Is the overall sharing of the project benefits perceived to be fair and equitable by concerned indigenous people?

Sumuku Accord Implementation Completion Audit:

This will be the final audit by the independent observer in the life cycle of the Sumuku or FPIC process. This will be carried out after all the activities planned in the Sumuku Accord are implemented. This completion or end point audit will see if all planned activities were undertaken as planned. It will also make a summary assessment of the outcome of the implementation process and level of satisfaction of the concerned people. Some of the key questions that this audit will address are as follows:

- Is the implementation process followed the planned time-frame?
- Is the budget allocated for the activities utilised?
- What were the grievances during the implementation process? Were they satisfactorily addressed?
- How did indigenous people participated in the monitoring of the implementation process?
- What is the level of satisfaction over the outcome of the activities planned in Sumuku Accord?

6.7.2 *Iterative Review of this Sumuku Framework*

This framework is to be reviewed at regular intervals by a qualified independent review team with experience in community agreement making. The review team will make recommendations to SFI about improving or enhancing the accord formation process based on its assessment of how effective it has been in producing planned outcomes. The review team may conduct this task in parallel with other monitoring and evaluation tasks required under other social management plans, especially those required for compensation and livelihood restoration and management of any critical cultural heritage.

6.8 *GRIEVANCE MECHANISM*

It is essential that SFI's grievance mechanism incorporate the principles of the *Sumuku Accord*. Recourse should be just that, a way of bringing parties back on the same path towards the same outcome. Just as this framework will be reviewed, so too should the project grievance mechanism to ensure that it is effective in providing acceptable outcomes to project affected households and communities.

6.9 *LIMITATIONS*

The limitations described in Chapter 2 of the SIA report apply this Annex too.

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- Shim P. S. (2007) "Inland People of Sabah- Before During and After Nunuk Ragang", Borneo Cultural Heritage Publisher, Kota Kinabalu, Sabah, Malaysia.
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- Suhakam. (2013) *Report of the National Inquiry into the Land Rights of Indigenous Peoples*, Human Rights Commission of Malaysia, Kuala Lumpur.

Annexure-8A (a): FPIC trigger Screening Tool

Sl No	Criteria	Indicators	Observations or Remarks
I	Relocation of Indigenous People	Is there any existing residential structures?	
		Any abandoned camp sites indicating seasonal occupation?	
II	Customary use of land and natural resources	Is there any fallow farmland	
		Is there any fruit tree	
		Is there bamboo and rattan trees	
		Is there any rubber plant?	
		Is there a spring or perennial stream	
		which villages are located down-stream/	
		Is the compartment partially or full covers any catchment area for a village stream?	
		Is any part identified as HCVF?	
		Do you see any sign of hunting?	
III	Cultural heritage and traditional Knowledge	Is there a grave mound/	
		is there any dilapidated hut?	
		Is there any carved pillar?	
		Is there an oath stone?	
		Is there any cave or waterfall?	
		is there any historical reference to any particular landform or natural features?	
		Is there any protected historical monument?	

Annexure-8A (b): Sumuku Accord Action Plan

[illegible]

**Annexure-8A (c): Sample SFI Documentation on
pre-operation community engagement process**

Annexure-8A (C-1): Sample Pre-operation/Pre-planting Consultation Records.

*File
New Report*

FIELD REPORT 16 -21 April,2008

Date	Events	Remarks/ Observations
16 th April,2008	Went to Ulu Tomani to Kg.Alutok,Kaang and Malutut.	Stayed overnight at Kg.Kaang. At 8.30pm conducted meeting with women weavers to determine handicraft marketing strategies and brainstorming on products market price and quality control
17 th April,2008	Meeting with Kaang Village leaders at 7.00 am until 8.00 am on serious water pollution problems at the village due to SFI logging activities at upper stream of Sg.Segamut (between P32 and P34). This is a major concern for the villagers and requested SFI to Stop logging indiscriminately near the catchment areas. Muddy Flash Flood occurred in the village on my arrival yesterday. Everyone was deprived of clean water supply. They have to use rain water or some stream away from the village for cooking and bathing. As soon as the meeting adjourned, went to Alutok with villagers of Kg. Kaang to attend Community Mapping workshop by PACOS team. There were 5 villages participating, Kg.Masanoi, Kg.Tinura,Kg. Malutut, Alutok and Kaang. There were 54 participants for this workshop comprising of men, youths and women. Participants were more active this time and interested to learn. They were exposed on the use of on Mapping Gadgets, hand held GPS and E-trek. Given practical exercise around the village. They were also given lectures on Traditional and Modern Resource Management to give better understanding on how government mechanism works against their traditional way of handling day to day issues pertaining to Land tenure etc.	To check with Logging Production on the exact location of current logging operation. * Upon verification logging was in P32 OBSERVATION- participants are excited to learn new things especially youth group. However, village leaders and women are equally excited to learn. This workshop has given a new interest to learning among the participants from the 5 villages. It is also an opportunity to enhance better community relationship. Two of the village heads-Masanoi and Tinura informed that they were reluctant to join CSR-PACOS workshop in the past because their political leader advised

18th April, 2008	At 8.00pm - briefing on CSR functions in SFI and partnership with PACOS and on Sabah Land ordinance Cap.67. with Q&A at the end of the session. Villagers were informed that CSR function is to build relationship, enhance human development by supporting community education and other development issues affecting their livelihood. All these issues have to be identified by villagers themselves and there must be community effort. CSR activities will be carried out through NGO partners with collaboration of the communities. CSR is not a department that provide Cash or Cheque to communities. During the Q&A session, all participants from Kg. Malutut and Alutok expressed their concern on the following issues:- 1. Current water pollution (murky) woes at the village. Similar to people from Kg. Kaang the leaders of these villages were requesting SFI to stop logging "indiscriminately". They threatened to burn logging camp if the condition get worst. (They identified the contractor as Lee Brothers). 2. Villagers of the three village had decided that on the 22-24 April, 08 they will go upstream to inspect the area or to stop the operation. 3. Alleged that logging contractors are felling trees close to river banks, bulldozers are crossing rivers and throwing debris into rivers/stream causing water pollution and muddy rivers. 4. Request CSR department to verify and extend their concerns to SFI Management. Villagers were also informed about visit by several SFI key people involved in the field operation (Plantation and Survey team), attending the workshop as well as giving a short briefing on Plantation Activities in Tomani Region on 18th April, 2008.	them not to participate fearing negative influence. All the village leaders applauded the effort of the company to build better relationship with villages compare to previous SFI management within and at the fringe of SFI concession. They expressed their gratitude on the current effort of CSR-PACOS partnerships, hoping that more dialogues, teamwork and consensus in the future. On observation water condition in the village is muddy and unhealthy to consume but they have no choice. Request villagers not to resort to violence. They can go ahead to check or mark their catchment area. If they find other problems they can call me directly. At the same time To verify this issue at SFI level. Logging operation was stopped at P32 on the last week of March as per discussion with Field Executive LP prior to visiting Ulu Tomani but some logs are yet to be cleared.
	Community Mapping workshop continues	

	with field practical group discussion and presentation. Each village produce sketch map of their own area. Refer to attached photos. At 2.00 pm presentation by Mr.Thondik Venantius on Plantation Program in Ulu Tomani. Generally the briefing was applauded as respectful to the communities close to SFI operation. However, some village leaders emphasised on the following issues that SFI need to assure the communities in Ulu Tomani:- 1. All water catchment is protected to ensure clean water supply. 2. Alienated zone with socio-cultural and commercial values-handicraft, dyes, rattan, hunting ground and herbal medicine. 3. Participation of communities in SFI plantation activities through direct and indirect employment opportunities 4. Clear demarcation of boundary between SFI and Villages. 5. To find solution to the current land tenure issues. 6. Degraded Catchment and riparian areas to be rehabilitated and left undisturbed. 7. No planting near the river banks to avoid contamination (weedicide /fungicide/fertilizer) Q&A session was also conducted. Some controversial issues were raised by some of the village leaders. Detailed report is as attached. At 3.45pm-Discussion with PACOS team on the community mapping practical exercise with participants and SFI survey team. Upon evaluating the understanding and team dynamics of the participants PACOS team and SFI decided that the joint-survey will be re-scheduled when villagers are ready. Currently, concentration is on the kampong boundaries between Kg.Kaang and Kg.Alutok, Malutut and Bekuku,Tinura and Magunsop.	1. Asst.Manager (Plantation) has assured the participants that his team will protect catchment and riparian areas as required by the authorities (current SFI management and Irrigation, Environment and Forestry departments respectively). 2. CSR Manager informed the participants to identify the areas with socio-cultural and commercial values and inform SFI about it. Subsequently, discussion or further meeting can be arranged. However, request must be realistic because SFI needs a bigger space for plantation activities. 3. CSR Manager and Asst.Plantation Manager inform participants that job applicants may apply job through their headmen or JKKK to ensure verification is easily obtained. Boundaries between the villages are almost non-existence,therefore "Kampong" mapping should be settled first. Kg.Kaang and Alutok will commence their kampong mapping on the 22nd - 24th April,2008. Malutut and Bakuku is not ready to identify their village boundaries due to some boundary disputes in different areas nearby the village in

	They need to determine their boundaries from each other.	particular P35.
21 st April, 2008	Went to Kg. Tinura and Kg. Magunsop on CSR and Plantation Activities in Ulu Tomani. Arrived at Kg. Tinura at 10.40am. Appointment has to be cancelled. Villagers were busy arranging funeral for a member of the community. As a gesture of respect, we re-scheduled the appointment after the mourning period is over, at least 7 days later. Proceed to Kg. Magunsop. Meeting with villagers commence at 2.00 pm. Prior to plantation presentation, briefing on CSR functions was conducted to enhance better understanding of our community engagement prior to starting any activities nearby the village. Villagers were a bit confused and reluctant initially to respond. However, during the Q&A sessions they are more open and applauded the new SFI-Bilt approach to enhance communication and building partnership with villagers within and at the periphery of SFI operations. Briefing by Asst. Manager Plantation was also well-received but similar to all the other villages that we met last week, the communities here were also concerned about their environment and water catchment areas. See detailed report. Q& A session was over at 4.00pm and we adjourned the meeting at 4.15pm. Return to SFI at 4.15pm	Nobody was in Magunsop when we arrived except for PACOS team. Discussion with PACOS prior to meeting villagers. No Headman but only JKKK Villagers want to be part of the Plantation activities but land tenure is sensitive issues. CSR Manager has briefly explained about Land ordinance Cap 67 and the government process of awarding licence to SFI or any private entity for commercial purposes. Some issues raised are best to be discussed further with Management before any commitment is made (see detailed report)

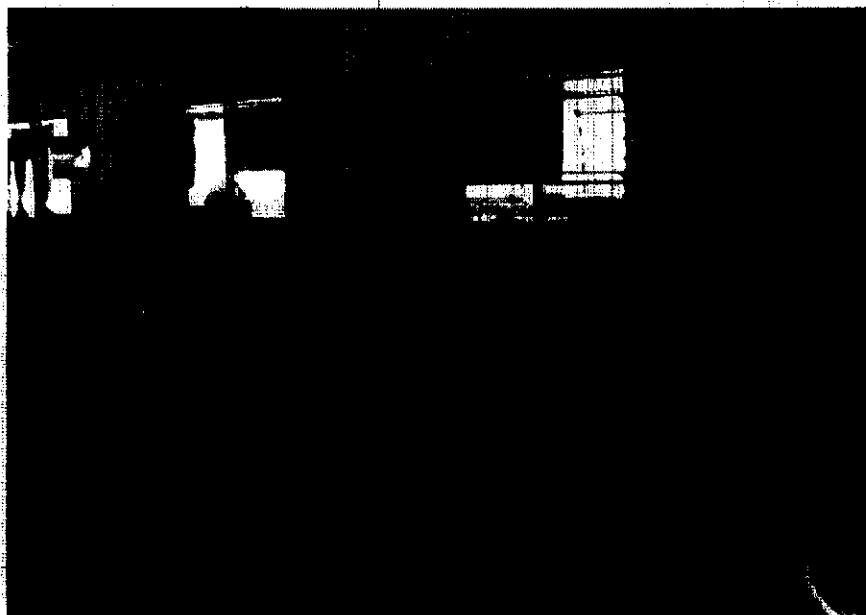


**Boundary mark for catchment areas
or riverside posted by villagers from
Kg. Kaang and Alutok on the 22nd
April, 2008 between P32/P31**

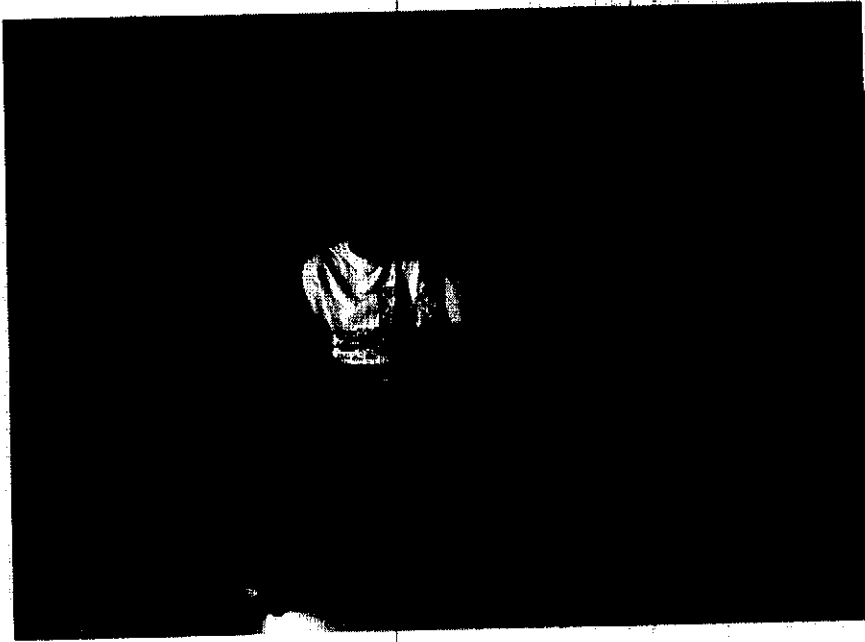
**Indiscriminate disposal of waste by
SFI contractors. Polluting flowing
rivers/stream at P32.**



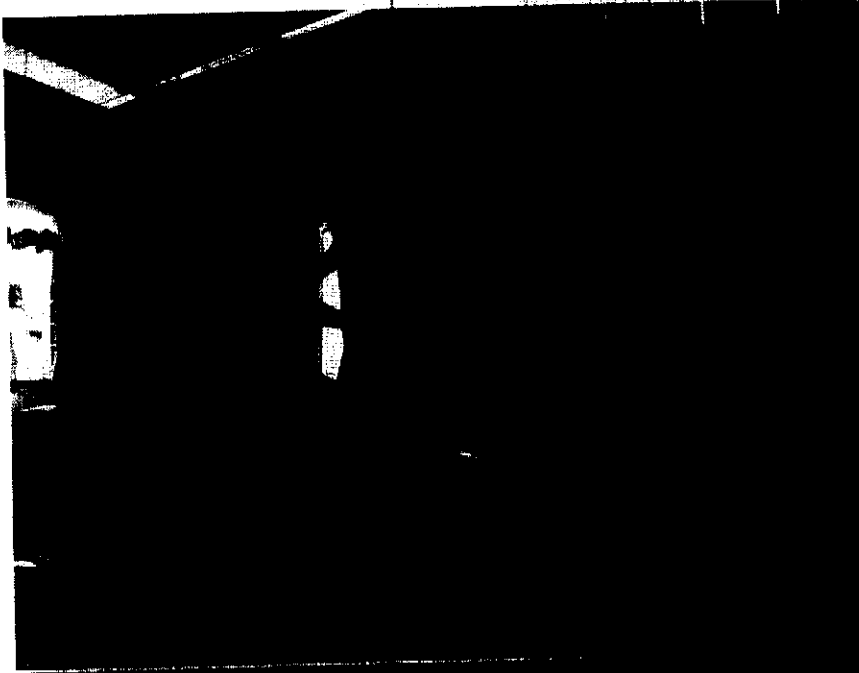
Villagers getting to know survey gadgets during the community mapping workshop at Kg. Alutok on the 17/18th April, 08.



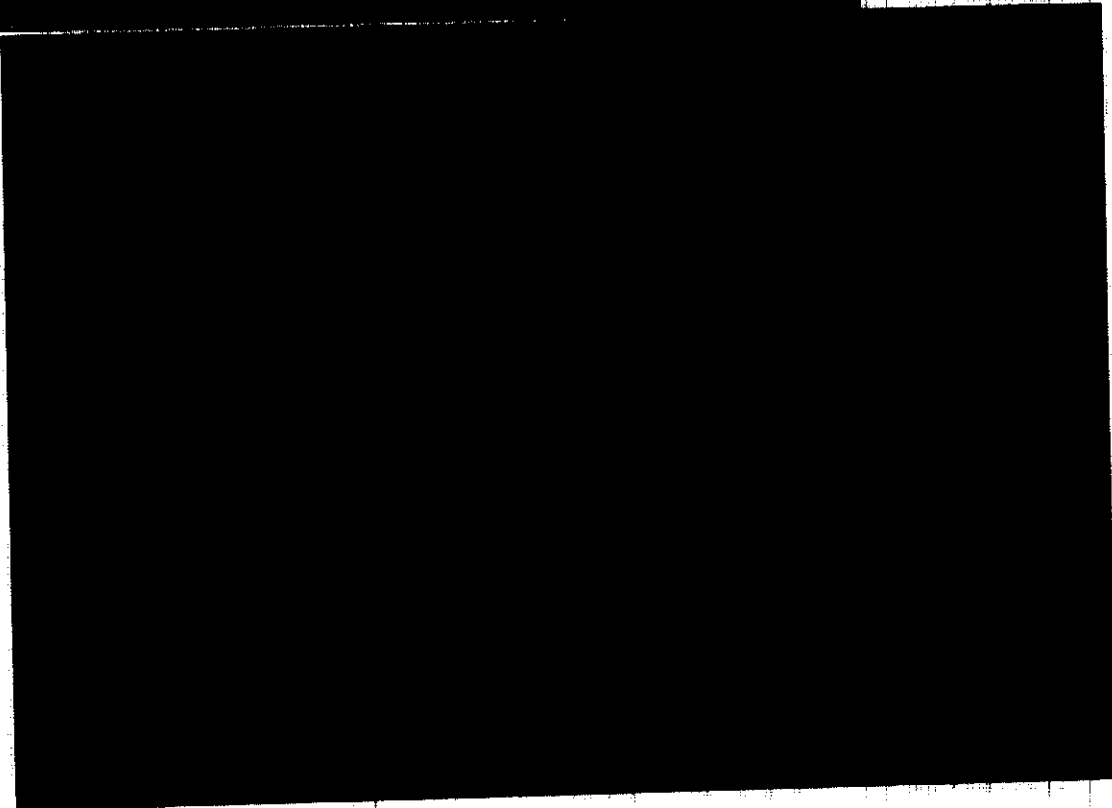
Community leaders and youths from Kg. Alutok, Kaang, Malutut, Masano and Tinura attending the workshop

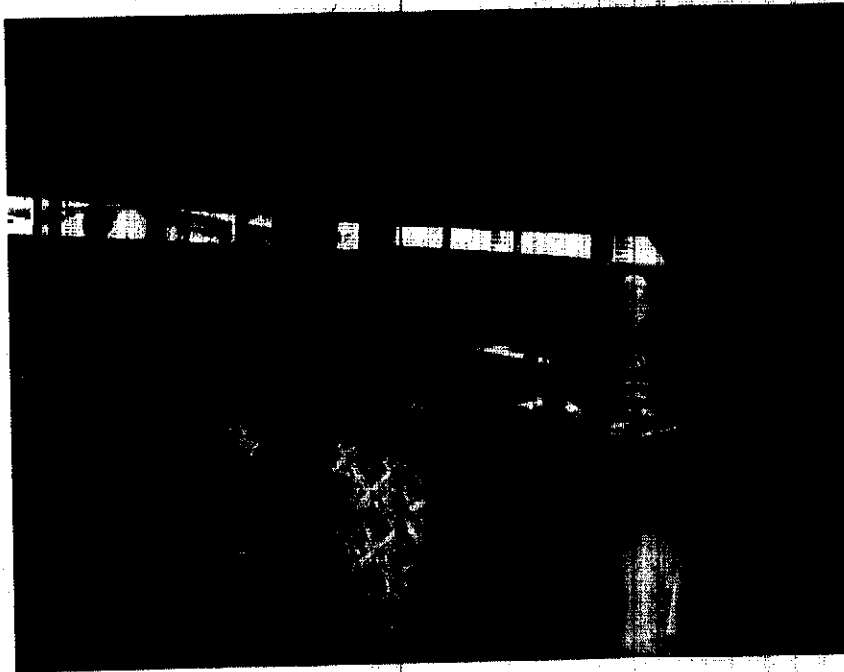


Women group attending the workshop.



Presentation of village sketch map by participants.





**Briefing: CSR and SFI Plantation
activities at Ulu Tomani-
Briefing conducted at Kg. Mahunsop
On the 21st April, 2008**



DETAILED REPORT ON COMMUNITY ENGAGEMENT AT ULU TOMANI- KG. ALUTOK, KAANG, MALUTUT, MAGUNSOP, TINURA AND MASANOI.

This report is based on community responses through Q&A during SFI presentation on CSR and Future Plantation Activities at Ulu Tomani areas (from 16th-21st April, 2008).

1. CSR

- Villagers were initially apprehensive but after explaining the different approach which SFI-BILT currently undertake with NGO partners and the constant presence of CSR Manager at every workshop, village leaders are receptive to enhance dialogue/discussion and cooperation with SFI current management.
- They requested that CSR would be the bridge to fill the gap and clear all hatred and misunderstanding between villagers and SFI in the past.
- Village leaders expect CSR to build honest transparent relations with communities to enhance respect and trust for each other.

2. PLANTATION

- Villagers from all 'kampongs' expressed their dissatisfaction with SFI logging operations "destroying" their water catchment areas. All the village leaders requested that SFI must protect their water source and avoid logging indiscriminately.
- SFI-BILT to stop logging especially those affecting catchment areas to avoid further damage to their environment affecting their livelihood (they need clean water to consume) and "Tagal" fishing project.
- Request SFI-BILT to rehabilitate badly damaged river banks to enable forest floor recovery.
- They also requested that no acacia trees to be planted too close to the river banks to avoid risk of hazardous substance due to chemical fertilizers and weedicide/ fungicide applications. There must be buffer zones to ensure clean water supply to villages and no environment devastation.
- SFI to provide employment opportunities for villagers (direct and indirect employment).
- Village leaders were receptive about the plantation activities to be undertaken by SFI in Ulu Tomani. They wanted to know the type of Plantation scheme or

community forestry available for communities to participate. They are interested to participate in community forestry but as to date there's no proposal yet. However, village leaders will be expecting update and detailed information from Plantation Division.

- They also requested that SFI allows them to plant acacia trees on SFI land close to respective villages to benefit members of the community.
- Prior to commencement of plantation activities villagers requested that forest area with socio-cultural and economic values (such as rattan, natural dyes etc) should be alienated as conservation area. SFI team requested the co-operation of the community to identify areas involved. They have to inform SFI who will discuss the issue with the relevant departments before any decision can be taken.
- Some of the villages commented that SFI logging contractors are felling durian and "tarap" (jackfruit family) trees. They are getting worried that their fruit trees planted in **their orchard** will also be affected as there is no boundary demarcation. Some of the village leaders knew that it is not allowed by Forestry Department to harvest these trees for commercial purpose.

3. LAND TENURE

- Generally villagers are receptive to Plantation activities but unsettled land tenure issue will be a major hindrance to planting progress.
- The current compensation practice of SFI logging production department does not solve land claims at all. As a matter of fact, it has caused conflicts among the communities and to further justify land claims. In particular Kg. Malutut, the leaders and young adults assume that SFI has more or less recognised their land ownership claims at P35 through compensation payment RM15/trip plus RM1,500 per month (paid to 3 different persons) effective this month. With this, they assume that they have full rights to claim for subsequent activities. The JKKK Chairman for Malutut, Alutok and Kaang reaffirmed that SFI should pay them **"lifetime"** compensation for P35 or SFI gives 50% share of plantation wood price after harvesting or pay villagers similar amount as in logging during pulpwood harvesting. In addition, this has also encouraged more claimants claiming P35 (at least 3 opposing villages, fighting for NCR rights at this area. situation is worst, only wedding and funerals can unite them for a while).
- Villagers representing the 6 villages in Ulu Tomani requested to alienate land under dispute within SFI concession before Plantation activities commence. They wanted to participate in SFI tree planting projects but suggested that SFI allows them to use the disputed land for such purpose. (Note: They were informed that under the licensing agreement SFI has no rights to sublease or alienate land

for any third party. It is Forestry Department, Land and Survey, State Cabinet and the State Governor's right to approve alienation of land).

- **Village leaders from 5 villages (Masanoi, Malutut, Kaang and Alutok) wanted to know SFI boundary to determine location of their land under Land Application but actively being used as rubber/coffee/fruit orchards and paddy cultivation. They are nervous and unhappy seeing constant movement of boundary marks and "forest guards"(SFI survey team) trespassing their land, to carry out survey works.**
- **Villagers are in the opinion that SFI or Land and Survey personnel should consult village head of each village first before carrying out any boundary markings to ensure that there is transparency or mutual understanding.**
- **To advise villagers to forward all NCR claims within SFI to Land and Survey and Forestry Department for their further action with copy to SFI.**

4. SUGGESTIONS

- **CSR, LP and Plantation Departments must cooperate to find solutions through meetings and discussions. To decide common policy or SOP relating to community issues.**
- **CSR must be informed on any compensation request through Contractors.**
- **To conduct boundary survey of SFI Concession area as soon as possible.**
- **To review agreement format between community and contractors**
- **SFI management to conduct meeting with government authorities in Tenom district to streamline solutions to Village issues. Some of the government officers are encouraging villagers to ask compensation without further investigation. This has caused relations between SFI and communities in constant conflict because community leaders are subservient to government authorities.**
- **To abolish compensation payment, instead formulate "Community Trust Fund" to enhance education among the communities living in 20 villages in Ulu Tomani. Introducing one graduate per family within the next few years. This has to be a consolidated effort between SFI, District Office, Forestry Department, Land and Survey, Native Chiefs and local politician to be the agent of change. However, this suggestion require further discussion with LP, CSR, Plantation and JCEO.**
- **Plantation Division to come up with proposals on community forestry with various options for villagers to choose. For instance:-**
 - a) **Allowing villagers to form cooperatives and established plantation in SFI land. They may be paid for the establishment and maintenance costs and SFI provides technical assistance or**
 - b) **Villagers established and maintained plantation plot and upon maturity sell trees to SFI. Training and seedling will be provided free of charge.**
 - c) **Agreement between farmers and SFI must be available as operating guidelines. These may minimise further land claims. However, Plantation**

team has to further discussed with LP,CSR and JCEO to determine the package and rate.

- Logging Production team to ensure sustainable harvesting practice based on the licence agreement to protect sensitive areas-water catchment or water source.
- Ground inspection and markings should be carried out before harvesting operation commences to avoid environmental damage affecting the livelihood of the communities within and at the periphery of SFI operations. Logging operation has to stop operating after villagers' complaint. This is costly for SFI operation and waste of time for CSR therefore such incident should never be repeated.
- Since EIA study is faulty, it is suggested that ground survey should be carried out in Tomani areas to avoid further conflict and difficulties for Plantation establishment.
- Indiscriminate sewerage disposals by contractors should be closely monitored to avoid pollution and conflict.
- Contractors should inform SFI before making any deal with villagers to avoid complication.

**Annexure-8A (C-2): Sample Minutes of
Quarterly Community Meeting.**



SABAH FOREST INDUSTRIES SDN BHD (84330K)

Plantation Department
Regional Head Quarters Pahimpalan
Tomani, Region Tenom
TEL. NO. : +6087-847200/201



OPERATION

1st MINUTES OF QUARTERLY COMMUNITY MEETING WITH ULU TOMANI

Date : 21st October 2009
Time : 11.00 am – 1.00 pm
Venue : HQ Pahimpalan Meeting Room

ATTEND

1. Thondik Venantius	TV	Assistant Manager Plantation
2. Angelica Suimin	AS	CSR Manager
3. Abd Hamid Binsin	AHB	CSR Executive
4. Roslina Ragai	RR	CSR Executive
5. Najjah Salfinas Mat Fisal	NSMF	Plantation Executive
6. Duraitah Likit	DL	Plantation Executive
7. Kompulin Somboton	KS	HSG Civil Supervisor
8. Marusin Peliten	MP	People Organization-Alutok
9. Lokowon Antahai	LA	Head Village-Alutok
10. Ambun Angi	AA	Head Village-Malutut
11. Bansuk Tampoi	BT	Head Village-Tinura
12. Yusof Antawor	YA	Community Development Committee-Tinura
13. Ampang Ahil	AA	Community Development Committee-Mahunsop
14. Lawas Yusuf Antuna	LYA	Pastor-Alutok

NO.	MATTERS DISCUSSED	ACTION BY
1.	1.1 Welcoming speech to all members involved in the Quarterly Community Meeting. The meeting will be conducted once in every 4 months. The purpose of this meeting is to discuss any issues being raised up related to the villager's social economic and their feedback towards the job opportunities at SFI plantation.	AS
2.	2.1 Since October 2008, the total workers is around 70. However, based on the summary of plantation production from January to September 2009, the plantation production target is yet to be achieved. The causes of this are insufficient workers, drought season, and workers' attendance not being consistent. Therefore, this discussion is to find out the solution to improve workers productivity and performance.	TV
3.	3.1 The workers from Kg. Mahunsop are very excited to work at plantation. 3.2 Their village uses acre for area measurement. They are not familiar with hectare to measure area. At the same time, government piece rate payment is higher than SFI which is RM 150.00 per acre. 3.3 Time management is not consistent because they are very busy with their own activities (cooking and washing). 3.4 Transportation arrangement is not consistent. 3.5 The workers want to use their own transportation by their own	AA



SABAH FOREST INDUSTRIES SDN BHD (84330K)

Plantation Department
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TEL. NO. : +6087-847200/201



Cert No.: KLR 0403164

	expenses. They request for the road to be repaired. 3.6 The performances of contractors at P22 and P23 are not successful. The weaknesses of contractors' workers are not known. 3.7 The villagers do not have modal to invest in the enterprise project (mini contractor) offered.	
4.	4.1 Piece rate is not fixed, it may change to daily rate (camp building and landscaping tasks). 4.2 Piece rate is fixed for Sarawak and other sectors. 4.3 After the construction of housing is finished, SFI will provide canteen, cook and food delivery to block. Salary deduction for food will be done accordingly. Price of the food and beverage are kept low but their quality is guaranteed. 4.4 Problem with transportation is already settled. SFI has already ordered vehicles for executives and supervisors. 4.5 The workers are not allowed to use their own transportation during working hours to avoid accident, because the insurance claim is not easy to arrange. They can only use their own vehicles to go back to their village at the end of the month or for personal matter.	TV
5.	ISSUES 5.1 Request for monthly fuel distribution for motorcycles from SFI to workers. 5.2 Workers' salaries are too low. 5.3 Supervisor cannot record accurately the workers' attendance. 5.4 Difficult tasks to be considered. 5.5 The workers cannot trust supervisor to count their salaries. 5.6 SFI's staff are being unfair towards some workers. 5.7 Contractor rate higher than own operation. 5.8 Workers request that SFI to consider their reasons and feelings. 5.9 Workers (Kg. Tinura) at Mendulong complained about Jawa group is not following the working hours. Their group do not want to resign but they are uncomfortable working with the Jawa group.	YA
6.	6.1 Every worker will get their salary if they work, eventhough the block is unfinished. However, there are workers who refuse to repair their task when asked to. 6.2 It is suggested that all activities, such as planting, weeding and felling will be divided into sub-block to enable them to complete in short period and all blocks must be completed before they taking leaves. The head of villagers will explain to their villagers who are interested to join, workers recruitment procedure is still the same with the current workers.	TV
7.	7.1 He agrees that the job explained by CSR visited their village is enough, 7.2 The workers will be more focused, if they do only one job. 7.3 They are unsatisfied with the area measurement between slope and flat area.	MP



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8.	7.4 Supervisors are responsible for workers attendance. 8.1 The point of over ^{supply of due to} seedling is workers not using stick measurement accurately. 8.2 Piece rate is more than supervisor's salary. 8.3 The tasks of supervisors are to monitor the workers' activities and their salary is by monthly basis. The current numbers of supervisor are not sufficient to monitor the large number of workers, however SFI had given opportunity to these with qualification from any village.	TV
9.	OTHERS:- 9.1 Commented from JKKK that supervisor took workers salary. However TV explained that it is not happen in Tomani. 9.2 SFI has 3 regions (Lakutan, Mendulong and Tomani). Any other issues on requests, permission and application have to go through the regional manager. 9.3 The second meeting will be held on 11/02/2010 (Tuesday).	YA TV

Minute by:

Duraitah

DURAITAH BINTI LIKIT

Certified by:

Thondik

THONDIK VENANTIUS

COPY TO ALL COMMUNITY REPS
TO BE RETURNED BY CSR.

16/11/09

**Annexure-8A (C-3): Sample Presentation used
for Disclosure of Information during
Community Meetings.**



**Sabah Forest Industries Sdn. Bhd. &
Ballarpur Industries Limited (BILT)**



PELUANG KERJAYA

SABAH FOREST INDUSTRIES SDN BHD (84330K)

NO.10, JALAN JETI, KOMPLEKS SFI

WDT 31, 89859 SIPITANG

SABAH, MALAYSIA

SEJARAH RINGKAS

- ❖ Sabah Forest Industries Sdn. Bhd. (SFI) ditubuhkan oleh Kerajaan Negeri Sabah dengan tujuan untuk mempelbagaikan penggunaan kayu dan mengoptimumkan penggunaan spesis kayu balak yang kurang dikenali.
- ❖ Ditubuhkan pada 30hb April 1982 dan dimiliki sepenuhnya oleh Kerajaan Negeri

Sambungan...

- ❖ SFI merupakan Kilang Pulpa dan Kertas bersepadu sepenuhnya yang pertama dan terbesar di Malaysia dimana ianya melibatkan penanaman semula hutan dan juga pembuatan pulpa dan kertas.
- ❖ Di bawah Lion Group, SFI telah mula mengembangkan operasinya kepada beberapa aktiviti, bermula dengan Kilang Kayu Bergergaji pada tahun 1997 dan diikuti pula dengan Kilang Papan Lapis yang mana menghasilkan lapisan kayu kering dan papan lapis pada tahun 1999.

Sambungan...

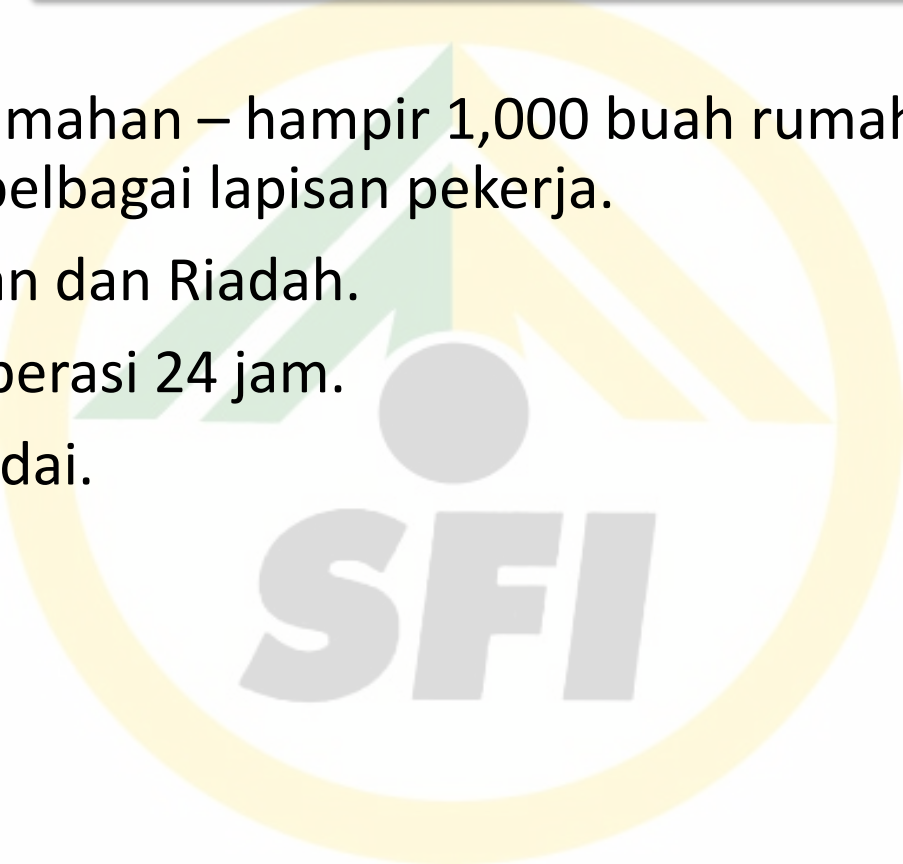
- ❖ Pada Mac 2007, Ballarpur Industries Ltd (BILT) telah membeli saham Lion Group dalam SFI dan kini memiliki SFI.
- ❖ Syarikat mempunyai sejumlah 2,547 (March,2014) pekerja yang terdiri daripada 70% rakyat Malaysia, yang mana 68.39% adalah rakyat Sabah.

Sambungan...

- ❖ Syarikat mempunyai Jeti (Dermaga) sendiri yang boleh menampung dua (2) buah pengangkutan air besar 52 DWT pada satu-satu masa. Dermaga ini mengendalikan kedua-dua penghantaran dan penerimaan kargo.
- ❖ Produk akhir syarikat yang terdiri daripada kertas cetakan berkualiti dan kertas penulisan, kayu begergaji, lapisan kayu kering dan papan lapis adalah dijual dalam Pasaran tempatan (dalam negara) dan juga di Pasaran Eksport (antarabangsa).

KEMUDAHAN

- ❖ Koloni Perumahan – hampir 1,000 buah rumah untuk kediaman pelbagai lapisan pekerja.
- ❖ Fasiliti Sukan dan Riadah.
- ❖ Klinik beroperasi 24 jam.
- ❖ Motel & Kedai.

A large, faint watermark of the SFI logo is centered in the background. It features a stylized green and yellow mountain-like shape above a grey circle, with the letters 'SFI' in a bold, grey, sans-serif font below it.

SFI

Sambungan...

Antara kemudahan yang disediakan oleh SFI.





OBJEKTIF BILT

- ❖ Mempelbagaikan dasar-dasar ekonomi dan teknologi Negeri.
- ❖ Menjadikan rakyat berdikari terhadap keperluan kertas.
- ❖ Memelihara dan memaksimumkan penggunaan bahan-bahan mentah Negeri terutamanya hutan-hutan tropikanya.
- ❖ Menggunakan sepenuhnya jumlah isipadu pokok untuk menghasilkan lebih produktiviti dan keuntungan
- ❖ Meningkatkan kualiti tahap kehidupan di kawasan pedalaman dengan mewujudkan peluang pekerjaan secara langsung dan tidak langsung
- ❖ Melaksanakan penanaman semula di kawasan pembalakan bagi meningkatkan kualiti dan kuantiti kayu.

Aspirasi Syarikat adalah untuk menjadi pemegang utama dalam nilai syer industri kertas.

Untuk mencapai aspirasi tersebut, syarikat akan menggunakan TENAGA pekerja, membangunkan dan mengimplementasikan teknologi TERKINI, dan menggunakan kedua-duanya bagi memberikan penyelesaian EFEKTIF kepada pelanggan kami

MISI BILT

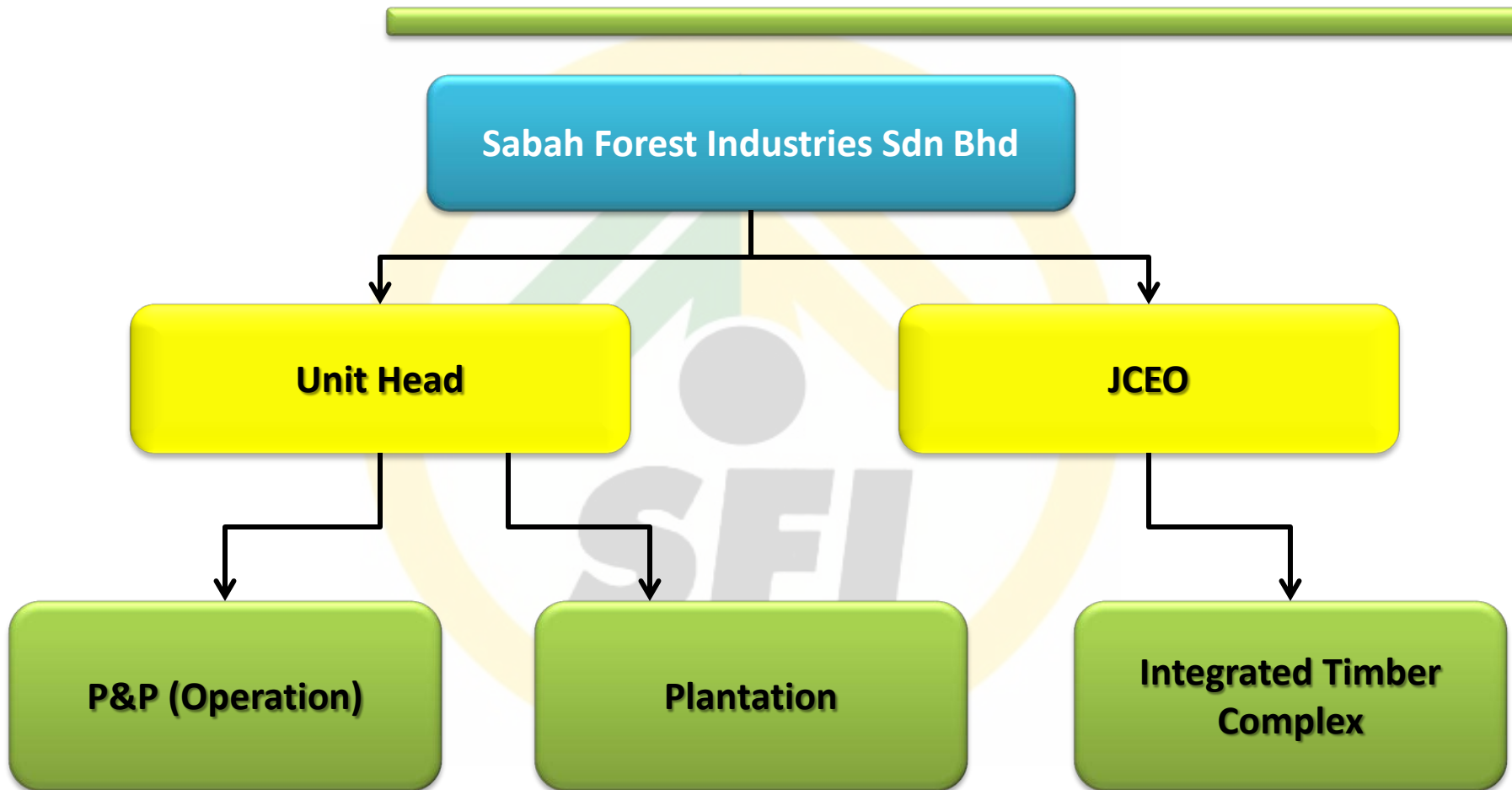
Sentiasa menunjukkan prestasi yang baik dan konsisten serta menghasilkan produk yang berkualiti tinggi kepada pelanggan dan juga pemegang amanah.

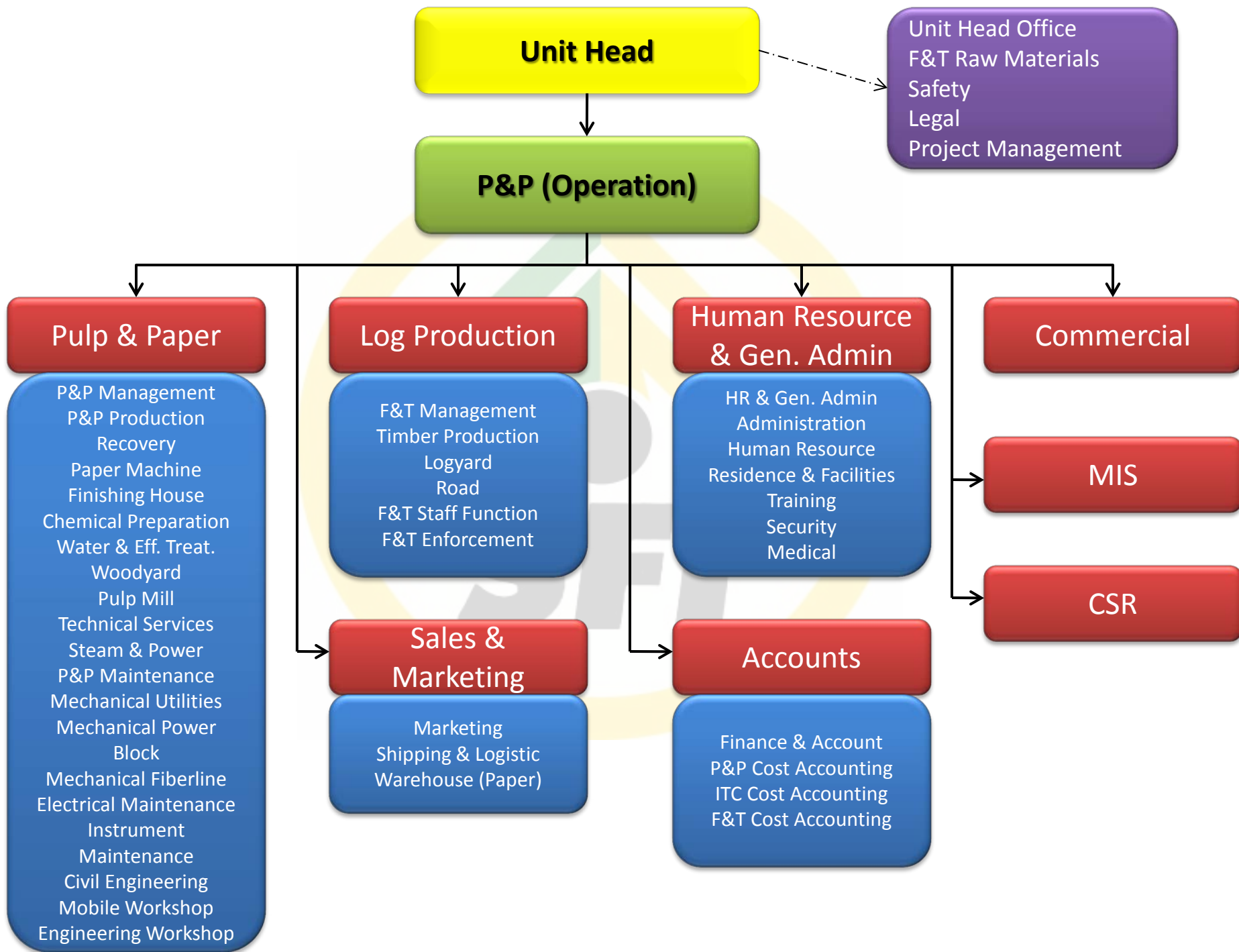
Untuk mencapai misi tersebut, kami akan menerapkan nilai-nilai positif dalam diri para pekerja supaya berinovatif, berinisiatif dan menggalakan pengambilan risiko yang bijak.

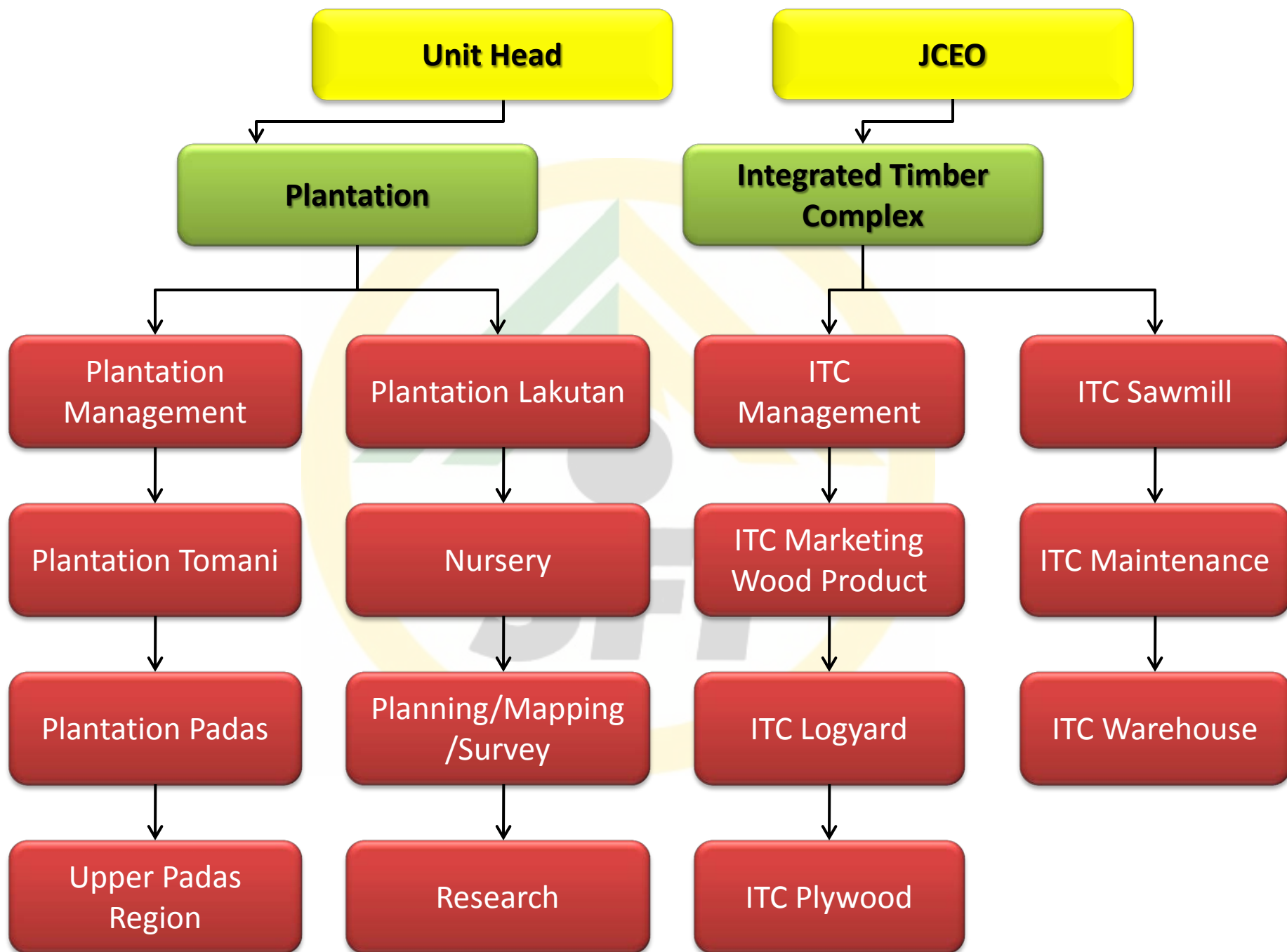
NILAI TERAS BILT

- **Honesty**
Berprinsip, tulus hati dan adil dalam semua pelaksanaan urusan.
- **Integrity**
Mengekalkan tahap profesionalisme yang tinggi
- **Flexibility**
Menyesuaikan diri untuk sentiasa bersedia dalam menghadapi sebarang perubahan
- **Respect for Individual**
Memberikan ruang kepada setiap individu untuk menyumbang dan berkembang.
- **Respect for Knowledge**
Memperoleh serta menggunakan kepakaran dalam semua aspek bisnes.
- **Team Performance**
Kumpulan diutamakan; tidak ada seorang individu yang lebih baik daripada satu kumpulan.

CARTA ORGANISASI







ADAKAH ANDA MENCARI PELUANG PEKERJAAN?

Apakah jenis organisasi yang anda akan pilih?

Beberapa faktor dan persoalan yang perlu anda tanya pada diri sendiri:

- ❖ Kestabilan. Jaminan agar kekal bekerja di masa hadapan.
- ❖ Keuntungan organisasi. Jaminan agar mendapat faedah yang menguntungkan.
- ❖ Perkembangan organisasi
- ❖ Melihat visi, misi dan teras organisasi.
- ❖ Mempertimbangkan tawaran yang diberi oleh organisasi.

Anda akan menyedari bahawa SFI adalah pilihan yang tepat!

SABAH FOREST INDUSTRIES SDN. BHD.

DESTINASI KERJAYA ANDA!

Kenapa?

- ❖ Kami memberikan apa yang anda mahu – Gaji dan kemudahan asas.
- ❖ Tempat dimana anda boleh bekerja, menjana pendapatan dan membangunkan kerjaya.
- ❖ Kerana kami melayan anda seperti aset yang sangat berharga yang mana akan membantu organisasi bergerak sama dengan aspirasi yang ditetapkan oleh pihak berkepentingan dan pengurusan.

HARAPAN ANDA?

- ❖ Anda selesa kerana kami di SFI mengambil berat tentang Keselamatan dan Kesihatan Dalam Kerja.
- ❖ SFI mempunyai Polisi Keselamatan dan Kesihatan Pekerjaan yang diawasi oleh Jabatan Keselamatan yang diketuai oleh Safety & Health Officer.
- ❖ Di setiap proses, terdapat prosedur keselamatan yang wajib dipatuhi.

Your Safety Is Our Responsibility.

KEMUDAHAN KEPADA PEKERJA

- ❖ Gaji yang kompetitif.
- ❖ Elaun perumahan bagi pekerja yang menetap diluar kawasan perumahan SFI.
- ❖ Caruman EPF dan SOCSO
- ❖ Bayaran Kerja Lebih Masa bagi pekerja bergaji <RM2000
- ❖ Kenaikan gaji dan bonus(bergantung kepada prestasi Syarikat & Individu)
- ❖ Insurans Kemalangan Peribadi Berkelompok
- ❖ Kemudahan perubatan
- ❖ Kemudahan rekreasi dan sukan
- ❖ Masjid

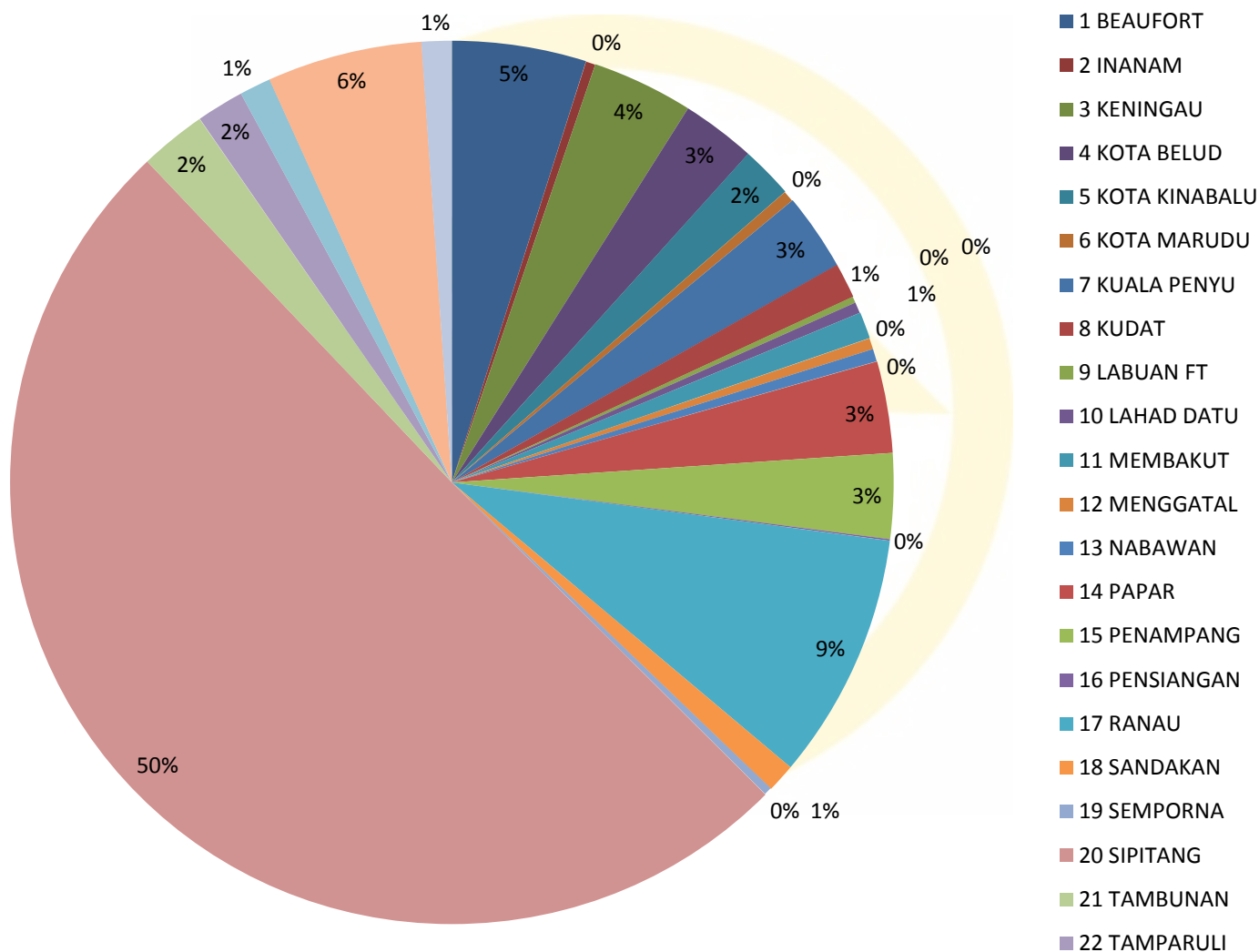
Senarai Kekosongan setakat 14.4.2014

JAWATAN	DEPARTMENT	JUMLAH KEKOSONGAN
Production Executive*	Chemical Preparation/Recovery	2
Process Operative	Chip Mill	1
Senior Technician	Electrical Maintenance	1
Senior Technician	Electrical Maintenance	1
Machinist/Jr.Machinist	Engineering Workshop	1
Assistant Manager	Finishing House	1
Technician	Instrument Maintenance	4
Management Trainee	Logyard	2
Mechanical Technician	Mech.PM & Finishing/Power Block/Workshop	3
Senior Technician/Rigger,Mechanical Technician	Mechanical Power Utilities	3
Mechanic III	Mobile Workshop	1
Executive	Paper Machine	1
Junior Operator	Pulp Mill/Steam&Power/Water Effluent	2
Junior Operator	Paper Machine/Finishing House/Chem Prep	3
Supervisor	Predictive Maintenance/Housing	2
Senior Operator	Steam & Power	1
Production Executive	Recovery	1
Electrician	Residence & Facilities	1
Road Engineer	Road	1
Safety Inspector	Safety	2
Safety Officer	Safety	1
Security Guard	Security	3
Asst. Weighbridge Operator	Logyard	1
General Worker	R&D/ITC Plymill	30
<i>Jumlah</i>		69

Jumlah Pekerja Mengikut Daerah Asal

No.	Daerah Asal	Jumlah Pekerja	Peratus
<u>EAST MALAYSIAN</u>			
SABAHAN / LABUANESSE			
1	BEAUFORT	85	4.85%
2	INANAM	6	0.34%
3	KENINGAU	64	3.66%
4	KOTA BELUD	47	2.68%
5	KOTA KINABALU	33	1.88%
6	KOTA MARUDU	7	0.40%
7	KUALA PENYU	49	2.80%
8	KUDAT	22	1.26%
9	LABUAN FT	4	0.23%
10	LAHAD DATU	7	0.40%
11	MEMBAKUT	17	0.97%
12	MENGAGATAL	7	0.40%
13	NABAWAN	8	0.46%
14	PAPAR	58	3.31%
15	PENAMPANG	54	3.08%
16	PENSIANGAN	1	0.06%
17	RANAU	156	8.91%
18	SANDAKAN	18	1.03%
19	SEMPORNA	5	0.29%
20	SIPITANG	873	49.86%
21	TAMBUNAN	42	2.40%
22	TAMPARULI	30	1.71%
23	TAWAU	20	1.14%
24	TENOM	98	5.60%
25	TUARAN	19	1.09%
SARAWAKIAN			
26	SARAWAK	21	1.20%
Sub-Total		1,751	100.00%

Jumlah Pekerja Mengikut Daerah Asal (Peratus)



Analisis Pengambilan Pekerja Baru 2010-2013

	FY 2010/2011	FY 2011/2012	FY 2012/2013	Jul – Dec '13
Pengurus	0	3	7	5
Eksekutif	6	25	51	8
Penyelia	4	6	10	2
Kumpulan AGG	45	60	119	31
Pekerja Am	281	659	561	4
Total	336	753	748	50

TAMAT

Terima Kasih di atas perhatian anda....



**Annexure-8A (D): Sample SFI Documentation on
Conflict Resolution Process.**

**Annexure-8A (D-1): Sample Minutes of Meeting
for Conflict Resolution.**

MINUTES OF MEETING
SFI & COMMUNITY FORESTRY PROJECT PARTICIPANTS (L41 & L42)

Date : 27th January 2011
Time : 2.00 pm
Venue : Training Room 1 (SFI)

Attendance:
(See Attachment)

Main Agenda:

- Discussion on the issues of community forestry at L41 & L42 that have been conducted in 1988 and stopped in 1996.

No.	ITEM
1	Arrivals of villagers/community forestry participants, SFI management representatives and observer from Forestry Department Sipitang District.
2	Abdul Hamid Binsin welcomed all for coming and introduces representatives from Forestry Department, Mr. Mohd Asrie and Mr. Awang Jaya as observer, SFI staffs, Mr. Wayne Wooff (General Manager - Plantation), Mr. Guy Thornton (Manager – Plantation), Mr. Wan Salim (Senior Manager – Production), Mdm. Angelica Suimin (CSR) as moderator, all representatives from Plantation, Production, Corporate Social Responsibility Department and all invited guests from Mendulong and Bamban.
3	Abdul Hamid hand over the meeting to Mdm. Angelica as moderator for the meeting.
4	Mdm. Angelica thanks the villagers for the very encouraging attendees, all panels from Plantation and Production Department and also observer from Forestry Department. She also explained the role of the panel at the meeting.
5	Welcoming address by Mr. Wayne Woof (GM – Plantation) 5.1 This meeting is conducted after a few issues have been addressed by the participants. The purpose of this meeting is also to find solution on the issues arise that will benefit both parties. 5.2 On behalf of SFI, he express his apologies because of the issues have been dragged for so long without any solution. He is new to SFI so he is not very familiar with the implementation of this project. He knows that the project has been stopped in 1996. He already searched for old documentation/records of the project because the current information is incomplete. There were no agreements found too. He hopes through this meeting, a solution and decisions that benefits both parties can be made. 5.3 L41 & L42 will be developed and planted with fast growing trees following the international forest certification standards and must comply the requirements of environmental protection and regulatory application security tools. The presentation to be presented later is concerned with the proposal from the management to provide joint solutions to the problems that exist.
6	Mdm. Angelica invites representative from the participants, Mr. Sulaiman Liau to give brief information on the project.

7	Brief information on the project by Community Forestry Leader, Mr. Sulaiman Liau 7.1 He thanks SFI for conducting this meeting to answer all the questions arise after the project has been stopped. 7.2 He explains a little bit history of the project implemented in 1988. The objective of the project is to improve the local community economic. 7.3 Based on his records, in 1988, out of 46 participants only 21 (Bamban) successfully planted acacia at L41. The rest of the participants unable to plant because the seedlings supply has been stopped by SFI. Meanwhile, at L42 (Mendulong) the total number of participants is 91. 7.4 At L41, participants only open plots according to their capabilities and the seedlings is provided by SFI. In his opinions it is SFI problem if the records are incomplete because he has a complete records including receipt of acceptance the acacia seedlings from SFI. Lists of participants name that unable to plant is also available in his record. According to him, the failure of the participants to plant is because SFI stopped the seedlings supply. They not satisfied because SFI stopped the project without any notice and consultation with the participants. Moreover, it is not agreed by both parties to stop the project. Besides, they never develop outside L41 & L42 boundary and they obey the agreements with SFI that prohibit them to plant other trees such as fruit trees. 7.5 When they knew about SFI rantis is inside the project, they are not satisfied. They restricted SFI to enter and operate inside L41 & L42 until decisions make to solve the problems. There are efforts, time, energy and money has been spent to develop the project but at the end they are losing everything and they are not satisfied with it. That is the reason they decided not to surrender the area to SFI. 7.6 He already submit the memorandum dated 11th June 2007 (RUJ:JKKK/MEN/STG/(10) (06)) regarding their opinion on termination of the project to SFI. He also comments on the meeting carried out among the participant where they still stick with their decision as written in the memorandum. 7.7 At the initial stage of the project implementation, SFI have given a title to all participants but kept by SFI. Therefore, they have not decided yet whether to surrender the land to SFI or not. 7.8 The participants have faced a big loss for the area they have been developed. In their meeting, they agreed the area they have developed own by them. 7.9 He wants SFI to refer to the map about the area that has been completely planted, half planted and area that not yet planted.
8	Mdm. Angelica thanks Mr. Sulaiman Liau for his presentation.
9	Comments from Mr. Ali Rahman, Lakutan Regional Manager 9.1 He was involved in the implementation of the project in 1988. As far as he know there were no title has been given to the participants. SFI only issue certificates to all the participants. 9.2 His statement was not agreed by Mr. Sulaiman Liau because SFI did issue title to all participants and he has the records.

10	Mdm. Angelica presented the proposal by SFI management to be discussed and decide by the participants in their internal discussion later.
11	Question & Answer 11.1 <u>Question from Mr. Pius Ganang</u> a) How about the area that includes in the area that has been measured by SFI in 2004? <u>Answer:</u> Please give time for SFI to refer all the records and maps of the area. b) Surprised because in 1988 they can do harvesting, but in 2004 they were prohibited from harvesting / logged the trees in the area. <u>Answer:</u> Details on the decision will be refer on the site and all available records. 11.2 <u>Question by Mr. George Balang</u> a) What is the meaning of the woods/logs are belongs to SFI in the presentation? There was also confusion on the planting and felling contract. <u>Answer:</u> Logs from community forestry project will be sell, the income will be belongs to the participants. In planting and felling contract, participants will be directly paid and logs are sell to SFI. Replanting will be paid to the participant. The new logs that have been planted will completely own by SFI. 11.3 <u>Suggestions from Mr. George Balang</u> a) If that is the decision, this will be the end of the community forestry project with SFI. He suggested SFI follow the initial concept of the project whereas after harvesting, participants continue with planting and the acacia seedlings is provided by SFI. The seedlings cost will be deducted from the timber sales. <u>Answer:</u> According to Mr. Wayne, did the participants will be able to comply with all requirements of Forest Certification? 11.4 <u>Suggestions from Mr. Joseph Araw Sinau</u> a) If followed proposal from SFI, 99% of the participants will be failed. Their understanding about this project was to help rural people increase their socio-economy whereas within 7 years they can enjoy their yield. If this is a problem to SFI, it is better for SFI to excise L41 & L42 to be given to the participants and replace with other areas. If needed, use politicians (YB) to simplify the process. <u>Answer:</u> The government is dynamic and changes happen all the time and we need to be follow the flow. SFI license has been given by the state government and SFI is also just like the kampong people, the tenant of the land. SFI have no rights to excise any land that has been license to SFI except for Land & Survey and Sabah Forestry Department. The process will be very long and there are many procedures need to be follow through. The duration of the process is unknown but bring difficulties and not benefit both parties.

	11.5 <u>Suggestion from Mr. Agong Luyan (Village Head during implementation of Community Forestry)</u> a) He suggested the project to be proceed and SFI not need to look for a contractor because there are local contractor that they can paid. He wants the project to be given back to the participants and SFI continue to supply acacia seedlings to be planted by the participants. For sure this will help the kampong people to ensure the economy of the community. <u>Answer:</u> SFI have no obligation but the question is whether the participant agreed to comply with the international forest certification. 11.6 <u>Suggestion from Mr. Murang Sinau</u> a) The project is to plant crops such as paddy and trees. Based on the initial concept. Participants will do the felling, slashing and burnt to plant paddy and then planted paddy and then plant with acacia tree with SFI supplied the seedlings. <u>Answer:</u> Burning is prohibited in SFI concession area. The most important is the decisions agreed by all participants. The decisions is not necessarily to be given right away, they need to discuss among themselves before any decision made. 11.7 <u>Suggestion from Mr. Sulaiman Liau</u> a) The decisions need to be discuss among the participant at village after this meeting. This meeting is only for presentation of SFI proposal. Any decisions are in the hand of the participants whether agreed to SFI proposal or not.
12	Meeting adjourned at 3.50 pm.

Minute by,

Verified by,

Roslina Ragai & Suziyanti Salapan

Angelica Suimin
CSR Manager

**Annexure-8A (D-2): Sample copy of Agreement
with Community Members.**



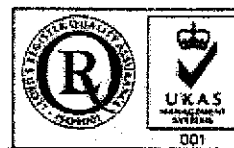
SABAH FOREST INDUSTRIES SDN BHD (84330K)

RAW MATERIALS

Log Production

TEL. NO. : 2930

FAX NO. : 087-801061



Cert No.: KLR 0403164

SFI/RM.LP/CA/2013-02

Date: 30th January 2013

To : Chief Accountant

Through : Head Raw Materials *W*

From : Manager Raw Materials

Sub : **PAYMENT FOR PERHUTANI OF KG. BAMBAN, SIPITANG AT
COMPARTMENT L4 (PR NO: 10214417/ PO NO: 4700076742)****URGENT**Referring to the above matter and Approval for Perhutani Rate (**Appendix 1**), kindly arrange payment for the following as per below;**TOTAL VOLUME:**

25,524.37 GT	(production from Nagopon Enterprise) - Appendix 2
+ 357.38 GT	(production from MTSPT Enterprise Sdn Bhd) - Appendix 3
25,881.75 GT	(WEIGHBRIDGE WEIGHT)

PERHUTANI PAYMENT TO VILLAGERS:

25,881.75 GT x RM40.00

RM 1,035,270.00*(This payment to the villagers is in lieu of plantation amortisation as the plantation was done by the villagers).*Please be informed that as per **En. Pius Ganang, IC no: 620108-12-5145** and **En. Jimmy Mores bin Sulaiman, IC no: 710501-12-5669** (Perhutani representative), thru letter dated 26th November 2012 (**Appendix 4**) the total payment of **RM665,081.78** for Project Perhutani of Kg. Bamban to be paid to the following account;**NAME : PROJEK PERHUTANI KAMPUNG BAMBAN****BANK : MALAYAN BANKING BERHAD, CAWANGAN SIPITANG****ACCOUNT NO : 5601-3930-3139**As per the joint meeting between representative of Kg. Bamban, CSR and Raw Materials department on 21st January 2013 at SFI, the balance total payment of **RM370,188.22** for Project Perhutani of Kg. Bamban to be paid to the **twelve (12) persons individually** paid through cheque as per **Appendix 5**.

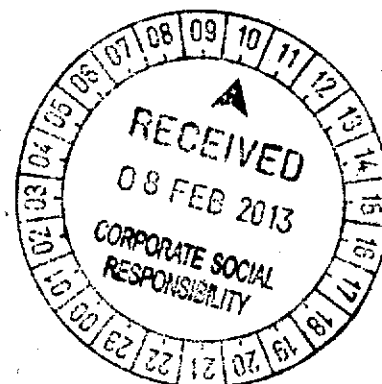
For your information, the cheque to be handed over through CSR and in presence of Government authority.

Thank you.

KUNAL SHEKHARcc. Assistant Manager Log Production
Executive Costing (Raw Materials)

OA/yr

Manager CSR

*File*



Sabah Forest Industries Sdn Bhd (64330K)

Procurement Department
Kompleks SFI, No 10 Jalan Jeti, W.D.T. No 31, 89859 Sipitang, Sabah, Malaysia.
General Lines : 087-801018 - 026 (PABX)
Direct Lines : 087-801051/063/471

Fax: 087-801064



Cert. No. : RLR 0403184

To:
PERHUTANI - PLANTATION LOGS

LPO number/date:
4700076742 / 30 Jan 2013

**89859 SIPITANG
MALAYSIA**

Shipping Marks:
N/A

Fax :
eMail :

Insurance/Price Term:
**SELLER'S CARE
DDP SIPITANG**

Documents Required:
**INVOICE &
DELIVERY ORDER**

Delivery: Mode/Date
BY ROAD /

Packing:
N/A

Deliver To:
**SABAH FOREST INDUSTRIES SDN. BHD.
SIPITANG, SABAH.**

Terms of Payment:
PAYABLE IMMEDIATELY DUE NET

item	Description	Order qty.	Unit	Price per unit(MYR)	Net value(MYR)
00010	PERHUTANI Kg. TAKULAH BESAR	4,843.740	Tonnes	40.00	193,749.60

DATE OF SUPPLY : JANUARY 2012 TO AUGUST 2012
LOCATION FROM : KG.TAKULAH BESAR COMPARTMENT L19
NAME OF SUPPLIER : PERHUTANI KG.TAKULAH BESAR
ELECTED HEAD : EN. SINAWAT TADAM

00020	DANA PERDANA ENTERPRISE	6,435.060	Tonnes	90.00	579,155.40

DATE OF SUPPLY : JANUARY 2012 TO AUGUST 2012
LOCATION FROM : KG.TAKULAH BESAR COMPARTMENT L19
NAME OF SUPPLIER : DANA PERDANA ENTERPRISE

NOTE:

**PLANTATION / MTH LOGS FROM KG.TAKULAH BESAR
DELIVERY DIRECT TO MILL (WEIGHBRIDGE 2)**

COST COMPONENT: (RM90.00/ GT)

5106-002





Sabah Forest Industries Sdn Bhd (64330K)

Procurement Department
Kompleks SFI, No 10 Jalan Jeti, W.D.T. No 31, 89859 Sipitang, Sabah, Malaysia.
General Lines : 087-801018 - 028 (PABX)
Direct Lines : 087-801051/063/471

Fax: 087-801064



Cert. No. : KLR 0403164

To: PERHUTANI - PLANTATION LOGS

LPO number/date:
4700076742 / 30 Jan 2013

Item	Description	Order qty.	Unit	Price per unit(MYR)	Net value(MYR)

1. EXTRACTION : RM51.80 / GT
2. TRUCKING : RM38.20 - LUMPSUM

00030 PERHUTANI Kg. BAMBAN
26,438.910 Tonnes

40.00 1,057,556.40

DATE OF SUPPLY : NOVEMBER 2011 TO JANUARY 2013
LOCATION FROM : COMPARTMENT L41 AT KG.BAMBAN SIPITANG
NAME OF SUPPLIER : PERHUTANI KG.BAMBAN
PERHUTANI REPRESENTATIVE:
1. EN. PIUS GANANG
2. EN. JIMMY MORES BIN SULAIMAN

00040 NAGAPON ENTERPRISE
26,438.910 Tonnes

80.00 2,115,112.80

DATE OF SUPPLY : NOVEMBER 2011 TO JANUARY 2013
LOCATION FROM : COMPARTMENT L41 AT KG.BAMBAN
NAME OF SUPPLIER : NAGAPON ENTERPRISE

NOTE:

COST COMPONENT: (RM80.00)

1. EXTRACTION : RM51.80/ GT
2. TRUCKING : RM28.20 - LUMPSUM (DELIVERY TO L36/ L40)

GRAND TOTAL MYR 3,945,574.20

Special Instruction.

FINAL WEIGHT BASE ON
SFI'S WEIGHBRIDGE.

The General Terms and Conditions as attached shall apply

5106-002



Authorised By:

Page 2 of 2

26.12.2012

MD & CEO

COO Neelam

Subject : Wood purchase in SFI from kampong areas-approval thereof

Sir,

In SFI forest concession areas (L-41 and 42 compartments), there is ~390 ha area, where old acacia plantation exists, which was raised by Kampung people under social forestry scheme of Sabah Government. It has also been confirmed from SFI plantation data/records that SFI never raised plantation in these areas in the past.

In view of claim by Kampung people/villagers over said plantations, SFI was never allowed to harvest or plant this area in the past. However on the basis of initiatives taken by us along with District Government Officials (DOEs), villagers have agreed to sale the wood/acacia plantation to us @RM40/MT plus harvesting cost (this is the same rate at which as we are purchasing wood from other kampong/local villagers). Our condition was that, we will purchase this wood only when villagers sign an agreement in presence of DOEs that they would not have any claim over this area (~390 ha) after acacia plantation is harvested, and SFI would be able to raise plantation over this area without any hindrance from villagers. Villagers have now agreed for this and have signed the required agreement in presence of DOE.

As cost of wood negotiated in above case (~390 ha or 58000 GT of wood), is almost same as local procurement wood as well as cheaper than our concession wood, and we are able to settle the dispute once and for all for these areas, we would like to go ahead with above arrangement. We would also make an effort to explore the possibility of similar arrangement in other disputed areas (which is of ~500 ha in other compartments), which are proving to be slightly difficult at this stage.

A detail proposal from SFI for the same is attached.

May kindly approve.

Regards,

Suneel Pandey

VP-RM



SABAH FOREST INDUSTRIES SDN BHD (84330K)

(THE FIRST INTEGRATED PULP AND PAPER MILL IN MALAYSIA)

KOMPLEKS S.F.I., NO. 10, JALAN JETI,

WDT NO. 31, 89859 SIPITANG,

SABAH, MALAYSIA.

TEL. NO. : +6087-801018 (11 Lines)

FAX NO. : +6087-801061/ 802263



Cert No. : KLR 0403164

Ref: SFI/RM.LP/0004/2012.02

Date: 10th December 2012

TO : MD & CEO BIGPH

TROUGH : *[Handwritten signature]* VP (Q) / VP (RM) / COO
[Handwritten signature] 14/12/12

Dear Sir,

SUB : APPROVAL FOR PERHUTANI RATE

Project Background

Perhutani Project (Agroforestry) was introduced in 1998 by SFI (wholly owned by state government of Sabah) with the objectives of reducing shifting cultivation practices and improving the economic status of rural community within SFI forest concession. Under the scheme, the participants were given a farm lot to implement all farm activities starting from land clearing up to planting while SFI provide seedlings and technical advice

SFI has appointed 10 Ketua Tani (Head Farmers) to assist in coordinating the project in their respective villages however no MOU or agreement signed by SFI and participants. From previous records, some of the site/compartament earmarks for the project are at Compt. L19, L21, L30, L32 L41 & L42 in Sipitang District and L35 & P06 in Tenom District.

In 1996, the project was terminated and the participants claimed that it is without their consent and SFI failed to give valid reasons therefore the area under the scheme has been under conflict/dispute with unsettle claims by the participants.

From 2005 up to 2011, there are numerous complaints thru letters/dialogue/meeting from participants/ village head involved in Perhutani Project to SFI/Politician/Bureau of Public Complain etc, requesting to settle the issue but no decision was reach. In the meantime, SFI was unable to conducts any activities (harvesting/planting) in the said areas.

Current status

In 27th January 2011, following a briefing/ discussion conducted to the ex-head farmers/ Head village/participants from Kg Bamban/Kg. Mendulong (compt. L41 & L42), Kg Bamban (compt.L41) has agreed with the proposal to settle the issue by allowing them to harvest the area and sell the logs to SFI (with compensation) and thereafter hand over the area and will not have any claim in the future.

The management view the current development as an opportunity to settle the issue amicably and believe that with Kg. Bamban Perhutani Project participants agreeing with the term and condition, it's will eventually lead to other villages accepting the proposal.

[Handwritten signature]

**Proposal**

The proposal is for;

The Perhutani Project participant agreed to:-

1. logs to be harvested and sell to SFI,
2. appoint their contractors and comply with SFI rules and regulations or if not possible, SFI will engage current SFI contractors.
3. SFI to pay compensation for the termination and activities conducted previously
4. Surrender the area to SFI and have no further claims in the future.

Therefore, the management would like to seek an approval for:

1. To harvest the areas under Perhutani Project for a lump sum payment within **RM120-RM140** deliver to the nearest SFI Logyards,
Whereby;
 - i) Extraction/Transportation = **RM180/GT**
 - ii) Compensations to participants = **RM40 to RM60 /GT**
(including for other such cases in future)(Compensation depend on negotiation and based on timber stands / type of previous activities/work conducted by participants, i.e. land preparation, planting, maintenance etc.)
2. The above cost of wood received is almost same as cost of wood received from our plantation with additional benefit that land will come under SFI control after harvesting.
3. At current diesel price, as of November 2012 (RM2.77), the extraction rate for plantation pulpwood is RM52.60/ GT and the trucking rate is RM35.50/ GT for distance of 50km radius (RM0.71 x 50km). Furthermore the plantation amortization for November is RM40.60/ GT.

The following documents are attached for your kind reference:

1. Project Brief for Perhutani **Attachment 1**
2. Minutes on Perhutani issues between SFI & Community Forestry Project Participants (L41 & L42)
- **Attachment 2**

Your faithfully
for **SABAH FOREST INDUSTRIES SDN BHD**

K L HO
HEAD RAW MATERIAL

Attachment 1

SARAWAK FOREST DEPARTMENT

Attachment 1

PERHUTANI PROJECTOBJECTIVE

1. To organise local shifting cultivators who are currently farming inside SFI forest concessions to plant pulpwood trees as an economic activities.

BACKGROUND

2. About 49,400 hectares or 16.4% out of 300,332 hectares of SFI total forest concessions is identified as shifting cultivation. The hecaterages being occupied continue to increase each year.
3. Various efforts by government to discourage continuation of shifting cultivation do not seem successful. The Mendulong and Ulu Tomani rubber settlement schemes have been established in the attempt to resettle dispersed sedentary farmers. Despite of availability of modern facilities provided by the schemes, many dislike to live and work there, perhaps, partly because of a sudden change of working environment.

CONCEPT

4. The Perhutani concept is a modification of shifting cultivation with main purpose to group and organise the hinterland communities within SFI forest areas to farm in specific sites so that the rest of the forests will not be destroyed and converted for unorganised farming activities.
5. The Perhutani concept introduces the growing of pulpwood trees in association with the staple food crops. Under shifting cultivation method, the farmers just abandon the farmsites when they shift to farm on new areas. But with Perhutani system, the farmer will tend the pulpwood trees during fallow period.
6. Blocking and allotting farmlots are necessary in order to provide sufficient land to plant food crops during gestation period of the pulpwood trees. As pulpwood trees are expected to be matured at year 8, the farmers will be given 7 farmlots to work on for 7 years and when they return to the first farmlots, the tree will be felled and sold for additional cash income.
7. After completing the first 7 years - cycle, the farmers will be assured to have cash income from sale of the timber as they farmed the areas each year. To make the process continue the farmers must maintain the pulpwood trees each time they work on each farmlot.

IMPLEMENTATION

8. SFI has appointed 10 Ketua Tani (Head Farmers) from the farming communities to assist in coordinating the project so that their fellow farmers will participate.

9. The sites that have been work on at present, heceterages and numbers of the farmers family involved are as follows:-

<u>No.</u>	<u>Location</u>	<u>Already Planted</u>	<u>To be planted by Dec., 1988</u>	<u>No. of Family</u>
<u>SIPITANG DISTRICT</u>				
1.	L42	12 ha	192 ha	77
2.	L32		32 ha	12
3.	L30		7 ha	5
4.	L21		60 ha	28
5.	L19		40 ha	22
6.	L41		44 ha	24
<u>TENOM DISTRICT</u>				
7.	L35 & P6		20 ha	25
8.	L35		32 ha	20
<u>TOTAL</u>		<u>12 ha</u>	<u>427 ha</u>	<u>213</u>

0.01

0.001

4.000

1/1000
1/10000
1/100000

MINUTES OF MEETING
SFI & COMMUNITY FORESTRY PROJECT PARTICIPANTS (L41 & L42)

Date : 27th January 2011

Time : 2.00 pm

Venue : Training Room 1 (SFI)

Attendance:

(See Attachment)

Main Agenda:

- Discussion on community forestry (PERHUTANI) issues at L41 & L42 implemented in 1988 and stopped in 1996.

No.	ITEM
1	Arrivals of villagers/community forestry participants. SFI management representatives and observer from Forestry Department Sipitang District.
2	Abdul Hamid Binsin welcomed all for coming and introduce representatives from Forestry Department. Mr. Mohd Asrie and Mr. Awang Jaya as observer. SFI staffs. Mr. Wayne Wooff (General Manager - Plantation). Mr. Guy Thornton (Manager - Plantation). Mr. Wan Salim (Senior Manager - Production). Mdm. Angelica Suimin (CSR) as moderator, all representatives from Plantation. Production. Corporate Social Responsibility Department and all invited guests from Mendulong and Bamban.
3	Abdul Hamid handed over the meeting to Mdm. Angelica as moderator for the meeting.
4	Mdm. Angelica thanked the villagers for the very encouraging attendance. all panels from Plantation and Production Department and also observers from Forestry Department. She also explained the role of panel members at the meeting.
5	Welcoming address by Mr. Wayne Woof (GM - Plantation) 5.1 This meeting is conducted due to few issues that have been raised by Perhutani participants. The purpose of this meeting is to find amicable solution which will benefit both parties. 5.2 On behalf of SFI, he express his apology because of this issues was dragged too long without any solution. He is new to SFI and not very familiar with the implementation of this project. He knows that the project was stopped in 1996. He has tried his level best to search for old documentation/records of the project including agreement between participants and SFI but to no avail. The current information available is incomplete. He hopes through this meeting, will find a solution that benefits both parties. 5.3 L41 & L42 will be developed and planted with fast growing trees based on the international forest certification standards and must comply the requirements of environmental protection and regulatory application security tools. The presentation to be presented later by Mdm. Angelica is the proposal from SFI management to provide joint solution to the problems that exist.
6	Mdm. Angelica invites representative from the participants, Mr. Sulaiman Liao to give brief information on the project.

7	Brief information on the project by Community Forestry Leader, Mr. Sulaiman Liau 7.1 He thanked SFI for conducting this meeting to answer all the questions arise after the project has been stopped. 7.2 He explained a little bit of the history of the project implemented in 1988. The objective of the project is to improve the local community socio-economic status. 7.3 Based on his records, in 1988, out of 46 participants only 21 (Bamban) had successfully planted acacia at L41. The rest of the participants were unable to plant because the seedlings supply was stopped by SFI. Meanwhile, at L42 (Mendulong) the total number of participants is 91. 7.4 At L41, participants only cleared plots according to their capabilities and the seedlings are provided by SFI. In his opinions it is SFI problem if the records are incomplete because he has a complete record including receipt of acceptance of the acacia seedlings from SFI. Lists of participants name where were unable to plant is also available in his record. According to him, the failure of the participants to plant is because SFI stopped the seedlings supply. They were not satisfied because SFI stopped the project without any notice and consultation with all the participants. Moreover, it is not agreed by both parties to stop the project. Besides, they never develop any land outside L41 & L42 boundary and they obey the agreements laid out by SFI to prohibit them to plant other trees such as fruit trees. 7.5 When they knew about SFI "rentis" is inside the project, they are not satisfied. They restricted SFI to enter and operate inside L41 & L42 until decisions make to solve the problems. Efforts, time, energy and money has been spent to develop the project but at the end they are losing everything and they are not satisfied with it. That is the reason they decided not to surrender the area to SFI. 7.6 He has submitted the memorandum dated 11th June 2007 (RUJ:JKKK/MEN/STG/(10) (06)) regarding the opinion on termination of the project to SFI. He also commented on the meeting carried out with his fellow participants had decided to observe all the statements in the memorandum. 7.7 At the initial stage of the project implementation, SFI has given a "title" to all participants but kept by SFI. Therefore, they have not decided yet whether to surrender the land to SFI or not. 7.8 The participants encountered "big" loss for the area they had developed. In their meeting, SFI agreed the area they developed will be owned by the participants. 7.9 He wants SFI to refer to the sketched map of the area showing planted, partial planted and area that not yet planted.
8	Mdm. Angelica thanked Mr. Sulaiman Liau for his presentation.

9	Comments from Mr. Ali Rahman, Lakutan Regional Manager 9. 1 He was involved in the implementation of the project in 1988. As far as he knows there was no "title" given to the participants. SFI only issue certificates to all the participants. 9. 2 His statement was not accepted by Mr. Sulaiman Liau because SFI did issue "title" to all participants and it is held by SFI.
10	Mdm. Angelica presented the proposals from the SFI management to be discussed and decided by the participants in their internal discussion later at the village level.
11	Question & Answer 11. 1 <u>Question from Mr. Pius Ganang</u> a) How about the area that include the area that was demarcated by SFI in 2004 at L41? <u>Answer:</u> Please give time for SFI to refer all the records and maps of the area. b) Surprised because in 1988 they can do harvesting but in 2004 they were prohibited from harvesting / logged the trees in the area. . <u>Answer:</u> Details on the decision will be referred on the site and all available records. 11. 2 <u>Question by Mr. George Balang</u> a) What is the meaning of the woods/logs belongs to SFI in the presentation? There is also confusion on the planting and felling contract. <u>Answer:</u> Logs from community forestry project will be sold. income belongs to the participants. In planting and felling contract. participants will be directly paid and logs are sold to SFI at current market rate. Replanting will be paid to the participant. The new logs that have been planted will completely own by SFI. 11. 3 <u>Suggestions from Mr. George Balang</u> a) If that is the decision, this will be the end of the community forestry project with SFI. He suggested SFI follow the initial concept of the project whereas after harvesting, participants continue with planting and the acacia seedlings are provided by SFI. The seedlings cost will be deducted from the timber sales. <u>Answer:</u> Mr. Wayne responded that if all the participants are able to comply with all requirements of Forest Certification then there should be no problem. 11. 4 <u>Suggestions from Mr. Joseph Araw Sinau</u> a) Based on SFI proposal. 99% of the participants will fail. Their understanding about this project was to help rural people to augur income whereby within 7 years they can enjoy the yield. If this is a problem to SFI. it is better for SFI to excise L41 & L42 to be given to the participants and replaced with other areas. If needed, use politicians (YB) to simplify the process. <u>Answer:</u> The government is dynamic and changes happen all the time and we need to operate accordingly. SFI license was awarded by the state government and SFI is also just like the kampong people, the tenant of the land. SFI has no rights to excise

	any land that is license to SFI except for Land & Survey and Sabah Forestry Department. The process will be very long and there are many procedures that need to be followed thoroughly. The duration of the process is unknown but may bring difficulties and will not benefit both parties.
11.5	<u>Suggestion from Mr. Agong Luyan (Village Head during implementation of Community Forestry)</u> a) He suggested the project to be re-established and SFI do not need to look for a contractor because there are local contractors that they can pay to do the job. He wants the project to be given back to the participants and SFI continue to supply acacia seedlings for planting. This will help to ensure the socio-economic status of the community is uplifted. <u>Answer:</u> SFI have no obligation but the question is whether the participant agreed to comply with the international forest certification requirements.
11.6	<u>Suggestion from Mr. Murang Sinau</u> a) The project is to plant crops such as paddy and trees. Based on the initial concept. Participants will do the felling, slashing and burnt to plant paddy then plant with acacia tree. seedlings supplied SFI. <u>Answer:</u> Burning is prohibited in SFI concession area. The most important is all participants must decide and agreed. The decisions is not necessarily to be given right away, they need to discuss among themselves at village level before any decision is made. Representatives may come forward to SFI to give feedback anytime.
11.7	<u>Suggestion from Mr. Sulaiman Liau</u> a) The decisions need to be discussed among the participants at the village level after this meeting. This meeting is only to express their intent on the project and to listen to the presentation of SFI proposal. Any decision is in the hand of the participants whether they agreed to SFI proposal or not.
12	Meeting adjourned at 3.50 pm.

Minute by,

Verified by.

Roslina Ragai & Suziyanti Salapan

Angelica Suimin
CSR Manager

MESYUARAT

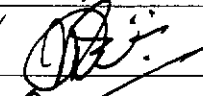
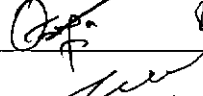
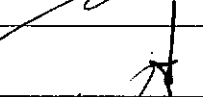
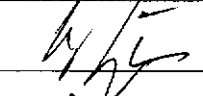
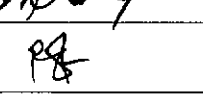
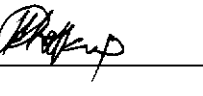
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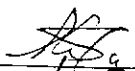
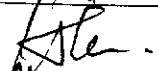
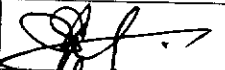
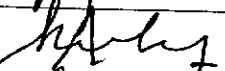
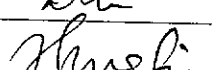
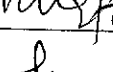
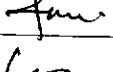
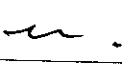
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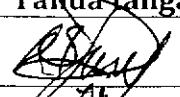
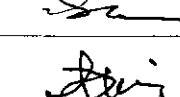
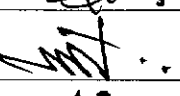
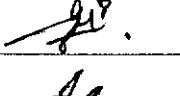
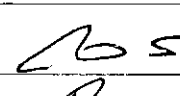
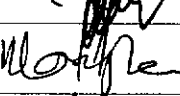
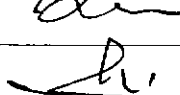
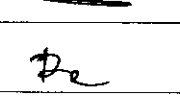
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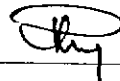
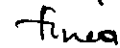
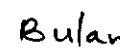
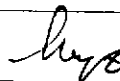
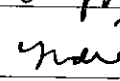
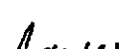
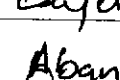
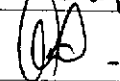
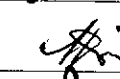
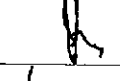
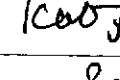
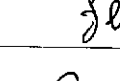
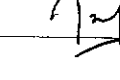
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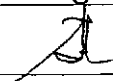
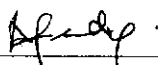
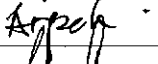
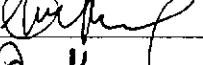
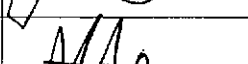
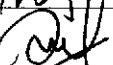
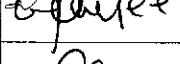
KEHADIRAN

Bil	Nama	Kampung	Jawatan	Alamat	No.telefon	Tanda tangan
1	Litad Sibak	Bamban	-		016-8245796	Vice
2	Agang Achang	Bamban	-		016-8245796	Ahal
3	Sufaiman Liew	Kg Bamban	-	P.O.Box 178	014-6589388	
4	Joseph Arow SINAU	ICG. Menembong	-	P/Surat 275	016-8026371	
5	Wayu Wolf	hgt	Gm		012 8637522	
6	Lim Su Yee	SFI	spm		013-8563370	
7	Ai Lakuen	SFI	spm		016-827148	
8	Joseph	Menembong				
9	MURAOY	Menembong				
10	RO?	Menembong				pg
11	Shen	v				

Bil	Nama	Kampung	Jawatan	Alamat	No.telefon	Tanda tangan
12	SARA	MENDELONG		Epipang		
13	Nelson	Mendelong				
14	Linton					
15	Lin Shau ren	Bamban				
16	PUS Kany	Bamban				
17	Ganit Sekai	kg mendulong				
18	Christina Sekai	"				
19	Rendi Kitan	kg. Bamban				
20	LAYU BEROOK	"				
21	Juliana @ Cecilia Balang	kg. mendubang				
22	RENDEY Lini	kg. Bamban				
23	BALANG TANGIAN	kg. Mendulong				
24	Raboi Kekas	kg Mendulong				
25	Harwick L	kg Mendulong				
26	Rangeri L	kg Mendulong				
27	Ranger L	kg Mendulong				

Bil	Nama	Kampung	Jawatan	Alamat	No.telefon	Tanda tangan
28	Orpine yuhan	kg. mendulang	-			
29	Mairiah Solla	"				
30	Suan Scker	"				
31	DORRIS SINAH	"				
32	Singe Iibat	"	Jikile	kg. Mendulang	01846524152	
33	Daring Baley	"		kg. Mendulang	016-8437618	
34	ARMANI ELANG	"				
35	George Balang	"	Jikile	kg. Mendulang		
36	Shman Ham	4 SFI	Freddie	PFI		
37	Reynold Kimping	A SFI	MT	SFI		
38	Riang Akay	Bamban				
39	Nonglan Bayang	Bamban				
40	DIVION PENGIRAN			KG MENDULANG		
41	DAWAT BAROK	BAMBAN				
42	TAIE SAKAI	kg mendulang				
43	Dorty Seki	kg mendulang				

Bil	Nama	Kampung	Jawatan	Alamat	No.telefon	Tanda tangan
44	Rina Balang	Kg mendulong				
45	Marlinah kapong	Kg mendulong				
46	Bulan Iiau	Kg Bamban				
47	Margaret Atup	Kg. mendulong				
48	Mapa Balang	Kg. Bamban				
49	Nayung Tagles	Kg. Mendulong				
50	Orlando David	K Bamban				
51	Yudideu Lian	Kg. Bamban				
52	Laya Ukab	Kg Bamban				
53	Aban Barak	Kg. Bamban				
54	YUBET UKAB	Kg. Bamban				
55	ABAN SIBAK	Kg. Bamban				
56	DAUD KWAT	"				
57	Ceyung Lahung	Mendelong				
58	Felicia purat	Kg Bamban				
59	Lawrence Lobo	Kg Bamban			010948996	

Bil	Nama	Kampung	Jawatan	Alamat	No.telefon	Tanda tangan
70	Junextopher, J. Moing	SFI	Executive			
71	Ribad Balag	Mendulung				
72	Afendy Anak Tijau	"				
73	Arph Balag	"				
74	Anthony Puvatt	Bamban				
75	Juliati. Siger	Bamban				
77	Tanpa Masy	Mendulog				
78	ACHO talag	Mendulung				
79	Jerald George	"				
80	Jeffry. Lagan	"				
81	Agang Layan	"				
82	PARSI LABO	MENDULONG				
83	WILLIE LAGAN	Mendulung				
84	Mija Pagan	-				



SABAH FOREST INDUSTRIES SDN BHD (84330K).
(THE FIRST INTEGRATED PULP AND PAPER MILL IN MALAYSIA)

KOMPLEKS S.F.I., NO. 10, JALAN JETI,
WDT NO. 31, 89859 SIPITANG,
SABAH, MALAYSIA.
TEL. NO. : +6087-801018
FAX NO. : +6087-802087/ 802263



Cert. No.: KLR 0403164

SURAT PERJANJIAN

Perjanjian ini dibuat pada 21 Haribulan 06 2011, di antara **Sabah Forest Industries Sdn. Bhd.**, yang beralamat di, **No. 10, Jalan Jeti, WDT 31, 89859 Sipitang, Sabah** (di bawah ini disebut sebagai "**Syarikat**") di satu pihak
DAN

En. Sulaiman @ Richard Liew @ Richard Liau, No. K/P: **431006-12-5061**, beralamat di **Kampung Bamban, Peti Surat 178, 89850 Sipitang**, bagi pihak Lima Puluh Orang (50) peserta Projek Perhutani Kg. Bamban yang telah dilupuskan pada tahun 1996 (di bawah ini disebut sebagai "**Wakil Peserta**") dipihak yang lain.

Bahawasanya,

1. Syarikat mempunyai kawasan di Kompatmen L 41, diusahakan oleh Peserta seramai 50 orang dari Kampung Bamban yang dirujuk sebagai Projek Perhutani ("kawasan berkenaan").
2. Syarikat berhasrat untuk mengambil semula kawasan berkenaan untuk diusahakan dengan tanaman pokok kayu palpa.
3. Syarikat membenarkan peserta untuk menuai kayu palpa yang telah ditanam di kawasan berkenaan sebelum menyerahkan kembali kepada Syarikat.
4. Syarikat akan melantik kontraktor yang bersesuaian untuk menjalankan kerja-kerja penuaian di kawasan berkenaan mengikut peraturan-peraturan yang ditetapkan dalam kontrak penuaian Syarikat dan peraturan-peraturan pihak yang berkenaan.
5. Para peserta melalui Wakil Peserta bersetuju menyerahkan kembali kawasan berkenaan (L41) selepas kerja-kerja penuaian kayu palpa selesai kepada Syarikat untuk diusahakan.

Adalah dipersetujui bahawa:

1. Syarikat membayar peserta RM40 (Ringgit Malaysia: Empat Puluh Sahaja) bagi setiap tan kayu palpa yang dikeluarkan daripada kawasan berkenaan berdasarkan timbangan di Jambatan Timbang (weigh bridge), Gate 2, Kilang Kertas Syarikat dan harga ini termasuk sagu hati.



2. Pembayaran hendaklah dibuat kepada Wakil Peserta dan disaksikan oleh seorang wakil peserta mengikut kadar yang ditetapkan setelah semua kayu habis dituai dan dihantar ke Kilang Kertas Syarikat.
3. Wakil Peserta bertanggungjawab mengagihkan pembayaran kepada peserta yang tersenarai sebagai pengusaha yang berdaftar untuk kawasan berkenaan.
4. Pembayaran kepada kontraktor adalah mengikut harga kadar semasa Syarikat dan adalah tanggungjawab penuh Syarikat dan tidak ada kena mengena dengan Wakil Peserta mahupun peserta-peserta.
5. Kayu yang ditumbang dan dikira dalam perjanjian ini hanyalah kayu daripada pokok Acacia dan bukan dari jenis lain.
6. Kerja penumbangan di kawasan berkenaan akan dibuat berdasarkan peraturan yang telah ditetapkan oleh Syarikat kepada kontraktor yang dilantik.
7. Syarikat dan Wakil Peserta berhak memastikan bahawa semua kayu yang telah ditumbang dihantar ke Kilang Kertas Syarikat serta ditimbang.
8. Wakil Peserta secara bersama para peserta bersetuju mengembalikan kepada Syarikat lot-lot perhutani di kawasan berkenaan untuk diusahakan bagi penanaman kayu palma. (Sila rujuk minit mesyuarat keputusan peserta projek Perhutani L41 pada 4hb Februari, 2011)
9. Wakil Peserta bertanggungjawab memaklumkan kepada kontraktor yang dilantik jika terdapat tapak warisan, seperti kawasan perkuburan dan seumpamanya di kawasan berkenaan supaya boleh ditanda dan tidak diganggu ketika kerja-kerja penuaian dilakukan.
10. Jika tapak warisan berkenaan diganggu atau dirosakkan semasa kerja-kerja penuaian akibat kegagalan Wakil Peserta memberi makluman awal kepada kontraktor yang dilantik, maka Wakil Peserta akan bertanggungjawab sepenuhnya ke atas kerosakan itu.
11. Selepas Perjanjian ini ditandatangani, Wakil Peserta secara bersama para peserta tidak lagi membuat apa-apa tuntutan lain yang membabitkan kawasan berkenaan.
12. Perjanjian ini berkuat kuasa selama mana kawasan berkenaan masih menjadi sebahagian daripada kawasan operasi Syarikat.



CONTINUITY SHEET

DENGAN INI pihak-pihak berkenaan bersetuju dengan terma-terma di atas dengan meriurankan tandatangan masing-masing seperti di bawah ini.

DITANDATANGANI
untuk dan bagi pihak
SABAH FOREST INDUSTRIES SDN BHD
(Company No. 84330k)

Dihadapan

Saksi **ARIFFIN HJ. RUKOT. BSK**
Nama : Majistret Ex-Officio Kelas II
No. K/P : Pejabat Daerah Sipitang
5613/612571

Timbalan Pengurus Kayu-Kayan
Nama : Oshman Bin Adam
No. K/P: 640806-12-5247

DITANDATANGANI
untuk dan bagi pihak
WAKIL PESERTA

Dihadapan

Saksi **ARIFFIN HJ. RUKOT. BSK**
Nama : Majistret Ex-Officio Kelas II
No. K/P : Pejabat Daerah Sipitang
5613/612571

Jawatan : Ketua Peserta
Nama : Sulaiman @ Richard
Liew @ Richard Liew
No. K/P : 431006-12-5061

This document was registered by me as
No. **513/200** Vide Receipt No.
1.169448 dated **24/06/2011** - **12M200**
Stamp duty collected on original/duplicate

Registrar



Kg. Bamban,
Sipitang.

Tarikh : 14 Feb 2011 .

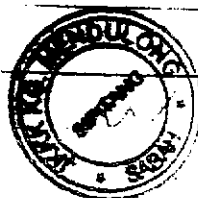
SURAT PERLANTIKAN

01. Kami yang bertandatangan di bawah ini, peserta projek Perhutani bersetuju melantik En. Sulaiman @ Richard Liew @ Richard Liau. No. Kad Pengenalan 431006-12-5061, bertarikh 14 Feb 2011 di kampung Bamban sebagai ketua dan diberi kuasa dalam sebarang pengurusan penumbangan dan penjualan kayu palpa yang dimiliki sepenuhnya oleh peserta seramai Lima Puluh Orang (50) sahaja.
02. Sebarang pengurusan dari pihak peserta maupun dari pihak syarikat / kontraktor yang dilantik untuk menjalankan kerja penumbangan kayu palpa di kawasan L. 41. Projek Perhutani hendaklah melalui En. Sulaiman @ Richard Liew @ Richard Liau yang telah dilantik, kecuali penerimaan wang dari hasil penuaian adalah hak mutlak peserta masing - masing (atau bergantung kepada persetujuan) atau ketetapan peserta Projek Perhutani itu sendiri.
03. Pengurusan yang timbul bertentangan dengan ketetapan adalah dianggap tidak sah.
04. Demikian surat perlantikan (kuasa) ini dibuat dengan benar dan dipergunakan demi untuk kebaikan dan kepentingan bersama

Sekian.

LAMPIRAN

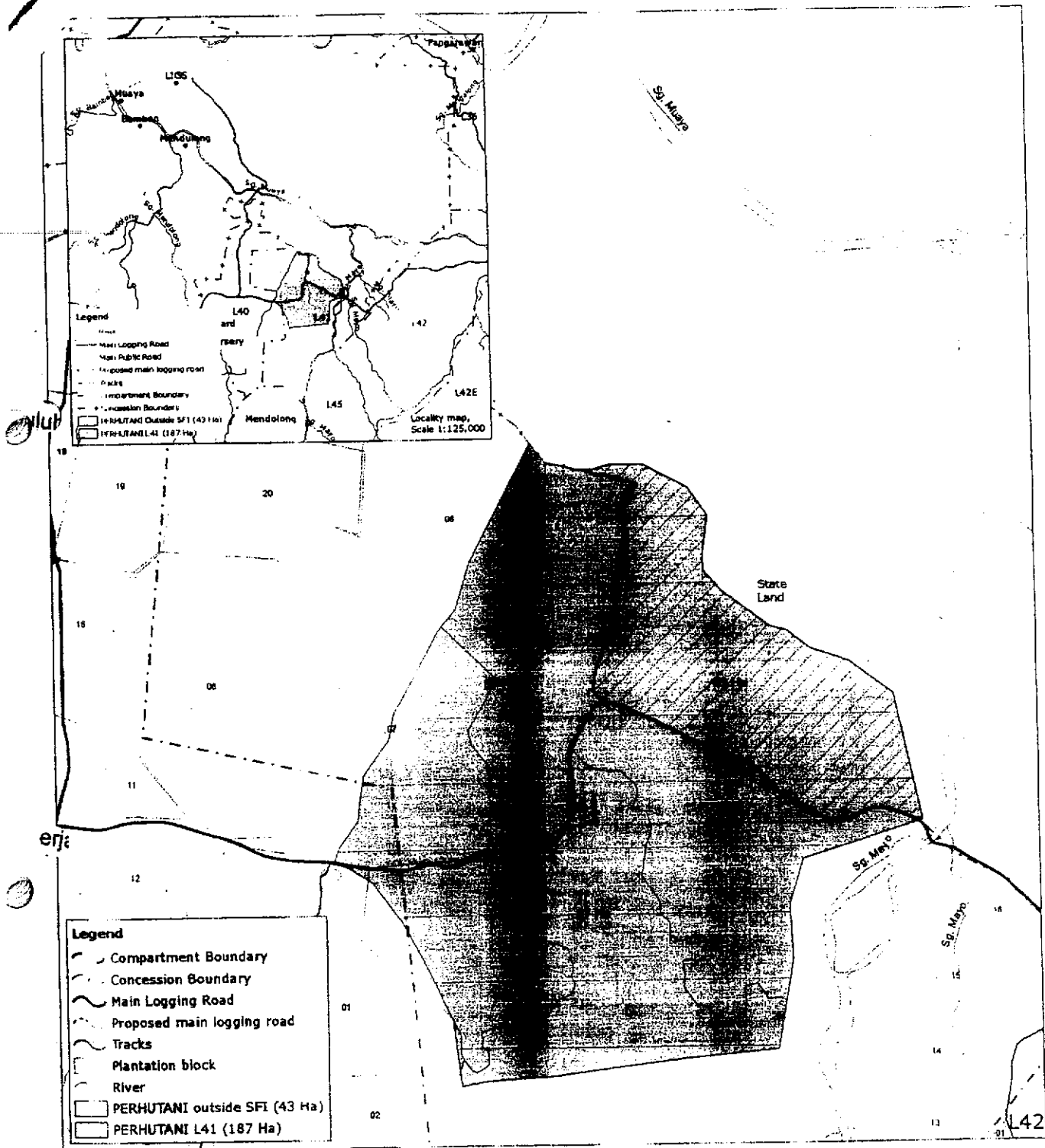
	NAMA	NO. KAD PENGENALAN	TANDATANGAN
1	Sulaiman @ Richard Liew @ Richard Liao (10)29	431006-12-5061	<i>[Signature]</i>
2	Yudidah Bte. Liao	550325-12-5458	<i>Yudidah</i>
3	Pius Ganang	620108-12-5145	<i>P. Ganang</i>
4	Pius Ganang	620108-12-5145	<i>P. Ganang</i>
5	Purait Bin Lalung	460410-12-5189	<i>[Signature]</i>
6	Daud Kuat	400410-12-5205	<i>[Signature]</i>
7	Orlenda Daud	640904-12-5590	<i>[Signature]</i>
8	Matius Padan	- INR.10A	<i>[Signature]</i>
9	Asli Seradu	H0466308	<i>Asli</i>
10	Purait Bin Lalung	460410-12-5187	<i>[Signature]</i>
11	Anthony Purait	660408-12-5477	<i>[Signature]</i>
12	Maksuel Seradu	620306-12-5875	<i>Maksuel</i>
13	Mafu Balang	501002-12-5700	<i>[Signature]</i>
14	Litad Sibak	560210-12-5684	<i>[Signature]</i>
15	Dawat Bin Barok	590810-12-5319	<i>[Signature]</i>
16	Yubet Ukab	791124-12-5475	<i>Yubet</i>
17	Siniri Ukab	116029447	<i>Siniri</i>
18	Abai Sibak	390518-71-5171	<i>[Signature]</i>
19	Jamri Seradu	720109-12-5413	<i>[Signature]</i>
20	Sam Shaw Mow	521111-12-5015	<i>[Signature]</i>
21	Hidah Kapong	591111-12-5408	<i>[Signature]</i>
22	Dawat Barok	590810-12-5319	<i>[Signature]</i>
23	Sam Abai	631111-12-5121	<i>Siniri</i>
24	Betty Banang	710111-12-5558	<i>[Signature]</i>



Sibal @ Vicky Sibal Bin Sibak	450827-71-5193	Sibal
26 Rendey Lim	770917-12-5145	Rendey Lim
27 Agong Achang	440928-71-5097	Agong
28 Purait Lalung	460410-12-5189	Purait
29 Sulaiman @ Richard Liew @ Richard Liau (10)29	431006-12-5061	Sulaiman
30 Darong Liau	580110-12-5001	Darong
31 Yudidah Bte. Liau	550325-12-5458	Yudidah
32 Nataniel Padan	551229-12-5487	Nataniel
33 Sulaiman @ Richard Liew @ Richard Liau (10)29	431006-12-5061	Sulaiman
34 Martha Sulaiman	650105-12-5374	Martha
35 Buyong Barok	560531-12-5108	Buyong
36 Juliaty Sgar	661227-12-5544	Juliaty
37 Rodie Kitan	660822-12-5202	Rodie
38 Jerry Bin Daud	660809-12-5531	Jerry
39 Kiang Akau	590301-12-5839	Kiang
40 Dolop Ukab	671223-12-5669	Dolop
41 Mebpung Sia / Samuel	K967253	Mebpung
42 Idan Padan	H6032177	Idan
43 Pengiran Bin Lalung	551125-12-5407	Pengiran
44 Thomas Pengiran	811227-12-5545	Thomas
45 Bulan Liau	500308-12-5244	Bulan
46 Evelyn Purait	719200-12-5436	Evelyn
47 Sultan @ Pamihas Liau	4104-12-5079	Sultan
48 Rosmary Bte Barok	5707-12-5134	Rosmary
49 Bte Seradu	6704-12-5244	Bte
50 Bte. Sulaiman	6804-12-591	Mary



PERHUTANI L41



SABAH FOREST INDUSTRIES SDN BHD

Map Ref: MAP/DJ/2011/112
Prepared For: SEPLIANUS M
Department: SURVEY



Scale: 1:15,000
Print Size: A4
Print Date: 21/Jun/2011

0 50 100 200 300 400 Meters

Coordinate System: Timbalai 1948 RSO Borneo Meters
Projection: Rectified Skew Orthomorphic Natural Origin
Datum: Timbalai 1948
Units: Meter

Prepared By: Donji

SABAH FOREST INDUSTRIES SDN. BHD.	
LOG PRODUCTION DEPT	APPENDIX 4
DATE RCVD	27 NOV 2012
FILE	
SEEN	
TARIKH: 26hb. NOVEMBER 2012	

**KAMPUNG BAMBAN
SIPITANG**

Kepada;
PENGURUS BESAR PERLADANGAN(Perhutanan & Kayu Kayan)
Sabah Forest Industries Sdn. Bhd.
Sipitang

Tuan,

TUNTUTAN BAYARAN KAYU ACACIA PESERTA PROJEK PERHUTANI KOMPATMEN L41 DAN L42 KAMPUNG BAMBAN, SIPITANG

Surat Perjanjian bertarikh 21hb. June 2011 iaitu persetujuan perkara 2 berhubung perkara di atas adalah dirujuk.

2. Sehubungan itu, segala urusan pembayaran kepada peserta projek perhutani L41 dan L42 Kampung Bamban, Sipitang hendaklah hanya melalui ketetapan di bawah ini.

NAMA	:	PROJEK PERHUTANI KAMPUNG BAMBAN
NAMA AKAUN	:	MALAYAN BANKING BERHAD, CAWANGAN SIPITANG
NO AKAUN	:	560139303139

Sekian, terimakasih.

Yang benar,


PIUS GANANG
 Wakil Peserta 1
 620108-12-5145



Dan,


JIMMY MORES BIN SULAIMAN
 Wakil Peserta 2
 710501-12-5669

fail

PESERTA PERHUTANI L41 MINTA BAYARAN SECARA INDIVIDU

RINGKASAN PENGIRAAN BAGI PENGELUARAN DAN PENDAPATAN PESERTA DARI KAWASAN PERHUTANI KG BAMBAN KOMPATMEN L41

No.	Nama Peserta	Tahun 1988		Tahun 1989		Jumlah		Isipadu (GT)	Pendapatan (RM)	Tandatangan Peserta
		Ekar	Hektar	Ekar	Hektar	Ekar	Hektar			
1	Purait Bin Lalung I/C No. : 460410-12-5189	20.00	8.10	30.00	12.15	50.00	20.25	3,213.99	128,559.62	
2	Asli Bin Seradu I/C No. : H0466308	2.00	0.81	-	-	2.00	0.81	128.56	5,142.38	
3	Anthony Bin Purait I/C No. : 660408-12-5477	10.00	4.05	10.00	4.05	20.00	8.10	1,285.60	51,423.85	
4	Jamry Seradu I/C No. : 720709-12-5413	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
5	Lim Shaw Mow @ Eddy Lim I/C No. : 521121-12-5015	2.00	0.81	5.00	2.02	7.00	2.83	449.17	17,966.60	
6	Rendy Lim Bin Lim Shau Mow @ Eddy Lim I/C No. : 770917-12-5245	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
7	Agong Bin Achang I/C No. : 440928-71-5097	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
8	Pengiran Lalung I/C No. : 551125-12-5407	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
9	Bulan @ Rovina Liau I/C No. : 500917-71-5106	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
10	Evelyn Binti Purit I/C No. : 710920-12-5436	-	-	10.00	4.05	10.00	4.05	642.80	25,711.92	
11	Salutan @ Penihas Liau I/C No. : 410410-12-5079	-	-	3.00	1.21	3.00	1.21	192.05	7,681.83	
12	Anita Binti Seradu I/C No. : 670417-12-5240	2.00	0.81	-	-	2.00	0.81	128.56	5,142.38	
Total						144.00	58.310	9,254.71	370,188.22	

Note:

- Keseluruhan kawasan = 403 Ekar / 163.07 Ha
- Dirian Kayu Penanaman = 64.22 GT/Ekar Atau 158.71 GT/Ha
- Keseluruhan Isipadu Kayu = 25,881.75 GT
- Kadar Pembayaran Peserta Projek Perhutani = RM 40.00 / GT
- Harga Kayu - RM15.00/Tan
 - Saguhati - RM 25.00/Tan
- Keseluruhan Pendapatan = RM 1,035,270.00
- Pengiraan adalah berdasarkan kepada jumlah sebenar pendapatan bergantung kepada timbangan akhir di Jambatan Timbang (Weigh bridge) SFI

Annex 8B

SIA Framework

This document sets out a framework that will be adopted by Sabah Forest Industries Sdn Bhd (SFI) to scope and assess the potential social and community impacts for all “New Areas” ⁽¹⁾. The framework provides certain commitments to be followed by SFI that pertain to activities, stakeholder engagement and consent from affected communities while operating in New Areas. The framework also outlines the triggers to identify other social impacts, such as livelihood losses, loss/interruption of access, gender related aspects, pollution related aspects, ecosystem services, resettlement and cultural heritage management, and provides an implementation framework for the same.

This framework will also refer to:

- The FPIC framework, though developed separately will also work in sync with the SIA Framework;
- Stakeholder engagement (including grievance redressal);
- Principles of community development (outlined in the Community Development Plan).

The key outcomes from the proposed SIA framework are summarised as follows:

- To embed the consideration of social and community impacts into SFI’s decision making process for planning to open and/or use new areas;
- To identify and address potential social and community impacts early on and to manage them throughout the lifecycle;
- To obtain broader social support for SFI’s activities in the new areas and to maintain a “social license to operate”;
- To develop options that are beneficial to local communities and that result in enhanced development outcomes.

The SIA framework will be revisited and updated after additional set of surveys and stakeholder engagement proposed to be undertaken in Phase II of this assignment. The measures to conduct and implement a social impact assessment that have been outlined subsequently will be further substantiated in Phase II.

(1) The SIA framework has used the phrase “new areas” to be co-terminus with “affected areas” that are to include all land areas to be affected by project operations either through allocation and re-definition of land status and boundaries, land acquisition, resettlement or restriction of access to use or to livelihood sources. Effectively it would mean, areas which are proposed to be opened up for plantation activity by SFI in due course of time. Presently the understanding is that every year 10, 0000 ha of land will be opened up by SFI. Areas that have previously been operated by LIONs Group (SFI), or Government owned (SFI) but have not been worked upon by BILT (SFI) since 2007 will also be classified as New areas. Areas that have never been used for plantation within the ITP area since SFI inception in 1982 would also classify as new areas.

The SIA Framework considers that there have been several changes in the boundaries of ITP and NFM areas along with changes in their legal status, i.e. declaration of forest reserve, incomplete boundary demarcation, etc. This has resulted into boundary disputes with communities as well as issues surrounding ownership, access and occupation within SFI's concession areas. Stakeholder consultations and documentation review have indicated that the kampongs around the concession area are aware of SFI's use as designated under licence by the government. They are therefore aware of the existence of the forest reserve; however continue to access areas within concession, and in some cases occupancy. In some of the reported cases, it is also owing to lack of boundary demarcation or lack of clear understanding of the boundary on ground.

A review of SFI's existing policies, procedures and systems to identify and mitigate social and community impacts through the CSR Department suggests the following:

- SFI has developed SOPs on mechanisms for handling land claims, conflict resolution procedure and stakeholder engagement;
- As a part of SFI's existing procedure, before opening up new areas, SFI's CSR team (with support from operations team and in some cases Government representatives) initiates dialogue with community three months prior to the opening of new areas;
- Reportedly, the agreements with the community are registered with district officer and signed copies of MOU are given to community as well as retained by SFI for their information and records;
- SFI has been practicing a participatory and consultative form of Informed Consent Process (ICP) since the last few years, which has proven the effectiveness of *sumuku* as a means to establish a mutually acceptable accord between SFI and directly affected communities (especially indigenous communities).

It is estimated that SFI proposes to open up approximately 10,000 ha of new areas every area. Presently, SFI's operations are limited to the converted areas (as defined in the SIA report for converted areas) hence; there is not adequate information on the land use, community profile and assets that may be found in the new areas. Thus, the plan to open up new areas is likely to trigger the following:

- Potential social and community impacts from interruption of access to livelihood sources on the new areas;
- Community resistance on account of pending land application and boundary conflicts between SFI and community; and
- Potential adverse impacts from economic and/or physical displacement, if any.

To avoid any potential social risks and their implications on SFI's operations in general and the well-being of the community in the project's area of influence in particular, a Social Impact Assessment (SIA) will need to be undertaken for all the new areas that are to be opened up in the near future and over the longer-term. Going forward, the SIA framework can also be used to respond to any new claims, if they come in converted areas. All SIAs that are undertaken and implemented under the framework will be consistent to IFC Performance Standards requirements.

1.2 *CONDUCTING A SOCIAL IMPACT ASSESSMENT*

The local communities within the kampongs around SFI's concession area utilise portions of the land at a household and community level. At the household level, the communities may be using portions of the area to cultivate rice and to grow fruit trees, rubber plantation, palm oil, Durian, Banana, etc. At the community level, land is used as a natural resource to collect minor forest produce and other NTFPs, hunting and fishing; however this is regulated on account of the area falling within forest reserve. Hence opening of new areas may potentially result in impacts pertaining to livelihood and economic loss, discounting the fact that these improvements could be:

- long term official claims lying with the land and survey department (either not responded to/ responded against the land applicant/ or no application made to land and survey department
- Opportunistic claims;

It is imperative to mention that the proposed SIA process will not attempt to establish the legality as well as validity of such claims. It is understood that such verification and validation will completely fall under the ambit of Land and Survey Department and Forest Department; however, should there be such information readily available, SIA process would respect such rights and will capture the same in SIA process accordingly.

Given this context, the subsequent section describes the proposed Social Impact Assessment process through three main components:

- Key commitments that SFI will embed into their stakeholder engagement process and planning to open up new areas;
- Understanding the triggers for specialist studies on social safeguards; and
- Guidelines on good practice that have been contextualized to carry out the actual assessment.

1.2.1 *Prior Commitments*

It is understood that SFI's Plantations Division will work in coordination with the CSR Department to implement the requirements under the SIA

framework. The key commitments that SFI will embed into their stakeholder engagement process and planning include:

GIS Mapping & Validation and ground truthing of the Boundary

SFI's Plantations Department will undertake a GIS survey to Map all new areas that are to be opened up through ground-truthing of the boundary of the compartment in which the activities are to commence. It is recommended that after an initial mapping by SFI's technical/topography team, SFI will adopt a participatory approach by inviting community representatives from nearby kampongs to participate in the ground-truthing exercise.

This will also include transect walks and boundary mapping together with IPs and SFI representatives to start the boundary clarification process.

The exercise will identify and enumerate aspects (if any), pertaining cultural sites or common property resources and livelihood activities in that compartment, along with their GPS locations and basic details of the claimants and users (i.e. name, location and years of usage/occupation). It is assumed that SFI will also undertake any required consultations/provide information to relevant stakeholders (including kampong headmen etc.) prior to undertaking the GPS survey.

Timelines

The timeline to initiate the informed consultation process (ICP) and the SIA process will be influenced by the area of the compartment and the extent of sensitivities that have been identified in the GIS Mapping exercise. It is estimated that a timeline of about 3-4 months will give adequate opportunity to initiate the informed consultation process, scope the need for specialist studies and undertake the baseline generation and impact identification process.

It is assumed that 10,000 ha proposed to be opened up every successive year will include different compartments in smaller areas and they may not be contiguous areas. So it is likely that the SIA will need to be done for every new compartment. Compartment and blocks are used for planning purposes.

The actual delivery of the SIA report and its disclosure and finalization of associated management plans can take an additional one month. The timeline for opening up of the new areas and initiating activities within the associated compartments will factor in the ICP and SIA process.

Informed Consultation Process¹

Through the SIA activities, SFI will ensure that an informed consultation process is followed and documented. The nature of consultation and activities

¹ Consent only if FPIC or the Sukumu accord is triggered.

for stakeholder engagement under the ICP process will be customized to the activities under the SIA as well as the basic information available on the community. The objective of the ICP will be to enable maximum participation of affected communities in an informed manner. In some instances (see triggers for FPIC in Section 1.2.2), the FPIC framework will be implemented for the consultation and disclosure process.

Disclosure

The results and outcome of the SIA and the proposed SMP will be disclosed to the affected communities and to all relevant stakeholders (including Forest Department, Land and Survey Department etc.). The disclosure will also seek to engage the stakeholders on their feedback and engagement during the implementation of the SIA's mitigation measures.

The project grievance mechanism will be explained to all affected individuals, households and communities and demonstrated to ensure that processes are broadly understood. Government representatives will be invited to participate as observers to all formal disclosures.

Commitment Register

During the ICP or FPIC process, any agreements reached as an outcome of consultations between the kampong representatives and SFI's CSR department will be documented and recorded in a formal commitment register.

1.2.2 Triggers for other social safeguards

Physical Displacement

The available information and field reconnaissance in sample villages suggest that there is low likelihood that the local communities (including any indigenous peoples) currently reside within the SFI concession area, therefore reducing the potential need for any relocation due to physical displacement as a result of the opening up of new areas. However, in the event that the SIA suggests the need for physical displacement, a resettlement planning process will require to be initiated by SFI. Section 2.1.1 of this document describes a high-level overview of the resettlement planning process in case any physical displacement is triggered.

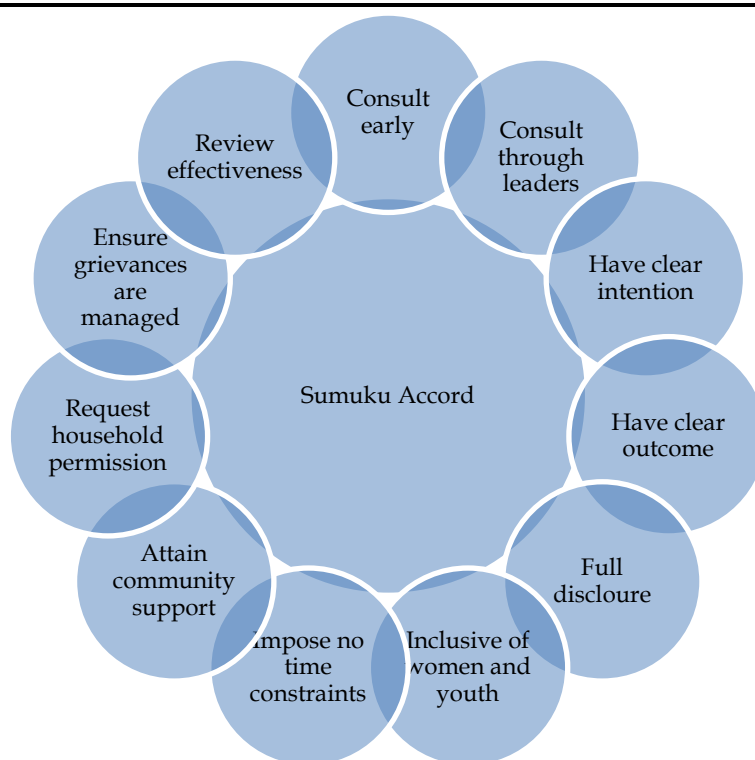
FPIC

During the SIA scoping phase, the study team will identify any probable impacts on indigenous people's long-standing customary usage of natural resources within the concession area that would trigger the need for FPIC to be attained. These triggers are most likely to involve long-standing customary use of the SFI concession area for NTFP collection, hunting and fishing under the following identified circumstances occurring within the SFI concession area:

- impacts on lands and natural resources subject to traditional ownership or under customary use;
- relocation of indigenous peoples from communally held land and natural resources subject to traditional ownership or under customary use; and
- impacts on critical cultural heritage or use of traditional knowledge for commercial purposes.

If the need for FPIC is triggered for each compartment or combination of compartments in the new areas, then the FPIC framework and *Sumuku* accord will be implemented. The key principles of *Sumuku* accord are illustrated subsequently:

Figure 1.1 *Principles of the Sumuku Accord*



**Refer to Annex 8A: FPIC Framework*

Cultural Heritage Management

Cultural heritage sites such as graves, burial grounds, ancestral mounds etc. are reportedly present in some portions of SFI's concession area. The identification of any such sites and their local significance will require a Cultural Heritage Management Plan to be developed. Mitigation and management measures for the protection and maintenance of any critical cultural heritage sites will need to be negotiated and mutual agreement attained.

The nature of land tenure and customary rights for accessing livelihood resources indicates the relevance of economic impacts on households. During the SIA for each project, SFI will require to determine the level of dependence of each identified household on the natural resource and/or land use. The assessment will produce a matrix for the actual loss and/or loss of access, and should there be such losses identified, the following action will be taken:

- Avoidance of such losses as per the guidance of the Forest Department (so called soft approach);
- Mitigation;
- Compensation to be further developed into a Livelihoods Restoration Plan.

The overarching objective for livelihoods restoration is to ensure that livelihoods of the affected communities are restored and preferably improve. Some of the key principles to be referred to for LRP are mentioned in **Section 2.1.3**.

1.2.3 SIA Process

The SIA process described subsequently places emphasis on the gathering of socio-economic baseline data as early as feasible/at the front end of the process. This will enable SFI to assess and scope any issues such as physical displacement, access to ecosystem services or cultural property management that will require a specialist study or mitigation plan; or to identify any other high-risk social issue which may affect the project.

In areas where there is not likely to be any trigger for specialist studies or significant adverse impacts, there may still be the opportunity for SFI's engagements in interventions (need assessment) to obtain a local license to operate and to provide sustainable benefits.

Therefore, the SIA process also expands upon the scope of the social assessment to identify positive impacts and opportunities for enhancing the development status of the communities that may live and work in the immediate vicinity of the new areas.

Table 1.1 **Generic SIA Approach for New Areas**

S. No	Major Activity	Key Steps	Activities	Outcome
1	Scoping for SIA and Identification of Triggers	Based on existing baseline information with the CSR Department and SFI's initial GIS Mapping, the SIA team should identify the broad level issues that may be relevant to the particular block/ compartment/estates. - After the preliminary identification of impacts, the team must undertake a reconnaissance visit to the project area and the team should define project affected zones such as – - core zone (that will experience a direct impact) eg. Community sharing boundary with compartment, communities with HHs accessing the area (may not be sharing the boundary) and dependent on the proposed new areas, water pollution related impacts etc. - buffer zone (that may experience indirect or significantly negligible impacts) as well as identify the key stakeholders in the project. E.g. Access related issues, transportation, influx, migrant population related impacts - However the distance itself should not be a criterion, rather topographical considerations, watershed, drainage, natural barriers like rivers etc, should inform the defining criteria for core and buffer zone. - It is suggested that defining of the core and buffer zone should be done on the basis of a screening criteria encompassing aspects like: - Livelihood dependence; - Location of the farm land; - Location and identified water source; - Mobility; - Past impacts faced by the community owing to logging and plantation activity - These issues can be ground truthed for their relevance and for the potential to trigger any other social safeguards on the basis of initial consultations with the kampong representatives and any other users/occupiers of the new area. - The team should undertake rapid consultations with key stakeholders within both the zones and should validate the identified impacts or include those that may have been missed out in preliminary identification. - An interaction matrix will also need to be developed outlining the proposed activities against the receptors and highlight the interaction between the two. - Based on the outcomes of the scoping stage, the team will develop a methodology	- Formation or hiring of an SIA team - Rapid desk based review - Brainstorming on the potential impacts of the project; - Undertaking a reconnaissance visit to the project area and stakeholder consultations; - Listing out the key project stakeholders - Preparation of a detailed approach and methodology for the study.	Scoping Report

S. No	Major Activity	Key Steps	Activities	Outcome
		- o to collect the primary and secondary data; - o identify safeguard procedures for resettlement, FPIC, heritage management; and - o develop the ICP process that is to be followed, tailored to the community context.		
2	Collection of Secondary Data	A detailed desk based review will need to be undertaken to collect information related to the baseline indicators such as demography, health and infrastructure etc. This baseline will enable quantifying the significance of the impacts of the project activities. This baseline will need to be updated in case there are any major changes in the project area. The data sources for collecting the baseline data will include secondary data compiled by the government, various departmental publications, census data etc. Media reports may also be used to the extent feasible. It is understood that secondary data collection would not be undertaken for each compartment within the new area as the historical perspective would remain the same. However, any new secondary information that is generated either through the native court and/or the Population and Housing Census/other sources should be updated.	1. Identification of sources of Information 2. Collection of census data/ pertinent data on demography health, economy etc. from relevant sources 3. Compilation of secondary data 4. Preparation of project description	Robust secondary baseline information and detailed project description
3	Primary Data Collection	Based on the scale of the project and the methodology for the SIA, primary data will need to be collected to contextualize the baseline information. The primary data collection can be undertaken as follows: • Quantitative methods for data collection such as household interviews may be used to generate data on aspects such as demographics etc. • Qualitative data will need to be collected through key informant interviews, focused group discussions etc. to gain an understanding of the key concerns and expectations of the communities and other stakeholders as well as obtain information pertaining to qualitative change in the project area; • Based on the qualitative data generated through the interviews and discussions, stakeholder perception mapping will need to be undertaken to highlight the key concerns and expectations of each pertinent stakeholder groups (Such as local communities/ affected families/ government officials etc.).	1. Detailed Quantitative Data collection 2. Detailed Qualitative Data collection 3. Updation of the Baseline 4. Enlisting the profiles for each stakeholder group 5. Highlighting the key concerns and expectations of the stakeholder groups	Updated baseline report to include the primary survey information
4	Impact Identification	Based on the baseline data, primary survey, and information on the project activities, the impact identification will be undertaken and will involve the following key steps: • Based on the site visit, the interaction matrix that outlines the possible	1. Updation of the interaction matrix 2. Identification of the impacts caused by the project across its life-cycle 3. Developing stakeholder profiles for the	1. Detailed list of impacts across the project life cycle 2. Detailed stakeholder

S. No	Major Activity	Key Steps	Activities	Outcome
		interactions between the source of impact and receptors ⁽¹⁾ will need to be verified/ updated. - For each stage of the project, the impacts will need to be identified based on the interaction matrix. - Specialist studies may be triggered in case impacts pertaining to resettlement/ livelihood loss, impact on cultural heritage etc. are identified at this stage.	major stakeholder groups	profiles
5	Assessment of Impact Significance	Based on the impacts identified their significance will need to be assessed. While the detailed methodology for assessing the significance of the impacts will need to be developed by the impact assessment team the following steps may be taken to assign the significance to the impacts. - This will include identifying the scale of impacts that will be ascertained from the project activities and the baseline conditions. This will essentially outline the extent of impacts. - The magnitude of the identified impacts may be ascertained based on the severity of the impact on the receptor. This will be assessed within the broader context of the baseline conditions. - The vulnerability or sensitivity of the groups affected will also need to be taken into consideration as vulnerable groups may be more prone or affected by the impacts than other groups. - Based on taking all these factors into consideration and any additional factors as required, the significance of these impacts will need to be determined. Mitigation measures for these impacts will need to be identified and the residual impacts will also need to be ascertained.	- Assessing the scale, magnitude and receptor sensitivity - Assigning the impact significance - Proposing mitigation measures to address the impacts - Assessing residual impacts (if any)	Significance assigned to each identified impact.
6	Development of Management Plans	Based on the mitigation measures suggested for the identified impacts, a detailed impact management plan will need to be developed for each stage of the development cycle of the new area (i.e. logging, clearing, planting, maintenance and harvesting). - This will include outlining the proposed mitigation measures, defining roles and responsibilities for personnel responsible for implementing the mitigation measures, charting out the time for implementation and highlighting the indicators to measure progress. - A stakeholder engagement will also need to be developed at this stage to	- Compiling the mitigation measures for each stage of the project - Assigning the responsibilities for implementation of the mitigation measures - Outlining the timelines for implementation of mitigation measures - Indicating the indicators to be used to measure the progress of the implementation of impact mitigation measures	- Detailed impact management plan - Stakeholder engagement plan - Resettlement Action Plan &/or livelihood restoration plan (if necessary) - Specialist

(1) Humans and other animals which can be impacted by Project activities.

S. No	Major Activity	Key Steps	Activities	Outcome
		develop a relationship based on mutual understanding and trust on issues of common interest. Inputs from the stakeholder profile will need to be used to prepare a stakeholder engagement plan that will outline the engagement process and frequency for each stakeholder group. - In case the project involved resettlement or economic displacement, detailed resettlement action plans/ livelihood restoration plans will need to be developed. - Additionally, in case specialist studies are triggered as part of the impact assessment (such as when impacts are identified on cultural heritage sites), specific management plans for these will need to be prepared.	- Outlining the methods of engagement and frequency of engagement for each stakeholder group - Developing a resettlement action plan/ livelihood restoration plan in case there is physical/economic displacement - Development of specialist management plans (such as Cultural heritage management plans) in case specialist studies are undertaken for such impacts	management plans (such as Cultural Heritage management plan) [if necessary]
7	Information Disclosure	This aims at promoting transparency in the impact assessment process and development of a healthy relationship between the project proponent and the project stakeholders. - The process of information disclosure can be undertaken in two manners, either voluntary disclosure or disclosure as part of the regulatory requirements. - While regulatory disclosure involves the provisioning of information as required by the authorities and agencies involved in the project, voluntary disclosure refers to the process of disclosing information to the various stakeholders in a voluntary manner. The process of disclosure involves the provisioning of information in an accessible manner to the various stakeholders in a project. - This disclosure not only allows for trust to be build amongst the stakeholders through the sharing of information but also allow for more constructive participation in the other processes of consultation and resolution of grievances due to availability of accurate and timely information. - At the outset, the feedback received during information disclosure will need to be incorporated into the SIA report and management plans. Thereafter this will be an ongoing activity.	- Village / district level workshop - Noting the feedback received from Stakeholder - Incorporating the inputs of the stakeholders as appropriate and revision of the SIA/SMP if required - Publishing copies of the revised report - Undertaking this activity as required in the future	- Stakeholder feedback report - Revised SIA/SMP report - Revised pertinent reports in the future
8	Implementation of SMP	After the SIA and SMP are revised and approved, the mitigation measures will need to be implemented by the responsible agencies. - The SMP is a live document and therefore will need to be updated in case of change of baseline conditions/ project components. It may be useful to partner with external agencies to implement certain mitigation measures if required. - In case external agencies are recruited, SFI should develop clear ToRs, work	- Implementation of the mitigation measures outlined in the SMP - Conducting regular monitoring of the activities - Highlight implementation gaps and propose mitigation measures for the same	Reduction/Mitigation of the impacts arising out of the project

S. No	Major Activity	Key Steps	Activities	Outcome
		orders and work plans to ensure effective implementation of the mitigation measures and limit any potential liability arising out of the actions of the external agency.	- Partnering with external agencies if required - Developing clear contracts and work plans for the external agencies and regular monitoring of their activities	
8	Monitoring and Review	This will be an ongoing activity through the life-cycle of the project and will be specifically important during the implementation of the SMP. The key steps will include: Step I: - The implementation of the activities enlisted in the SMP will need to be reviewed and their progress will need to be monitored against the indicators outlined in the SMP Step II: - Any gaps identified in the process will need to be highlighted and mitigation measures to close these implementation gaps will need to be proposed and subsequently implemented. The ongoing monitoring will also identify any changed in impacts and subsequently propose mitigation measures for the new/modified impacts and enable implementation of the same.	- Review and monitoring of the activities listed out in the SMP based on the specified schedule (but not less than once every quarter) - Identifying the implementation gaps and proposing mitigation measures for the same - Identifying any changed in the impacts and subsequently modifying the management plans - Preparing a monitoring report for the given period.	Monitoring report for the period under consideration

This section provides an overview on guidelines to implement the SIA and SMP along with principles of resettlement planning and monitoring & evaluation.

2.1.1 *Resettlement Planning*

Presently, as specific details on any potential resettlement and relocation of communities (if any) for the new areas is not known, the revision and update to the SIA Framework in Phase II will include a generic Resettlement Action Plan. The RAP will focus on the compartment development schedule and activity, the process of land access before areas are opened up, a generic baseline of the area, potential impacts due to loss of land and access to livelihood sources, categorization of project affected people, an entitlement framework and measures with clearly defined principles.

The resettlement plan will also include a description on how the process will be implemented, along with linkages with the government's institutional arrangements, a disclosure framework, monitoring and evaluation process and resettlement completion audit process.

If physical displacement is triggered, SFI will follow the guidelines provided subsequently to identify and rehabilitate affected communities:

- a) Identification of affected communities: The resettlement process should begin with the identification of affected communities that are to be resettled. A census survey of all entities to be relocated, i.e. individuals, households, hamlets etc. will be carried out. The census survey will include details of the impacted entity and their household along with a linkage to the asset and inventory survey;
- b) An asset inventory survey will be carried out in parallel to determine the type, nature and tenure/ownership status of the assets. In the absence of formal native titles (for claimants), a verification of existing land records available with the headman of the village will be required. A representative of the Forest Department and the Land & Survey Department should participate in the asset inventory process;
- c) The census survey and the asset and inventory survey will enable to obtain details on the socio-economic profile and asset ownership/usage of each impacted entity. This information will also be used to determine their vulnerability status on the basis of criteria that emerge from the overall census survey;
- d) Based on the outcomes of the survey potentially lost assets inventory should be made and copy of the same should be given to concerned government department such as land and survey and forest department for its approval land.

- e) Simultaneously all the impacted assets including community assets and common property resources such as community hall, surface water bodies, grazing land and religious structures should be valued as per the norms laid down for Sabah govt.. The key principle for the valuation should be based on the replacement value rather than the asset value;
- f) Based on the outcomes of the survey and expectation of the community mapped out through stakeholder consultations (including community), SFI should develop entitlement matrix for compensating all losses irrespective of legality of status and tenure. Separate provisions should be earmarked for informal dwellers such as encroachers and squatters. Special assistance should be given to women head household and other vulnerable groups. This entitlement matrix should be finalized in consultation with the concerned govt. department and native court if required.
- g) For handling the grievances arising out of resettlement SFI should form and lay down procedures for resettlement committee at district level. The committee should have the representation from concerned govt. department, local political representative, civil society, representative from the tribes and affected community (Headmen). The committee should be made responsible to review and appraisal of resettlement works.
- h) After the formation of committee and finalization of entitlement matrix, Resettlement/ micro level plan should be prepared and sent for approval to company head quarter and concerned govt. department. After the approval the plan should be disclosed to the community and if there are some feedbacks it needs to be incorporated in the final document before releasing entitlements to affected families.
- i) Finally 6-3 months advance notices should be served to the community regarding resettlement and if required temporary sites should be identified. Ideally PAPs should be encouraged for self-relocation however as per the demands from the community the option for common resettlement colony may be explored. Further no resettlement should be done before giving the entitlements to the PAPs/PAFs. There should be no direct cash transaction and all the financial assistances should be routed through bank.
- j) Based on the provisioning in the resettlement/ micro plan each entitled person should be given identity card mentioning losses and entitlements and after that resettlement plan should be implemented as per the agreed terms and conditions and local laws.
- k) The entire resettlement process should be based on the participatory approach and should be closely monitored. And progress should be regularly shared with direct resettlement committee.

2.1.2

Implementation Mechanism

Prior to any physical work being undertaken on the project, agreed mitigation in the Social Management Plan as well as any associated compensation and livelihood restoration measures will require to be initiated. Full support from SFI's management in terms of timely allocation of funds, institutional arrangements and resources are critical for the effective implementation.

As detailed in the Social Management Plan, SFI's Grievance Redressal Process will also track any concerns or grievances that emanate from the affected communities or any other stakeholders.

SFI can also partner with the local government, universities, NGOs and other stakeholders in the delivery of enhancement initiatives. In general, community development and livelihood initiatives will require the provision of technical assistance and capacity building in order to develop self-sustaining projects and avoid the dependence of the affected community on SFI's CSR department.

2.1.3 *Livelihood Restoration*

If the SIA identifies economic losses, then a livelihood restoration plan (LRP) for the affected families will need to be developed. The livelihood restoration plan will be based on the following principles:

- It will focus on rebuilding income sources and assets that are affected;
- It will provide individual as well as community based programmes, responding to the key needs and local capacities. To the extent possible, it will provide a basket of options on livelihoods;
- It will be closely integrated with the CDP and the CSR programmes being undertaken by SFI;
- Livelihood options will take into account any specific vulnerabilities or vulnerable social groups that are identified in the baseline;
- The principle of the LRP will be to ensure that livelihoods are restored and preferably improved.

The LRP will be undertaken through the following steps:

- Analysis of the livelihood impact data emerging from the SIA;
- Engaging with the affected families on long term livelihood aspirations and options;
- Studying the existing livelihoods in the community and use of state lands for the same;
- Studying the options for use of existing state land to provide additional income through technical and financial support from SFI
- Studying the option of newer livelihood options – mixed farming, higher value crops, more efficient plantation and paddy cultivation. Employment with SFI or contractors, etc.
- Preparing a household as well as community level LRP within a broader CDP and CSR programme. The CSR team will also deliver the LRP. The LRP should provide clear guidelines on the implementation of the LRP, including association with local partners or NGOs, technical support required, implementation timelines and budget and delivery arrangements.

The social impacts and the mitigation measures that are outlined in the Social Management Plans will required to be monitored. This will enable SFI to track whether the actual social impacts for the new areas deviate from those that were assessed/predicted and if so to recommend a means for corrective actions. In addition, the monitoring process can also evaluate the ongoing performance and outcome of the mitigation and identify any challenges, specifically with respect to their linkages with other management plans and SFI's operations.

Ideally, the monitoring and evaluation framework is premised on key indicated that have emerged from the social baseline and their changes over the project's lifecycle. These include quantitative and qualitative indicators.

The detailed SIA framework to be developed in Phase II will also describe a formal and structured monitoring and evaluation process that will include:

- Regular/ongoing progress monitoring by SFI's CSR department;
- Quarterly internal monitoring in order to identify corrective actions; and
- Frequent external monitoring in order to evaluate residual risks and provide recommendations on mid-course corrections.

Some of the key parameters that can be monitored over the project cycle are as follows:

- Community profile:
 - o Changes in demography and population;
 - o Educational participation;
 - o Changes in settlement pattern;
 - o Changes in community participation and engagement;
- Livelihood profile:
 - o Income distribution;
 - o Diversified risk strategy in livelihood activities and changes therein;
 - o Gender distribution in livelihood activities;
 - o Forest dependence;
 - o Out-migration;
- Labour and Employment:
 - o Labour force participation and unemployment;
 - o Local employment proportion;
 - o Skill creation.
- Ecosystem services:
 - o Areas of access to natural resources;
 - o Substitution of natural resources with other services (e.g. infrastructure);
 - o Time and effort to access ecosystem services;
 - o Contribution to household income and standard of living from ecosystem services.

Annex 8C

Community Development Plan

This Document is aimed at developing a Community Development Plan for the local communities directly or indirectly affected by SFI operations or living in close proximity to the SFI operations. The CDP has been developed to mitigate community level impacts as well as provide opportunities to derive long term benefits from SFI's operations in the area. The plan also aims to shape the existing and future CSR interventions of SFI in the communities.

1.1 PROJECT BACKGROUND

SFI started as a Government undertaking in 1982. In 1993 SFI was privatised and in 1994 was sold to the Lion Group of Companies and the State Government agreed that SFI could operate under conditions no less favourable than those detailed in Special Licence SK 7/90.

In 1996 the State Government divided the original area covered by Timber Licence SK7/90 into two portions and issued SFI with Timber Licence Agreement JP (KSG) 108/96 (CO) for "Portion A", covering 158,623 hectares for the purpose of carrying out Natural Forest Management (NFM). The management of this area is the subject of this Forest Management Plan (FMP).

Between 1983 and 1993 SFI harvested around 128,000 ha or 45% of the area covered by the Special Licence for saw logs and peeler logs and later re-logged about 66,500 ha taking smaller logs. In 1997 Sabah Forest Industries Sdn. Bhd. (SFI) developed its Integrated Timber Complex (ITC) comprising a plywood mill and saw mill located near Sipitang, Sabah. The bulk of the raw material for these mills was to be sourced from about 289,000 ha of natural forest and Special Licence SK 7/90 was issued for that purpose.

On 16 March 2007 the Lion Group sold its shareholding to Ballarpur Industries Limited (BILT), of India. This was done with the consent of both the Federal and State Governments and it was agreed that BILT could operate SFI in accordance with the conditions of the 1994 Sales and Purchase Agreement that were agreed to when SFI was privatised. At that time the State Government gave SFI the right to log a total of 4.25 million m³ during the first five years of the Timber Licence Agreement commencing from the 1st January 1996. They also allowed this quota to be carried forward until fully utilised.

1.1 THE CONTEXT OF CDP

The land status of SFI changed from being state land to Forest Reserve land in 1996. The demarcation of the boundary of the concession in late 1980s resulted in spur of land application claims within concession boundary and also in due

course of time resulted in changing livelihood patterns. It is not clearly known how the engagement or done or if any kind of CSR activities were actually being implemented by Lions group or not Post declaration of the Forest Reserve, there were reported changes in the way communities or individuals depended on these areas.

Reportedly in the past, (before BILT took over in 2007) SFI engagement with the community was limited with little evidence of CSR interventions or any sort of community development activities undertaken. Reportedly stakeholder engagements and communication took place only in when there were disputes or conflicts which were mostly over land ownership and road access. Although previously (before 2007) SFI has provided considerable material support to communities to build and repair churches and community halls, provide water tanks and gravity feed water systems, repair and maintain roads and bridges as temporary solutions to community grievances and access disputes. This approach seems to be non-sustainable and did not address the issues of ownership or sustainable lifestyles and had created a dependence on SFI.

In July 2007, after its acquisition by BILT, SFI established a Corporate Social Responsibility (CSR) Department to identify and address the needs of the stakeholders of SFI including the communities living adjacent to the concession areas. One of the objectives of CSR is to build lasting relationships with stakeholders and to improve the quality of life of neighbouring communities by increasing their socio-economic status, maintaining their cultural values as well as protecting the environment. This is done by developing participatory programmes such as modular community development workshops, leadership training, and joint community resource management projects, all of which are planned on the findings of base-line studies and agreed with community elders.

These programmes are conducted in collaboration with NGOs such as PACOS Trust, Sabah Nature Club, WWF and various government and private agencies.

1.2 OBJECTIVES & SCOPE OF CDP

The objectives of this CDP are;

- To initiate and implement measures to mitigate the adverse impacts of the project on the local communities;
- To enhance positive impacts and share benefits of SFI's operations with local community
- To address the needs (felt and identified) of the communities and plan and implement measures/interventions that are sustainable and based on participation

Community Development for the purpose of this plan is defined as the investments/interventions which are “technically appropriate, environmentally sound, financially beneficial and socially responsible investments aimed at building active and sustainable communities based on social justice, mutual respect, and perception of a common interest”. The planning principles of this CDP are based on tenets of;

- **Social Justice & Equity:** Enabling and ensuring that all sections of the community benefit equally from the CDP process and interventions;
- **Participation:** Facilitating and ensuring participation of all stakeholder groups in the planning and implementation of the proposed measures;
- **Learning:** Recognizing the skills, knowledge and expertise that people have contributed and developed by taking action to tackle economic, political, social and environmental problems;
- **Co-operation and Social Cohesion:** Working together to identify and implement action, based on mutual respect and understanding of diverse cultures and contributions

Approach for CDP

The approach towards this study includes the understanding of the following:

- local context of the project scope and its coverage;
- the community and nature of impacts on them;
- the efficacy of the mitigation measures undertaken to minimize the adverse impacts;
- Issues and challenges posed on community due to the restrictions on access to resources, changes in settlement & livelihood patterns around water, agriculture, fishing and hunting etc;
- the major conflicts and its potential reasons;
- Existing institutional set up to deliver CSR programmes
- Stakeholder engagement and concerns and
- Major bottleneck in the implementation of CSR programme

Methodology

The methodology of the developing CDP includes:

- Review of secondary data such as census and previous studies including baseline studies and need assessment studies conducted by SFI in collaboration with local NGO, PACOS.

- Consultations with Government Departments, such as Land & Survey and Forest Department, SFI teams such as CSR, Plantation etc. for understanding the potential issues and key concerns with respect to land claims and restrictions to access, as well as engagement processes with the communities during project entry in a new compartment;
- Key Informant interviews with village headmen to understand the history of community, their dependence on forest, impacts logging & plantation activities, restrictions and potential issues of concern relating to land claims and other restrictions on accessing natural resources.
- FGD with community (youth and women) was undertaken to understand the potential risks, opportunities, challenges and impacts on them due to the project.

1.5 *INTER-LINKAGES WITH OTHER MANAGEMENT PLANS*

The CDP will not be implemented in isolation. The CDP will work in consonance with the Social Management Plan (SMP), FPIC framework, Stakeholder engagement Plan (SEP) and Grievance Redressal Mechanism. It is important to understand that the inter-linkage will not be achieved through one time exercise, and opportunity needs to be identified for continuous integration in future.

1.6 *STRUCTURE OF THE CDP*

The layout of the plan is as given under:

- Section 1 (this section): provides an introduction and brief background to the project and its salient features, the objectives and scope of CDP along with the methodology followed and the limitations for the same;
- Section 2: provides a brief overview of the baseline for the project;
- Section 3: provides a review and assessment of the existing CSR activities;
- Section 4: Need for community Development Plan ;
- Section 5: description of the resources required for the fulfilment of the various components and a timeline for the same;
- Section 6: describes the stakeholder engagement process, including the objectives of such an engagement, the methods of consultation, the present status of the engagement and provides linkages with Grievance Redressal Mechanism for the project;
- Section 7: Monitoring and Reporting;
- Section 8: Conclusion and way forward;

The SFI Concession area is located in Sabah Province of Malaysia. The people of Sabah are divided into 32 officially recognised ethnic groups, in which 28 are recognised as Bhumiputra (sons of soil or in simple words- indigenous people/natives). The largest indigenous ethnic group is Kadazan-Dusun, followed by Bajau, and Murut. The largest non-bhumiputra ethnic group is Chinese (13.2%). There is a much smaller proportion of Indians and other South Asians in Sabah compared to other parts of Malaysia. Cocos people are a minority ethnic residing in Sabah especially in the Tawau Division. The major tribes and ethnic groups living in the project area are: Malay, Kadazan/Dusun, Bajau and Murut. There is a small section of Chinese and Indian migrants also living Sipitang.

The current SFIs concession area comes under Sipitang, Beaufort and Tenom districts of Sabah. As per the EIA report July 2002 nearly 70 villages are directly impacted and whereas 42 villages are having indirect impacts due to the project. Reportedly while the project does not involve any physical displacement of communities however it was having impacts on livelihood and access to natural resources for the community. Further in 1996 the SFI concession area was declared as forest reserve which prohibits communities from using the reserved forest land for agriculture and plantation purposes. Furthermore, the renewal of the license for SFI has allowed them to undertake selective logging and plantation in the notified areas such NFM, ITP and no logging and plantation in conservation areas is allowed. Prior to this notification communities were formally or informally using some parcels of the land for agriculture and plantation along with hunting and gathering activities and few of them were also having native titles and customary rights. Although state government has issued a notification for compensating for these losses however due to the non-availability of sufficient documentary evidences most of these claims are either rejected or still pending for final decision. As a consequence of this; the communities directly came in conflict with SFI on land rights and boundary disputes. Since BILT took over SFI's operations in year 2007, serious efforts towards community development have been made. One such attempt was the identification of the community requirements and needs, through a baseline survey undertaken across 86 villages by SFI. Details of baseline coverage are given in *Table 2.1*.

Table 2.1 *Coverage of Socio-economic Baseline Survey*

Sl.No	Area	Nos. of Villages Covered
1	Tenom	20
2	Sipitang	54
3	Beaufort	12
4	SFI Housing Colony (Kepland, ITC, Ganui & Mendolong)	1

Source: SFI

Based on the outcomes of the need assessment survey and suggestions received from the community, presently SFI is focusing on capacity building, livelihood promotion, and linkages for partnership and sustainability. Details of villages covered under the CSR initiatives are given in the following table.

Table 2.2 *Villages covered under CSR*

Sl.No	District/Villages	Nos. of Villages
1	Sipitang District	7
2	Sipitang District – Ulu Padas (Ulu Bole, Iburu , Maligan, Randulang, Long Pasia & Long Miao	6
3	Beaufort District	4
4	Tenom District (Ulu Tomani -5 & Kemabong-7)	12

Source: SFI

ERM also undertook census survey and consultations in some of the kampongs spread across the district of Beaufort, Sipitang, and Tenom. The purpose of these consultations and surveys was to develop an understanding of the community's perception in regards to the presence of SFI in the area, its engagement with the community, their dependence upon the land within the concession area and their claims on the land in question. Consolidating the findings of the existing baseline surveys and the work undertaken by ERM, some key socio economic baseline aspects especially important from the perspective of CDP have been summarised below.

2.1 *EDUCATION AND LITERACY*

The kampongs surveyed are reported to be characterised by a high level of literacy, especially amongst the younger generation, with most of the population having at least primary schooling. This is in keeping with the trends at the Sabah state level, which has 60% enrolment rate for the age groups of 6-18 years (2011). Of the households covered in the survey, 76.76% have at least some education up to primary school, with 40.81% of the population having secondary education and 5% having pursued higher education.

The education levels of the women population are observed to be comparable to that of men. While 22% of the women population are reported to have no education, the same for men is 18.5%. Furthermore, while the proportion of women with primary education (27.64%) is higher than that of men (25.5%), the proportion of women with secondary education (39.4%) is lower than that of men (42%). However, the proportion of women with higher education (college, technical and graduation) is approximately 5.3%, which is higher than that of men; which is 5%. This is attributed to the largely equal opportunities provided to boys and girls in terms of education.

The overall low proportion of population with higher education is attributed primarily to the distance at which such education services is available, and not necessarily the willingness of the community to pursue higher education. Furthermore, while the seats in the government institutes are limited and are

based on merit, the fees for the private universities was reported to be very high, which limited the number of individuals able to pursue higher education.

2.2 *LIVELIHOOD PROFILE*

The livelihood profile of the community is comprised of a primary dependence on cultivation and farm based activities. However there is reported to be a shift amongst the younger generation towards service based livelihoods, which is accompanied by a migration to urban areas in the state. Consultations across Kampongs suggested that the livelihood pattern has undergone changes in the last three generations (approximately). Paddy cultivation has been there since beginning, but Rubber plantations more so, in the last 30-40 years, Palm oil followed rubber plantation. The youth are now more interested in out migration to Kota Kinabalu and Kuala Lumpur for employment and a more modern way of life.

2.2.1 *Agriculture*

Agriculture plays an important role in the sustenance, food security and income generation for the community in the kampongs surveyed. A small proportion of households also reared livestock (mostly chicken and pigs) for household consumption and sale at the kampong level). Those who did not rear livestock hunted or fished to supplement their diet.

The major crops grown by the community in the kampongs include paddy, corn, beans, chilli, pumpkin, coffee, sweet potato, rubber, palm oil, fruits such as mango, durian, rambutan, jackfruit, coconut, banana, pineapple among others. The farming practices comprise of mostly traditional methods of multi-cropping for paddy, vegetables etc. and plantations for crops such as rubber, palm, coffee and fruits. While the cultivation of paddy and vegetables is reported to be mostly for self-consumption, plantation crops are for commercial purposes.

The average area of land cultivated by a household is 15 hectares. While the average area cultivated with paddy is approximately 2-4 hectares, the larger land holdings are mostly cultivated as plantations of palm and rubber. The seeds are preserved by the farmers to be used in subsequent seasons. They do not use any external fertilizer or manure in their farmland. Soil fertility is restored using branches and other vegetation cleared from the farmland. Rubber trees are often attacked by insects. They buy and use insecticides to kill these insects. Rubber trees, if wasted by insect attacks, are mostly used as fire-wood.

2.2.2 *Fishing*

The two main resources for fishing are natural streams and rivers and individual ponds maintained by households. The community reported a

usage of drift nets, fishing rods and cast nets for the purpose of fishing. The most prominent of the traditional resource management system for fisheries is reported to be *Tagal* in the area. “Tagal system”, in the local language means “fishing in rivers is prohibited by the concerned communities for a certain pre-agreed period of time”¹

2.2.3 Forest Dependence

For the indigenous communities in the study area, the forests they have traditionally lived in or near continue to be of significant to them in meeting their needs through hunting and gathering. While the traditional forms of shifting cultivation have declined, fishing and hunting are still practised, more for self-consumption, than commercially. In some areas communities also derive a modest income from non-timber forest products (NTFP) and minor forest products (MFP) such as durian, bamboo, rattan and other flora. In addition to the prevalence of health clinics and institutional medicine, some people from the community still use barks and leaves of trees as medicinal herbs for common maladies. Some of the key Minor Forest Produces collected by the local community are summarised below.

Table 2.3 *Minor Forest Produce in the Project Area*

S. No	Local Name	Type of Produce	Use/ Dependence
1	Seraya	Tree	Timber for House structure
2	Agathi	Tree	Timber for House structure
3	Uvol	Tree	Black dye for handicrafts
4	Bubung	Vine	Handicrafts
5	Bamboo	Grass	Handicrafts
6	Rattan	Tree	Handicrafts
7	Kayubund	Tree Bark	Medicine for bloated stomach
8	Kindas	Tree Bark	Medicine for clearing of throat congestion
9	Kamanges	Herb	Repellent for Mosquitos and ghosts
10	Ansasaru	Herb	Medicine for cough and flu
11	Ginsing	Root	High Blood Pressure & general health
12	Tongkatali	Root	Medicine for High Blood Pressure and Malaria
13	Buntung	Leaf	Medicine for jaundice and bloated stomach
14	Panawa	Root	Anti-venom
15	Palih	Tree sap	Poison for hunting
16	Pitaga Payun	Root	Medicine for kidney pain
17	Kadip- Fatima	Root	Medicine for general health
18	Apah	Leaf	Food flavouring
19	Orchids	Flower	For decoration and ornamental purposes
20	Wild fruit	Fruit	Wild consumption

Source: community consultations, May 2014

The community also depends on the forest for sourcing raw materials such as rattan, bamboo, vines and dye for handicrafts. While handicrafts were earlier for personal use, since 2006, communities in Tenom and Sipitang are also developing these for commercial sale. SFI’s CSR Department has been working with communities in Tenom in developing *Murut* traditional handicraft products such as *lanjung*, *tikar*, *silaung*, *tapan*, *kappa*, *saluir*, *pisau* and

¹ Wong et al. 2009 Towards Sustainable Community Based Fishery Resources Management

kalong. The tourism potential of Tenom and Beaufort districts has enabled the community to access market linkages for their handicraft products.

2.3 PHYSICAL AND SOCIAL INFRASTRUCTURE

Table 2.4 *Overview of infrastructure in Kampongs covered in Social Survey*

District/ Kempung	Public Amenities						
	Cultural House	Water supply	Electricity	Road	Toilets	Primary School	Church
Beaufort							
Haligolat	√	√	√	√	√	√	√
Saliwangan	√	√	√	√	√	√	√
Karangan	√	√	√	√	√	√	√
Sipitang							
Meligan	√	√	√	√	√	√	√
Ulu Bole	√	√	√	√	√	√	√
Rundulang		√		√	√		
Kuala Muaya	√	√	√	√		√	
Kaban	√	√	√	√	√	√	
Solob	√	√	√	√	√	√	√
Pakiak	√			√	√		√
Kelangsar	√	√	√	√	√		√
Bamban	√	√	√	√	√		
Kebawang	√	√	√	√		√	
Mendulong	√	√	√	√	√	√	√
Tenom							
Melutut	√	√	√	√	√	√	√
Alutuk	√	√	√	√	√	√	√
Kaang	√	√	√	√	√	√	
Mahunsop	√	√	√	√	√	√	√
Tinura	√	√	√	√	√	√	√
	√	√	√	√	√	√	√
Bakuku							

Source: ERM HH survey, 2014 and PACOS baseline 2007 and 2012

Overall, the primary survey has indicated that large public sector investments are needed, especially in social infrastructure. Such investments, coupled with improved education and health facilities, will help create decent employment opportunities and contribute towards eradication of extreme poverty in these communities.

2.3.1 Water Supply and Sanitation

The water supply for domestic purposes in the kampongs surveyed is through individual taps at the household level. The kampongs are primarily dependent upon surface water bodies (streams and rivers) for the supply of water, through the usage of “gravity flow water supply systems”. Hence, the water supply system is dependent upon rainfall. The kampongs also have set up their own mechanisms for rain water harvesting that allow for water to be stored in tanks and made available for communal use.

A majority of the kampongs reported good supply of water throughout the year. However, kampongs in Sipitang reported a shortage of water during the dry months from June to August. This is primarily attributed to the topography as Sipitang is located at a lower altitude as compared to Beaufort and Tenom, which poses a challenge for the “gravity-based systems”. As a result of this, these kampongs make daily trips to the stream. The kampongs of Sipitang also reported an increase in the turbidity in water in the dry months, which made the water supplied through the gravity systems unfit for consumption. s or rivers during these months for fetching water for domestic needs.

Most of the kampongs in the study area are reported to have access to sanitation facilities. A majority of households reported use of the “pour flush” latrine system. Community toilets are also available in the kampongs. These are maintained by village-level institutions such as the church or the headman and JKK representatives. Open drainage systems and storm water drains were observed to be a characteristics feature of kampongs. Toilet blocks and individual latrines have a soak pit.

2.3.2 *Educational Facilities*

While most of the kampongs surveyed have primary schools, the secondary schools cover a cluster of kampongs. In instances where the schools are located at a distance from the kampongs, hostel facilities are made available to those who have to travel long distances. The higher education in Sabah is comprised of universities, colleges and technical schools, which are mostly owned by the Government. However, most of these are located in the urban areas of Sandakan and Kota Kinabalu.

2.3.3 *Transport and Communication*

The districts of Tenom, Sipitang and Beaufort are connected to each other and the rest of Sabah through a diverse network of roads and rail. The districts have concrete all-weather/motorable roads connecting them to the urban areas of Kota Kinabalu, Sandakan, Ranau and Tuaran. Within the districts, the kampongs are connected through a network of concrete and dirt mud roads which connect to the main highway running across Sabah. The dependence upon public transportation is low, with most of the households in Sipitang and Tenom kampongs surveyed reported owning cars (four wheel drive) and motorcycles. However, the community in Beaufort expressed a heavy dependence upon the rail network for commuting, due to the lack of all-weather/motorable roads.

2.3.4 *Rural Banking and Credit Facilities*

Each kampong is reported to have access to informal and formal credit facilities in the form of banks, self-help groups, community groups and relatives, friends and neighbours. The most preferred sources of credit amongst the community are through the self-help groups and community

groups. It is understood that a system of fund collections exists in every kampong for the purposes of social events such as meeting the expenses of the rite of passage activities, marriage and funerals.

It was reported that most of the population in the kampongs surveyed have access to banking facilities and have individual bank accounts. While the women engaged in income generating activities utilize the bank accounts for their own wages, housewives use their bank accounts for managing the money earned by their husbands, as well as money earned through cash and informal sources (e.g. sale of bush meat).

2.3.5 *Community Health Profile*

At the village level, the following information is available on the access to health care facilities:

Table 2.5 *Access to Healthcare*

Village/District	Access to Govt Clinic	Use of Traditional Medicine	Specific qualitative comment on access to healthcare and the trends in the last few decades
Beaufort			
Haligolat	No	No	- Villages in Beaufort reported an increase in nuisance from air and water pollution; - There was limited awareness on use of MFPs as traditional medicine.
Saliwangan	No	No	
Karangan	No	No	
Sipitang			
Maligan	Yes	Yes	- Villages in Sipitang have reported use of SFI's Clinic at the housing complex; - Cases of goitre and gastro-intestinal infections have increased; - There were general concerns over the high costs of trips to Sipitang to access quality health care facilities (one round trip is reported as RM 50);
Ulu Bole	Yes	Yes	
Rundulang	Yes	No	
Kuala Muaya	No	Yes	
Kaban	Yes	NA	
Solob	Yes	Yes	
Tunasbaru	No	NA	
Pangarawan	No	Yes	
Pakiak	Yes	Yes	
Kelangsar	No	NA	
Bamban	Yes	No	
Kebawang	Yes	NA	
Mendulong	Yes	Yes	
Tenom			
Melutut	No	Yes	- Community has observed incidences of lifestyle diseases such as high blood pressure, diabetes and even some cases of cancer; - Use of traditional medicine is common the villages of Tenom
Alutuk	No	Yes	
Kaang	No	Yes	
Magunsop	No	Yes	
Tinura	Yes	Yes	
Bakuku	Yes	Yes	

Source: Primary Survey and PACOS Baseline (2007, 2012); NA = Not Available

The community's health seeking behaviour has been towards institutional medicine since the past two-three decades, especially the district hospitals in Sipitang, Beaufort and Tenom. Common year round maladies were identified as malaria, typhoid, and diarrhoea.

There is still a preference for traditional medicine for common maladies. However, consultations indicated a difference in the ability of communities to identify minor forest produce (MFP) for the use of healthcare.

Communities working in oil palm and rubber plantations are exposed to fungicides, pesticides and weedicides that can lead to long-term health risks in case of extended exposure. Within SFI's workforce and among the contractors, local women from Sabah as well as foreign female workers from Indonesia have been engaged for activities such as planting, land clearing and working in nurseries.

2.3.6 *Village Level Organization*

There is no major NGO activity in the area. A majority of the village-level organisations are linked to religious institutions. These include mosque committees and church groups. The church group was noted as one of the key institution that has also been working on development issues, such as sanitation access.

Livelihood groups include the Kadayan Association, Murut Association and the Lundayah Cultural Association that are involved in the sale of handicrafts. Some villages in the study area also had members from the PLKN which is a group of mutual aid.

OVERVIEW OF EXISTING CSR ACTIVITIES FOR COMMUNITY DEVELOPMENT

The CSR activities for SFI are looked after by Avantha foundation which is a non-profit making entity under Avantha group.

“The Avantha Group believes that business sustainability is closely connected to the sustainable development of the communities we live and work with and the environment in which we operate. CSR is planned as a long term intervention taking into account people’s aspirations and expectations”.

As part of business strategy; projects are centred on Sustainable Development and implemented through thematic areas such as Livelihood Creation, Education, Health, Management of Natural Resources & the Preservation of the Environment

SFI’s CSR Department engages with communities to understand their needs and helps them to meet their needs. Major Activities include youth development programmes, micro-financing for women, school for differently abled children, community resource management programmes including tagal fish farming and wild game management, traditional craft workshops and marketing initiatives.

The SFI CSR project in Ulu Tomani focuses to preserve culture of the communities though making and selling eco-friendly products using bamboo and rattan with a project entitled “Reviving handicrafts to preserve indigenous traditions and to create an avenue of sustainable livelihood for communities living in the Heart of Borneo, East Malaysia”.

Community development programmes are outlined and quarterly meetings were undertaken with residents of the villages close to the borders of the ITP Area. SFI’s Corporate Social Responsibility (CSR) Department works with these communities, NGO’s and government departments to develop Community Based Natural Resource Management (CBNRM) projects in the ITP Area and the adjacent State Land. Components of these projects generally focus on recreation, tourism, game management and the gathering and marketing of Non-timber Forest Products (NTFP).

3.1 KEY TENETS OF AVANTHA GROUP FOUNDATION: CSR INTERVENTION

3.1.1 Livelihood Creation

Livelihood interventions are implemented at the farm level for communities that are predominantly agrarian and through vocational education and skill building for youth to give them access to better job markets. The major areas include improved agricultural practices, animal husbandry and poultry.

Youth are also trained for new age jobs in the service sector and in technical training at the Industrial Training Institutes.

3.1.2 *Women Empowerment*

The Avantha CSR programmes for women empowerment is indented to target women, who had been traditionally neglected and excluded from the development process, and bring them into the centre stage of the decision-making and develop them as change agents in their own communities through formation of Self Help Groups (SHGs).

3.1.3 *Education for the Underprivileged*

Education is a critical component of any development programme. Avantha's CSR programmes focus on the improving the levels of learning in children between 6 to 14 years old. This is done through bridge programmes that get children back into schools, remedial education programmes that prevent children from dropping out and libraries that encourage children to read and retain their interest in education. In addition the group companies run some innovative programmes like the 'Mobile Computer Literacy' programme that delivers computer education through buses to school in far flung areas and the 'Lab in a Box' program that encourages science learning in schools that do not have access to science laboratories.

3.1.4 *Community-Based Health Intervention*

Avantha's CSR collaborative health intervention programme involves both awareness and prevention. These projects help augment government medical services at the grass-roots through village health workers.

3.1.5 *HIV/AIDS Prevention*

The HIV/ AIDS awareness and prevention programme covers employees, their families, community members and high-risk groups such as truckers and transporters who work with the group companies. The group runs two ART centres that cater to the needs of people living with HIV/ AIDS in 'Public Private Partnership' with NACO which is the apex government body set up for prevention and control of the disease.

3.1.6 *Natural Resources Management & Preservation of Environment*

Responsiveness towards a cleaner and safer environment is an important commitment that includes ensuring proper management and regeneration of water, waste management & preservation and conservation of rainforests.

3.1.7 *Support to Infrastructure*

The group companies support infrastructure as per the needs of the communities. Construction of schools and health centres, deepening of village ponds and building check dams, drinking water tanks and pipelines and in

some areas the construction of village roads and street lighting are some of the examples of the support given so far.

3.2 *EXISTING SFIs CSR INTERVENTIONS*

In keeping with the above mentioned tenets of the Avantha group foundation, the Following activities or projects were carried out by the SFI CSR department since Bilt took over in 2007.

3.2.1 *Baseline Surveys*

In order to effectively implement the CSR programmes for communities surrounding SFI, a Series of Baseline Surveys were conducted to determine the Socio-economic collaboration condition, conflict areas and potential engagement programme for the surrounding communities.

The baseline surveys were conducted in 3 districts (Tenom, Sipitang and Beaufort) involving 47,838 population and a total of 86 villages surrounding the concession area and 3 SFI housing colony (Kepland, ITC and Mendolong-Ganui).

3.2.2 *CSR Programmes or Projects*

Upon completion of the baseline surveys, CSR team has carried out series of community engagement in all the affected villages to determine the priority of CSR programmes with the consent of the community. The following programmes were then initiated in all the districts accordingly with the NGO, private, government and institute of higher learning partners like PACOS TRUSTS, SAWO, Malaysian Handicraft, UMS, Fisheries, Forestry and Agriculture Dept, Yayasan Sabah, WWF, Sabah Museum, Sabah Parks, Wildlife Department, SEEN and etc.

Table 3.1 *Details of existing CSR intervention areas by SFI*

S.No.	Programme	Project	Description of Key Activities
1	<i>Capacity Building- Modular and Customised to respective area</i>		The Capacity building activity include the following: • Briefing on SFI Policy and relevant government laws and international conventions and guiding principles SFI's operation • Introduction to SFI Forest activities and New Policies in tandem with Forest Certification • Services of Wildlife Honorary Warden • Land Use, Forestry and related laws • Leadership skills for Sipitang Youths and Community elders. • Community mapping • Gender, HIV AIDS awareness and Sexual harassment • Entrepreneur skills for rural Women (Food Production, Sewing, Vegetable vendors etc) • Establishment of Community based NGO's or community mobilization in 6 villages. This year to enhance rapport with communities, SFI intend to establish 8 more community based NGOs in Kemabong and Sipitang • Organic Fertilizer and Fish Feed • Agriculture inputs and maintenance of crops • Handicraft technical training • Bamboo Panel production for building construction • Aromatic Plants and Herbal training • Basic Finance, Reporting and Conducting meeting procedures • Marketing and labelling of goods Based on the community requests including NGO's and government link agencies, These programmes were run in different districts by CSR and partner organisations.
2	<i>Socio-Economic Programmes</i>	Handicraft Development	About 131 artisan in Tenom and 251 in Sipitang district registered under Malaysian Craft, "under one district one industry". SFI has established 8 cooperatives with a total earning of RM74, 091.50 and produced handicrafts of RM18, 839 from wood based and the remaining was from bamboo and rattan. Three of the cooperatives have attended various National and state exhibitions. The Meligan "PALMS" was nominated for the National exhibition in October, 2013 in Kuala Lumpur whereas in May-June 2014 Hamid Enterprise and KATUPAT from Sipitang and Kemabong has participated at Kota Kinabalu. The total revolving Fund of these cooperatives was approx. RM8, 284.00 including SFI communities at the SFI housing and SFI intend to form another 4 additional cooperatives in both regions.

S.No.	Programme	Project	Description of Key Activities
3	<i>Community Based Resource Management</i>	Agriculture Development	SFI has established 2 groups for pineapple & ginger cultivation in Sipitang (earning from Pineapple- was approx. RM1, 240 in July last year and Ginger cultivation in Katubu , kemabong). This year SFI is intending to initiate project on Bee keeping at Mendolong. In with partnership with Rural Development Cooperation and , the estimated project cost is RM200,000 and presently 40 milifera bee hives on trial production at SFI holding nursery .
		Entrepreneur Development for Rural Women	SFI had established women groups to empower rural women to initiate income generating activities to complement family income. One cooperative was established and targeting to form 3 more cooperatives..
		Tagal System	In order to complement environment and conservation of resources, SFI Had formed 8 Tagal in Sipitang district and 3 in Beaufort district.
4	<i>Continuous Community Engagement</i>	Community based Eco-tourism management	In order to empower communities and to manage eco-tourism sites and to enhance the income of community members at large. Two in-depth studies on eco-tourism potential were conducted at Long Pa sia/ mio and Ulu Tomani. Final Draft is in progress and to be discussed with Sabah Parks, Tourism Ministry and District Office Sipitang/Tenom for Implementation programmes.
		Community Based Resource Management	Workshop on community based resource management was conducted at Ulu Tomani involving 6 villages and 8 government department and NGO's. Nearly 60 participants including community elders have participated in the event. The workshop was aimed to enhance the understanding and collaboration between the relevant government authorities, NGO's, SFI and community towards amicable solutions regarding land use and potential conflicts and collaborative management of natural resources. Most of the topics, discussed were on the understanding of land laws, roles of FMU holder& Forestry, Land & Survey, rights of the community, agriculture and tourism potential followed by questions and answers from community representatives
		Dialogue	As part of strategy for community engagement the continuous dialogues sessions was organised on quarterly basis with communities surrounding the Mill. Community elders are updated with the latest development and company progress including employment opportunity and Q&A session. Such interactions was organised for the communities surrounding the forest concession areas. Efforts are made to organise exposure visit for community elders to Mill and Nursery for enhancing rapport building and sense of belongingness and pride for community.
		Forest Conflict Mediation	CSR office was established in year 2009 as "One stop Centre" for handling Community grievances and rapport building and minimising misunderstandings and tensions between SFI operations (both Mill and Forest) and surrounding communities. Community can call or come to CSR office anytime during office hours for complaints or consultation without being pushed around.

S.No.	Programme	Project	Description of Key Activities
5	<i>Documentation of Heritage and Culture</i>	Research and Education Centre	Research and Education Centre was established in year 2009 in collaboration with local institutions like UMS, ITM, Sabah Parks, Sabah Museum and local schools to encourage local scientific research in SFI area particularly at Muaya (L42) on Fauna and Flora, culture and people. Currently, collaborating with communities from Mendolong, Meligan and Sabah Museum, to carry out research expedition, on traditional herbs and its uses at Muaya. Now under Avantha Foundation Malaysia Centre is undergoing renovation and construction.
		Heritage and Culture Documentation-	Heritage and Culture Documentation- Initiated in year 2009 in all project areas to document community heritage and cultural history and arts. SFI has supported the Publication of “Ambatik” a Murut Craft arts in 2010 and proceeds go to PAUT rotating fund. Another booklet, on top spin to be published this year, a Kedayan heritage history.
6	<i>Short Term CSR Programmes</i>	Health Camp and Awareness programme	Health Camp and Awareness programme was initiated assist the rural community to improve health and well-being in association with NGO partners are Lions Club International, Sabah Medical Department, SFI Clinic and Sabah Cancer Support. SFI conducts 3-6 programmes a year for Sipitang and Tenom districts and targeting to take up Beaufort additionally this year.
7	<i>Livelihood Promotion for Special Children</i>	Community Based Rehabilitation Centre	Community Based Rehabilitation Centre was established in year 2008, in collaboration with Welfare Department, Sipitang. The objective of the project was to promote livelihood for special children in Sipitang District. SFI provides free building, volunteer and networking to raise Fund for the school. To date school has 51 registered special children. The Patron of the School is the MP, Datuk Sapawi Hj Ahmad of Sipitang. Recently, the honourable State governor’s wife and the palace official visited this centre and give away Hari Raya goodies and RM5, 000.00 for the school. CSR continues to monitor and support by working with local NGO’s for the school fund, building and medical check-up.

Source: SFI, 2014

3.3 *EXISTING PROJECTS: IMPLEMENTATION AND TIMELINE*

3.3.1 *Short Term CSR Project*

This project is normally implemented on a need basis with the community but in collaboration with International volunteers, local volunteers and government bodies to elevate communities from natural catastrophe like fire and floods. Basically, this project is more towards humanitarian in nature especially medical aid and financial aid to groups of needy community. It can range from 6 months to one year. However, some international collaborators may wish to continue aid in which case the role of CSR will be of a coordinator and mobiliser for the local community/ authority.

3.3.2 *Long Term Project*

Long term project involves a bigger group of the population and involves capacity building and income generation activities and other programmes predetermined by communities as in the Plantation Development Plan (PDP) and Natural Forest Management Plan (NFMP).

Table 3.2 *Summary of year wise activities*

S. No	Summary of Activities
Year 1	
a.	Selection of feasible community programme by all members of the community
b.	Establishment of committees and capacity building of elected members of the community.
c.	Quarterly Evaluation of community capacity to handle projects
d.	Series of training on selected project
e.	Monthly meetings and monitoring.
f.	Full sponsorship of programme but community members are to contribute in kind
g.	Annual review of project with community
Year 2	
a.	Exposure programme and specific training for product innovation, technical quality,
b.	Marketing strategies and linkages to markets
c.	Half yearly evaluation with partner organisation
d.	Application of trading license and funding from relevant private and government agencies
e.	Continuous capacity building on soft skills to enhance ability to write reports and basic finance management
f.	Monthly meetings and monitoring
g.	Full sponsorship to trade and exhibition except food and personal accessories.
h.	Annual review of Project progress with community
i.	Established self-help group and linkages to funding agencies
Year 3	
a.	Capacity building further enhance according to requirements
b.	Self-help group to report activities on a monthly basis
c.	Community is generating income and producing goods by themselves.
d.	Enhance self-help group earning
e.	Partial sponsorship of programmes-linked to government fund
f.	Role of CSR minimise to adviser, monitoring agent, motivator and one stop centre for knowledge /information based.
g.	Enhance soft skill capacity building
h.	Seed money given if required

S. No	Summary of Activities
i.	Annual review with community, self-help groups and letting go, allowing community to manage themselves.
Year 4/5/6/7	
a.	Quarterly meeting and visit
b.	Monthly progress report from self-help group and community mobilisers
c.	Continuous information or linkages
d.	Community Managed group on own.
e.	CSR as advisory centre if required
f.	Annual review with community on the project progress.

Summary details of Specific CSR intervention is captured in *Table 3.3*.

Table 3.3 *Summary details of Specific CSR intervention*

[illegible]

S1.No	Programme/Project Description	Kampong Covered	Description	Population Covered	Key Activities	Estimated Budget (RM)
			communities . This programme involves long term sustainable planning with relevant stakeholders going towards collaborative management of natural resource management in the spirit of "SUMUKU" (PFIC) concept. Communities are also empowered to re-establish old cultural values and norms that have universal values such as "bee work" or collective help group, enhancing of: sumuku: concept in everyday life and transparencies of information.		committees to manage eco-tourism activities Workshop On Community Based Natural Resource Management - Community Mapping - Presentation from relevant Department in terms of Law and legalities, Job Opportunity, Conservation, Community Based Natural Resource Management, Wildlife Management Documentation and publication of cultural heritage "Ambatik" book of Murut Motives Was published in 2010 to provide funding for the PAut Enterprise from Alutok, Kaang and Malutut. Another book for the Kedayan Bruenei " Top Spin " craft is under way as part of this project.	
3.	Community Engagement	a. Sipitang & Ulu Padas (Kg.Meligan, Kg.Mesapol, Kg.Naluyan, Kg.Lubuk Darat, Kg.Melalia, Kg.Pisukau, Kg.Sindumin Town, Kg.Sindumin Baru, Kg.Banting, Kg.Seputol, Kg.Pepolor, Kg.Pelakat, Kg.Kelamauh, Kg.Kaban, Kg.Melamam, Kg.Marau, Kg.Melagau, Kg.Sungai Tiga, Kg.Kebawang, Kg.Kelangsar, Kg.Sungai Iteh, Kg.Ganui, Kg.Kuala Muaya, Kg.Mendulong, Kg.Bamban) b. Beaufort (Kg.Maraba, Kg.Inuman, Kg.Lingkungan Ulu ,	This programme is a continuous activities to enable good flow of communication with communities surrounding SFI and enhancing the continuous good stakeholders rapport and feedback from the community for continuous improvement	14413	Formation of Community Mobilizer - Briefing on Community Mobilizer - Submit Monthly Report - report writing - Meetings - Discussion and review of CSR projects at village level with community elders - Plant visit with community elders - Quarterly meeting with community elders to update SFI progress - Pre operation briefing and meetings with community on SFI field operation plan - Basic Medical services - Conflict mediation/Grievance Handling-Open door policy	31,150.00

S1.No	Programme/Project Description	Kampong Covered	Description	Population Covered	Key Activities	Estimated Budget (RM)
4.	Livelihood Promotion	Kg.Lingkungan Laut, Kg.Salingwangan, Kg.Karangan) c. Tenom (Kg. Rundum, Kg. Kapulu) a. SFI Housing colony	Aimed at providing livelihood promotion for the less abled community through involvement of the larger population and it is known as Community Based Rehabilitation Centre. The less abled communities of Sipitang are given the opportunity to be part of the bigger community without being left out. This center also aims to involve volunteers from SFI and Sipitang communities to assist in the school as caregivers and teachers	1412	• Monthly site visit • Health camp with international and local volunteers to provide medical services and health screening Livelihood Promotion Activity through various options • Monthly meeting • Evaluation of school performance and teachers • Fund Raising • Facilitation with Govt bodies for funding and other assistance • Facilitating Volunteers training and selection • Renewal of tenancy Agreement. • Capacity Building for Caregivers and teachers/volunteers	Government Funded since past two years
5.	Capacity Building	a. Beaufort b. SFI housing Colony c. Tenom (Ulu Tomani & Kemabong) d. Sipitang & Ulu Padas	This programme aimed at enhancing community soft skills towards empowerment and self-reliance.	35,000	• Youth Leadership Training • Gender Training • Entrepreneurial and marketing training • Training on Documentation- • Training & Exposure Visit • Basic Financial Training • Basic Entrepreneurial skills • Sexual Harassment at a workplace • Environmental awareness for youths • Leadership training for community elders • Report Writing skills • Documentation skills and Soft Skills- Training on Financial, Trading Skills, Meeting • for community mobilisers and social enterprise	48,850

S1.No	Programme/Project Description	Kampong Covered	Description	Population Covered	Key Activities	Estimated Budget (RM)
					• practical training on trading licence application • Training on sales and marketing skills for social enterprises. • Herbal plants in-depth study • HIV AIDS awareness • Vector borne disease awareness through health camps • Workshops on various issues depending on community level requirements especially the following group: - o People Organisation - o Social Enterprises - o Youth Group - o Social Enterprise groups- Palms, Paut, Huva Muvas, Long Pasia, Highlander, Hj Hamit, Sinar Harapan, Katupat • Health talks to young mothers with small child, general public at village level • Training on law and legalities • Awareness programme on High Conservation values forest and documentation of social cultural heritage	

3.4.1

Analysis of the existing CSR activities

The CSR interventions for SFI as have been discussed above, are tailored around Avantha foundation's corporate vision and mission which is in cognizance with lions group supply driven model for development.

- SFI has adopted people centric approach towards community development with strong community level engagement.
- Under SFI CSR programme efforts are generally targeted towards strengthening civil society and capacity building of communities and individuals as well.
- Currently the CSR programme is focusing on skill development, income generation, developing entrepreneurship, backward & forward marketing linkages and sustainable natural resource management practices though reviving traditional fishing system (Tagal).
- Reportedly SFI's CSR programme has strategically aligned towards capacity building and has refrained from building infrastructure and assets creation.
- The present broad base of CSR activities covers wide gamut stakeholders which includes, men, women, and youths living close to SFI concession area, school children, NGOs, CBOs and govt. organisation.
- And in order to achieve maximum benefits from CSR development interventions, the village/Kampong is considered to be the unit for development, which signifies that any person living close to the SFI concession area or operations is eligible to participate and take benefits from development intervention designed for community development.

The entire CSR programme is thus designed to foster community engagement & participation and incapacitate communities to make difference (socio-economic indicators) in their lives without creating much dependence on external resources or agencies in a long run. A detailed impacts assessment of CSR related programme could not be undertaken due to limited time and scope of work. However based on overall understanding of the CSR project implementation at ground the following observation is made:

- a) **Livelihood promotion (handicraft) programme:** capacity building, developing backwards and forwards linkages in the selected areas has started showing its positive results therefore it should be kept high on priority list. However to make it more sustainable there is need to develop more items as well as there is need to have greater synergies among different handicraft clusters. In order to have the benefits of scale, SFI may initiate assembly line approach by forming federation of handicraft producing groups.
- b) **Sustainable resource management:** intervention towards reviving Tagal system in collaboration with forest department is one of the commendable projects under SFI's CSR team. It not only revives the traditional

knowledge but having potential for having greater food security and eco-tourism therefore it should be carried forward.

- c) **Bee keeping and apiculture project:** presently SFI CSR team is piloting with beekeeping, with the preliminary results being reported as promising. However as informed traditionally communities are not in to honey collection for subsistence or commercial. Therefore apiculture programme may have potential issues in being successful. Therefore SFI CSR team must revisit their project before up scaling the activities.
- d) **Leadership Programme:** apparently this programme is not likely to have much significance for community, however it may have other indirect benefits in a longer run therefore the intensities of such programmes may be revisited.
- e) **School for Disables:** Running school for children with disability is good cause and noble idea. Further looking into the educational infrastructure of the region it is highly required. However the engagement of CSR should be limited and monitoring should be done by experts in the field of education.

Keeping in mind the socio- economic and political context in the region, engaging with the community thereby contributing towards community development is of utmost importance for project developers in order to secure broad community support (BCS)/ acceptance and to earn and protect their 'social license to operate'. SFI understands that failure to earn and maintain this community trust/confidence on the basis of good real-time performance may lead to negative implications including potential project disruptive consequences. In view of the above mentioned context, certain community development initiatives and programmes have been proposed to be undertaken in addition to the existing CSR or may be aligned with existing CSR projects for holistic development of the communities.

This is based on the understanding that despite some of the benefits (like improvement of infrastructure, employment opportunities and so on) which are likely to accrue from the project, a number of negative impacts (like immediate loss of livelihood opportunity, access to natural resources, siltation of natural streams and water pollution etc.) are likely to have an influence on the community. Also despite a number of mitigation measures in place, some of the adverse impacts from the project will still have residual impact. The CDP has been developed with the aim of allowing the larger community concerns/issues to be addressed by SFI as well as allow the project proponent to fulfil its social obligations and commitments.

4.1 COMPONENTS OF COMMUNITY DEVELOPMENT PLAN

4.1.1 Need Assessment & Key Issues

As has been mentioned previously, SFI has undertaken a comprehensive need assessment survey of 86 villages falling close to concession areas in Sipitang, Beaufort and Tenom Districts. Based on the outcomes of this survey; the CSR department has developed programmes and projects focussing on capacity building (community organisation), skill development (handicraft), conservation and management of natural resources (Tagal fishing), leadership and education of disables.

Further in order to understand issues and needs of the affected persons and communities, ERM has conducted sample household surveys and community consultation. Details of are given in the table below:

Table 4.1 Details of HH survey and Community Consultations

Sl.No	District	Kampong	Community Consultations	HH surveys (number)
1	Beaufort	Haligolat	1	-

Sl.No	District	Kampong	Community Consultations	HH surveys (number)
2		Saliwangan	1	-
3		Karangan	1	-
4		Meligan	1	3
5		Ulu Bole	1	-
6		Rundulang	1	-
7		Kuala Muaya	1	-
8		Kaban	1	1
9		Solob	1	1
10		Tunasbaru	0	1
11		Pangarawan	0	4
12		Pakiak	1	1
13		Kelangsar	0	5
14		Bamban	1	-
15		Kebawang	1	3
16	Sipitang	Mendulong	0	9
17		Melutut	1	1
18		Alutuk	0	9
19		Kaang	0	2
20		Magunsop	1	3
21		Tinura	1	4
22	Tenom	Bakuku	1	7
22			16	54

Source: ERM site visit, May 2014

These community consultations reveal that these villages are aware about the importance of protecting their environment and its impact on their daily life. Their awareness of these issues were a focal point to get the communities involved in natural resources management and to use it in a sustainable way. PACOS Trust report shows that, the communities have a few suggestions to help establish a good relationship between SFI and the communities. The suggestions are identification of NCR land boundaries, allocation of land areas for community use and creation of land-use zones and initiation of collaborative management of forest areas. In addition to this ERM has also identified few needs for the community which can be done along with existing CSR programmes. However these programmes may be further updated in consultation with communities. Details of community needs and expectations are given in table 3.4 below

Table 4.2 *Community needs and Expectations*

Sl.No	District	Kampong	Community Needs and Expectations
1	Beaufort	Haligolat	Agriculture development and asses to higher education
2		Saliwangan	Agriculture development and asses to higher education
3		Karangan	Vector disease control , horticulture and market linkages
4	Sipitang	Meligan	Upgrading community hall and emporium for handicraft in Sipitang
5		Ulu Bole	Water supply , Agriculture development and asses to higher education
6		Rundulang	Mobile coverage
7		Kuala Muaya	Village Road Maintenance, drinking water, financial support christmas celebration and youth wants non-technical jobs in SFI (like planning, logging and driver)

Sl.No	District	Kampong	Community Needs and Expectations
8		Kaban	Village Roads, water of irrigation and playground
9		Solob	Disease control and asses to higher education,
10		Pakiak	Drinking water and jobs in SFI
11		Kelangsar	Village road , drinking water , electricity and elevation of bridge
12		Bamban	Water supply , Agriculture development and asses to higher education
13		Kebawang	Water supply , Agriculture development asses to higher education and disease control
14	Tenom	Melutut	Disease control and asses to higher education
15		Magunsop	Disease control and asses to higher education
16		Tinura	Disease control and asses to higher education
17		Bakuku	Disease control and asses to higher education

4.2 IDENTIFICATION OF CDP PROJECTS

Based on the community consultation and HH survey, an assessment of the prevailing socio-economic conditions made, and according certain key areas have been identified for community development. Further the required resources should be provided to SFI .these may be carried out as additional or may be aligned with the existing CSR activities. The **Table 4.3** given below provides the details of activities to be undertaken for community development.

4.2.1 CSR Activities and Linkage with Livelihood Development

Presently the CSR programmes are focussed on the overall development of the communities who are living close to SFI concession area and are not intended towards mitigating livelihood impacts, although most of the CSR programme is focused on livelihood promotion and are presently focused in the Tenom region. Therefore if required these CSR programmes may be streamlined or aligned with plans related to livelihood development airing out of required mitigation measures for addressing negative impacts on livelihood of the affected communities due to opening of new areas .

4.2.2 Potential for Synergy with other Community development activities in the area

In order to make CSR interventions more sustainable, SFI should develop partnerships with existing government scheme or likeminded partner organisations working in the areas identified which will sustain efforts for longer time and would save time and resources. It would also be instrumental in avoiding duplication of efforts and creating parallel structures. Potentially SFI may link its activities with existing govt. programme on handicraft development and forest department for sustainable natural resource management such as community forestry, conservation & protection of wildlife and tagal fishing and tourism department for exploring potentials in ecotourism.

Table 4.3 *Key Interventions Proposed as part of the CDP*

Intervention	Objective	Target Beneficiaries	Target Area	Description of Proposed Activities
Intervention I: Awareness program on SFI operations	- To create awareness among the communities including directly impacted community about the SFI operations, concession area and forest boundary. - Update community about forest act and wildlife conservation	Communities living close to SFI concession area.	Settlements / villages in and around the concession area and its footprint area	- As a part of regular activities, SFI should organise quarterly group meetings with community having fair representation of youths, women and elders. These meetings should be properly documented including audio visual documentation if possible. - SFI may develop some resource material for awareness campaign such as posters, banners, slogans and audio visual documentary in local language showing their operations, forest act and wildlife conservation etc.
Intervention II: Intensive Agriculture and Allied activities & pest management programme agriculture	To enhance the inherent potential in agriculture as a means of livelihood through the provision and promotion of modern tools and techniques to the farmers and thereby creating more avenues within the existing resources.	Farmers and agricultural labourers from the community being directly affected by the SFI operations as well as other farmers residing in the surrounding villages.	Villages in and around the project site	SFI- should devise projects with a broad objective of enhancing agriculture production and income within the target area. The key areas where SFI- needs to intervene are : - Intensive agriculture: SFI should undertake some research projects on cultivation, horticulture and animal husbandry. Based on the outcomes of the research SFI should develop some demonstration projects in collaboration with agriculture department, research institutes and community. - Based on the commercial viability and preferences of the community, an agriculture development plan should be developed and implemented in the selected areas. Initially for few years SFI should do hand holding and provide required support in terms of technical knowledge, seeds, and implements. Further efforts should be made to develop them as community based master trainers who can train others with in their own community if required. As a part of the programme process should be well documented therefore if required learnings can be replicated to other areas. - After successful implementation in the controlled environment, programme may be up scaled to other areas with help of the master trainers. Who are required to train other community for doing agriculture allied activities using modern tools and techniques - Based on community consultations and site observation data

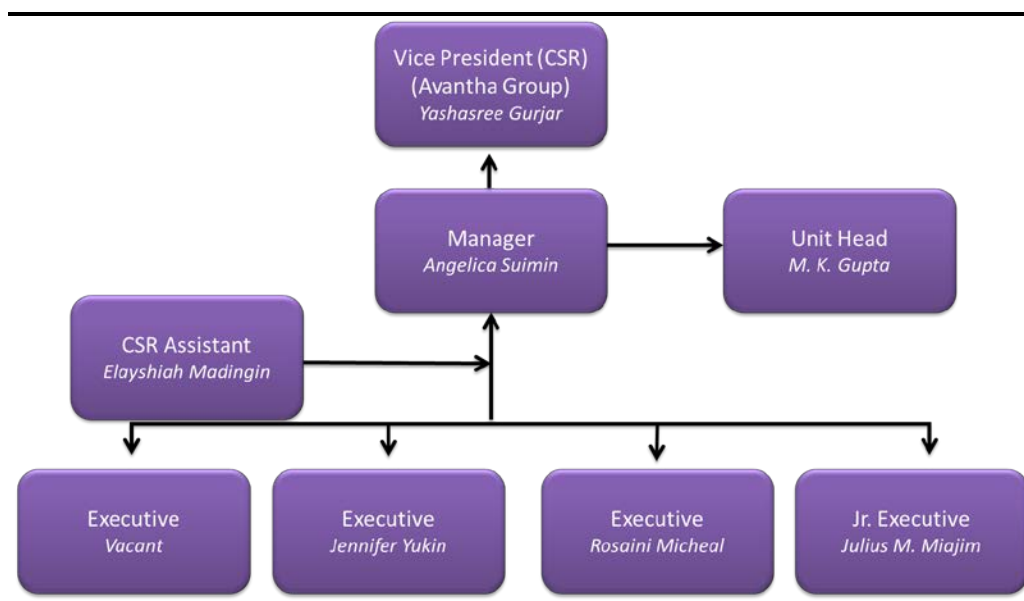
Intervention	Objective	Target Beneficiaries	Target Area	Description of Proposed Activities
Intervention III: Educational Support Program	To promote and increase the level of education among the affected community	Deserving students from the community desirous of getting higher education	Villages located in project area as well as the surrounding villages on the project area	reflects that the community is traditionally doing paddy, horticulture, poultry and piggy for subsistence. These areas may be potentially developed from substance to surplus, which can be the potential source of income and livelihood. Apparently most of the community members are having the required land, where these projects can be undertaken successfully. However to avoid major failure during initial years, agriculture extension services will be required on day to day basis to provide support and monitor the progress. Once community is trained and confidence is developed such support may not be required. The primary as well secondary data supplemented by community consultations reflects that educational infrastructure for higher studies (above collage) is generally not available within project affected zone and students have to go to Kota Kinabalu for higher studies. The cost of education also seems to be high as compared to the income of the Families. Therefore in such a scenario; most of the deserving students are not able to get higher education. Keeping this context in mind as well as for ensuring regular supply of trained man power to industry , SFI should initiate scholarship programme for desirous students, in the fields that are generally required in paper and pulp industries, scholarships may include but not limited to forest management, engineering, social forestry, community development , ecology, biodiversity , wild life and research.
Intervention V: Drinking Water program	Improved access to safe and clean drinking water to the community.	General community	Villages in and around the project area which are dependent on rain and river / streams for drinking water	Some of the proposed interventions that could be considered under this project include: - Plantation and Logging activities potentially damages the water quality of river and other streams which are used by neighbouring communities/villages for domestic consumption and drinking. Therefore special care should be taken to ensure that operations in these catchments areas are properly managed. - Creating new Infrastructure for supply of clean drinking water in the villages/hamlets which are totally dependent on river and streams, type of arrangement and need to be worked out in consultation with the, local governance and the local community.

Intervention	Objective	Target Beneficiaries	Target Area	Description of Proposed Activities
				Ideally RO / water filtration units may be installed. And develop community based mechanism of its O&M. Preferably economic model may be adopted for long term benefits and sustainability. • Strengthening/repairing of existing water points (gravity systems) and so on which have gone non-functional due to poor upkeep/maintenance. Such existing sources need to be identified in consultation with the local governing community. Further community should be trained for its O&M • Working with the government to enhance benefit and outreach of government schemes/ programmes. Partnerships and collaboration with NGOs and other civil society organisations can be explored to this effect. • The focus of this intervention would be on reaching out and providing benefits to the community, especially those communities which are located in remote areas. The implementation of the above identified project interventions should be undertaken in a uniform, participatory and systematic manner. SFI has already carried out an assessment of the safe drinking water facility of the villages within project area as well as in select surrounding villages. This baseline information can be used to initiate an effective delivery mechanism in consultation with the villages.
Intervention VI- Strengthening Handicraft Market linkages program	To facilitate the forward market links of the craftsmen trained under handicraft development programme and to increase the income.	Artisans and craftsmen	Villages located in project area as well as the surrounding villages in the project area	• In order to promote sustainable income from handicraft, SFI should collaborate with govt. handicraft department or provide soft loan or arrange space for handicraft emporium in places where there is strong potential for tourism or commercial centres such as air ports etc. However it is understood that the communities at this stage are not ready for full commercial production and do not undertake production at that scale. • Such intervention not only gives higher profits to the craftsmen but also eliminates the possibility of middle men. Further as handicraft cluster is growing with the efforts of CSR team there is a high possibility of taking the benefits of scale and exploring export potentials in selective markets
Intervention VII- Strengthening	To enhance the overall quality of life	General community	Villages located in project area as well as	• As reflected from community consultations, most of the villages are having basic infrastructure which includes community hall, water

Intervention	Objective	Target Beneficiaries	Target Area	Description of Proposed Activities
Rural Infrastructure			the surrounding villages in the project area	supply & sanitation and electricity, however the roads in general are not of good quality further quality of road is greatly affected due to heavy truck movements without adequate maintenance. In the above context SFI along govt. department and in consultations with community, SFI should undertake infrastructure development projects in the affected village. Infrastructure development projects would not only help the community but would also be instrumental in gaining visibility , reputation and tangible outcomes for displaying concerns towards with the felt needs of the community. A comprehensive baseline and needs assessment study has been already undertaken by SFI's CSR department in collaboration with local NGOs, which can used for identify and prioritising the requirement for infrastructure in the affected villages • SFI should create small fund for maintenance of existing infrastructure of the villages such as community hall and play ground

SFI is equipped with a well- established CSR department, responsible for the engagement and implementation of the development programmes oriented towards the welfare of the surrounding community. The present CSR department is headed by CSR head supported three field executives. Further supported by community based organisations/ groups for community mobilization. The organogram for CSR is presented in *Figure 5.1*.

Figure 5.1 *CSR Organisational Structure*



Based on the consultations and feedback from the various cells and stakeholders involved in the project the CSR department will ensure the implementation of the CDP.

A broad implementation strategy for CDP will be as follows:

- **Need Assessment through various means** : In order to fine tune the above mentioned intervention ,needs assessment should be done to evaluate the key priorities and accordingly programme should be developed, the needs assessment may be done though Stakeholder consultations including relevant institutions and community, focussed group discussion meetings Grievances, SMP, other Specific Need Assessment survey and monitoring and evaluation reports.
- **Planning of Intervention:** Before the actual implementation, careful planning must be undertaken of each project. Individual task, timelines, responsibilities and assumptions should be clearly marked. Each result area should have clear cut monitoring indicators along with the proper reporting documenting mechanisms.
- **Integration with the existing Government scheme or likeminded partners:** In order to sustain efforts for longer time, efforts should be made to integrate with the existing govt. schemes or likeminded partners. It will

not only save the resources but it would also be instrumental in avoiding duplication of efforts and creating parallel institutions

- **Allocate Resources:** the success of these programmes is heavily dependent allocation of required resources (physical and financial). Therefore each project should be properly budgeted so that during the implementation resource crunch could be avoided. It would be a good idea to club resource allocation in the planning stage so that proper flow activates and estimated budgetary are in advance and accordingly activities may be planed.
- **Implementation & Monitoring of CDP:** One of the most important aspects for the success of the suggested interventions lies in the robust mechanism for regular monitoring. SFI should ensure the regular monitoring of the projects otherwise there are fair chances of not getting the desired output in stipulated time line.

The CSR department should have adequate provisioning for hiring of external expert agencies and NGOs for the implementation of the project depending upon the requirements their services should be utilised.

6.1 *REVIEW OF THE EXISTING CONSULTATION AND ENGAGEMENT PROCESS*

Presently the CSR's stakeholder engagement is directed towards CSR programmatic approach as well as land based issues. Further CSR team is responsible to managing the SOP on stakeholder engagement, conflict resolution and mechanism for handling land claims. The detailed review of stakeholder engagement is given in stakeholder engagement plan and FPIC (Annexure 6 & 8A).

As per the discussion with community reportedly CSR team undertakes regular stakeholder engagements activities within intervened villages by way of community meetings, trainings, workshop and exposure visit. And for new areas stakeholder engagement activities are initiated 3 months prior to opening of new areas

6.2 *GAPS AND WAY FORWARD FOR IMPROVING PUBLIC PARTICIPATION:*

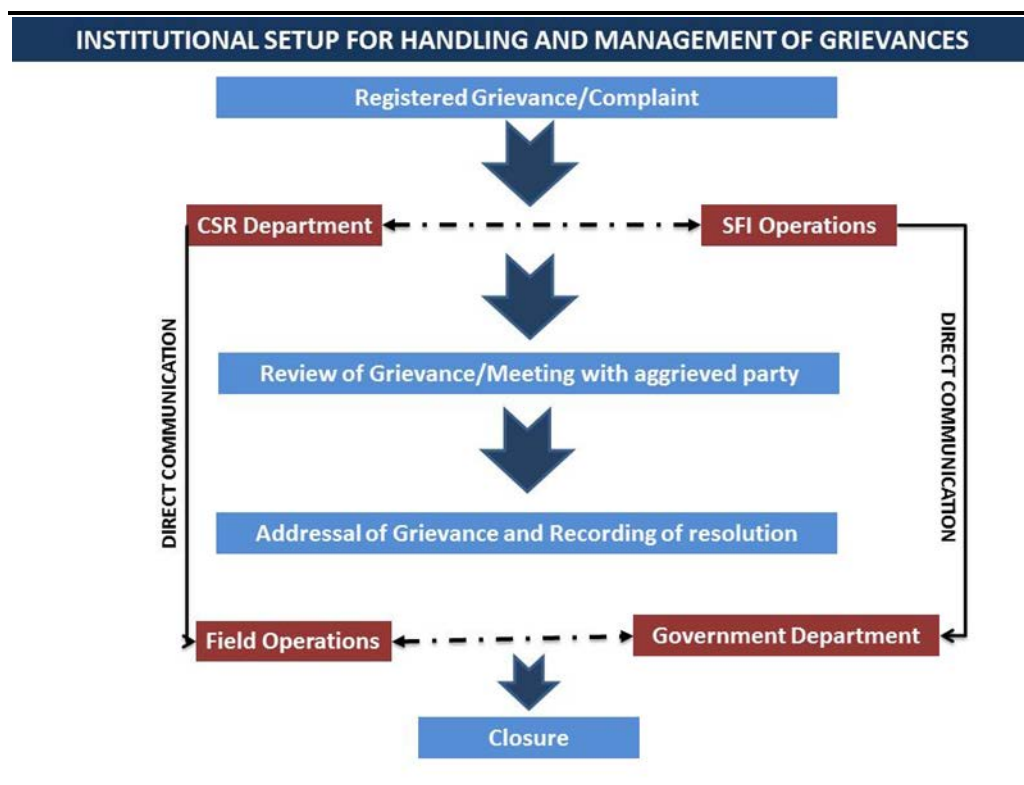
As per the discussion with the community, it was understood that SFI follows focussed approach regarding community engagements and public participation.

- Due to this approach larger number of communities remains untouched and therefore such communities are generally not are not aware about SFI's CSR interventions and other forums for stakeholder engagements.
- Further the community engagements process of SFI is generally channelized though village headmen, who generally live in main villages and due to his preoccupations and topography; he is rarely able to communicate with adjoining hamlets under him.
- As per field situation apparently, it seems that there are fair chances that these hamlets may not receive information on time and be further marginalised.

6.3 *GRIEVANCE REDRESSAL*

A protocol for grievance handling for land claims mechanism was developed back in 2008 and was updated as on October 2013 by developing a specific grievance redressal format to ensure effective grievance handling and expanding the scope of grievance handling to issues pertaining to environment, community issues, employment issues, project benefits and contractor issues. Records of previous grievances were observed to be recorded in minute's format and being continuously updated. The following figure highlights the institutional setup with respect to handling and resolution of grievances.

Figure 6.1 *Grievance handling mechanism*



On the basis of the above grievance redressal framework, the field operations reflect the corporate level mandate and decision whereby the General Manager for plantation and head for raw materials along with the assistance from the CSR manager decides on any clear or specific action that is required to be undertaken for resolving issues and addressal of grievances based on reviews and meetings as conducted in the previous stages.

SFI should put in place a robust mechanism for the purpose of monitoring and evaluation of the community development activities. The monitoring would not only help in keeping track/ progress of the envisioned tasks but would also provide opportunities for mid-course corrections in the planned approach and implementation as and when required.

SFI should ensure setting up of both internal and external monitoring systems to assess the progress and evaluate the benefits of the community development activities.

7.1 *INTERNAL MONITORING*

Internal monitoring of the CDP implementation, its approach, benefits and so on should be done by the community development specialist of SFI in coordination with the local representatives if required. This monitoring should be carried out on quarterly basis to assess the progress of work, utilization of funds, benefits incurred, the issues faced and the communities/beneficiaries response/feedback to the interventions. The findings of these internal monitoring and other CD activities should be documented and brought before the senior management /advisory committee for review and guidance.

7.2 *EXTERNAL MONITORING/EVALUATION*

External monitoring of the CD activities should be carried out by independent third party at the mid and end of the project of the project cycle. It should monitor impacts of interventions and assess the difference these interventions have made in the overall development of the community.

The *Table 7.1* presents monitoring matrix for the above mentioned community development projects

Table 7.1 Reporting & Monitoring Matrix

Intervention	Impact Indicators	Frequency	Responsibility	Source of verification
Intervention I: Awareness programme on SFI operations	- Number and frequency of awareness programmes conducted; - Number and type participants participated in the events	Monthly	CSR team	- Monthly Report - Camping report - Attendance sheet - Media reports - Audio visual documentation
Intervention II: Intensive Agriculture and Allied activities & pest management programme agriculture	- Number and type of resource material developed - Number and type of research conducted - Area under demonstration - Number , frequency and type of trainings programmes conducted - Number of participants attended training programmes - Number of households adopted new technology % increase in the production % increase in the income Number of master trainers - Type of support provided - Quantum of Distribution of seeds, fertilizers and equipment etc.	Biannual	CSR Team & Planation department	- Research reports - Training Records - Attendance sheet - Monthly report - Expense statement - Site inspection report - Sales record
Intervention III: Educational Support Programme	- Number of people received scholarship - Change in literacy level	Annual	CSR Team/ Senior Management	- Bank Statement - Report card and mark sheet and degrees
Intervention IV : Heath Programme (Vector Born Disease Control Programme Malaria and Dengue)	- Decreased instances of water borne diseases - Number and frequency of preventive control programmes organised - Number of people made awareness	Quarterly	CSR Team/ Plantation Dept.	- Monthly report - Medical records - Heath surveillance report
Intervention V: Drinking Water programme	- Number of villages and families having access to clean drinking water - Number of filtration machines installed - Number of CBO engaged in O&M %age collection of user fee %age decrease in gastro intestinal - No. of functional gravity pipe units installed and	Quarterly	CSR Team/ Logging and Planation Dept.	- Tender document & Invoice - Fitting Report - Quarterly Report - Receipts - Medical Records

Intervention	Impact Indicators	Frequency	Responsibility	Source of verification
Intervention VI Strengthening Handicraft Market linkages programme	• repaired • Number of emporium established • %age increase in sales • %increase in family income	• Biannual	CSR Team/ CBOs/SHGs	• Rent agreement & Sale deeds • Sales Record • Site inspection
Intervention VII- Strengthening Rural Infrastructure	• Number and type of assets created • Increase in availability of basic infrastructure	• Biannual	CSR Team/ Senior Management	• Bank Statement • Contract agrremnts • Monitoring Report • Documentation/bill of quantities • Wages register • Site inspection

These are suggestive list of indicators, and will be updated depending on the modification or extension of the project activities.

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