

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Borneo Sulaman Cove Sdn. Bhd. (688783-K)	Reference #	GFSSBH 003-207a
Contact Person	Lo Ming Liong (Director)	Date of Report	14/07/2023
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement	NC: Non-Compliance – Criteria 3.1 & 4.1 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	10 – 14 July 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 02/2007; Class V - Mangrove Forest Reserve
Species	Forest rehabilitation & restoration: Mangroves (<i>Rhizophora mucronata</i> , <i>Rhizophora apiculata</i> , <i>Aglaia cucullata</i> , <i>Callophyllum inopyllum</i> , <i>Excoecaria agallocha</i> , <i>Pouteria obovata</i> , <i>Podocarpus polustachyus</i> , <i>Cerbera odollam</i> , <i>Ardisia elliptica</i> , <i>Ceriops zippeliana</i> , <i>Dolichandrone spathacea</i> , <i>Ceriops tagal</i> , <i>Rhizophora apiculata</i>)
Lead Assessor	Priera Bagang
Assessor(s)	Glory Linggou, Brandon James
SFD Staff	Helda Parut (ADFO Kota Kinabalu)

OBJECTIVES:

- The objective of this checklist is to verify compliance to the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 for Sabah dated November 2020 (**SFD-TLAS-002**).
- Compliance is defined when all applicable criteria are observed to be compliant. A Minor Gap to any indicator does not constitute non-compliance to a criterion. A Major Gap to any applicable indicator does reflect non-compliance to a criterion. Compliance for a criterion where multiple minor gaps are identified in indicators under the criterion may reflect non-compliance to the criterion.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the agreement.

Summary Information

Overview of Licensee:

- In 2007, an agreement (SFMLA 02/2007) was signed between Sabah Forestry Department (SFD) and Borneo Sulaman Cove Sdn. Bhd. (Borneo Sulaman Cove) whereby a total of about 488 ha of the Sulaman Lake Mangrove Forest Reserve were placed under the management of Borneo Sulaman Cove.
- The objectives include conservation, education, recreation, nature-based tourism and eco-tourism. This concept follows the Sustainable Forest Management policy that was approved by the Sabah Forestry Department.
- One of the key goals of the 2nd Forest Management Plan is to apply for RAMSAR site recognition status for this licensed area. Video evidence showing the presence of the endangered Proboscis monkey (*Nasalis larvatus*) within the Sulaman Lake Mangrove Forest Reserve area emphasises the need.
- According to the FMP, all destructive and/or unsustainable anthropogenic practices within the licensed area will not be allowed. These practices include but are not limited to:
 - a. Damage, cutting or collection of any indigenous tree species, especially mangroves.
 - b. The cutting of fronds or collection of fruit of the Nipah palm (*Nypa fruticans*).
 - c. All forms of fishing including the collection of marine life.
 - d. All forms of hunting and/ or the collection of any indigenous animal species.
- This 2nd FMP continues to implement a realistic plan to protect and maintain the existing indigenous habitat and species within the Sulaman Lake Mangrove Forest Reserve area with the clear intention of increasing both. This includes but is not limited to the following activities:
 - a. Coordinate with government authorities on Sulaman Lake Mangrove Forest Reserve area matters.
 - b. Coordinate with the appropriate authorities to remove all illegal occupations.
 - c. Education of local communities.
 - d. Forest fire prevention and control.
 - e. Record and restrict the number of visitors to the area.
 - f. Reintroduction of lost species.
 - g. Construction of temporary indigenous animal habitat.
 - h. Patrols to investigate illegal activities in the forest, especially encroachment.
 - i. Active pursuit of poachers.
- The 2nd FMP is to enhance the area's ecological value of the area through appropriate management works. This also includes establishing restricted areas within the Sulaman Lake Mangrove Forest Reserve area and the location and integration of the native population of the Proboscis monkey (*Nasalis larvatus*) into conservation and tourism plans.
- The previous assessment was conducted in July 2022 that resulted in 2 gap(s) and 2 observation(s) (Report #: GFSSBH003-139).

Current Operations:

- Based on the management plan, Borneo Sulaman Cove is only focusing on mangrove rehabilitation, restoration and nature based eco-tourism. There is no plan for timber harvesting inside the licensed area.
- Based on records, about 14.60 ha has been restored with a total of 10,918 seedling planted inside the licensed area. All mangrove species planted consists of true-mangrove and associate-mangrove that are classified as local species.

- Land use classification:

Land classification	FMP Area (ha)	Current Status (ha)
Total Concession Area	488	488
Surveyed Area	450.65	450.65
HCV Mangrove	239.17	281.74
HCV Coastal	40.76	54.10
HCV Nipah	25.54	29.90
Degraded Mangrove	2.32	0.00
Degraded Coastal	22.56	4.45
Degraded Nipah	1.91	0.00
Recovering Mangrove	17.99	0.00
Wild Acacia	82.34	77.98
Cleared	18.06	2.48
Total	450.65	450.65

Environmental Context:

- The Sulaman Lake Mangrove Forest Reserve is situated 35 km north of Kota Kinabalu, Sabah. The licensed area was divided into 2 lots; Lot 1 is located on the north and Lot 2 is located south of the Sulaman Lake Channel.
- The natural vegetation type is represented by two main forest types; mangrove forest and coastal forest. The mangrove forest can be divided into three categories; succession areas dominated by the mangrove fern, smaller mangrove tree species, and Nipah palm.
- The coastal forest is typified by *Pandanus spp.* and *Casuarina spp.* on the foreshore. The sandy substrate can give rise to swampy conditions at low areas with freshwater lenses, promoting the development of freshwater swamp forest types.
- Most of the fauna inhabiting these areas are birds such as the stork billed kingfisher and the little egret. Sightings of long-tailed macaque and skink lizard were also recorded. Mangrove specific gastropods such as the mud-creeper, mangrove periwinkle, common nerite and red berry snail also inhabit the mangrove area.
- The river system contains high tannins and is populated by the large mangrove crab (*Scylla tranquebarica*), water monitor lizard (*Varanus salvator*), and various species of fishes.
- Videography footage of Proboscis monkey (*Nasalis larvatus*) has been taken in the SLMFR area. There are estimated two troops of Proboscis monkey, focused around central area of the SLMFR. Distribution is focused around the central area 1 (Lot 1) due to a high level of shyness exhibited in the video footage; this area will be more heavily protected and restricted to humans in order to protect Proboscis monkey population.
- The Environment Impact Assessment for the licensed area is not required as the area is to be managed for conservation and does not involve any conversion of forests [Refer Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 1987 (Appendix 2)].

Social Context:

- This area is surrounded by adjacent villages (Kg. Indai, Termunong, Kg. Serusop and Simpangan) with numerous land titles. Borneo Sulaman Cove has submitted a proposal for a new licensed to SFD, which excludes all titled land parcels and land claimed by the villagers from the licensed area. (The details information and map of the land parcel (lot) can be referred in the 2nd FMP, page 5 and 6).
- The local communities depend on the SLMFR Area as a loading point to access the sea. Some of the villagers rely on the sea for subsistence.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Borneo Sulaman Cove Sdn. Bhd.** with the Sustainable Forest Management License Agreement (SFMLA 02/2007) for FMU 6.
- The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated November 2020 (**SFD-TLAS-002**).
- Site evaluation to verify and report the level of compliance by Borneo Sulaman Cove Sdn. Bhd. and contractors to the standard in respect to each of the criteria within this report.
- Compliance is defined when the auditee demonstrates that the indicators consist of none or only minor gaps against any applicable criteria of the standard. Non-compliance to the Sabah Legality Standard occurs when the auditee does not demonstrate adequate compliance to a criterion.

Itinerary & Mandays: FMU 6 / Borneo Sulaman Cove Sdn. Bhd. / Kota Kinabalu District / 10 – 14 July 2023 (Total Mandays = 17)

Date	Activity	GFS Staff	Mandays
10 July 2023 Monday	Travel to Borneo Sulaman Cove basecamp and opening meeting.	Priera Bagang Glory Linggou Brandon James	3
11 July 2023 Tuesday	Field assessment to licensed area (Area 3, Area 2 and Area 1), licensed boundaries, rehabilitation projects, nursery.	Priera Bagang Glory Linggou Brandon James	3
12 July 2023 Wednesday	Social assessment at Kg. Termunong	Priera Bagang Glory Linggou Brandon James	3
13 July 2023 Thursday	Document review at Borneo Sulaman Cove basecamp.	Priera Bagang Glory Linggou Brandon James	3
14 July 2023 Friday	Travel to Borneo Sulaman Cove basecamp and closing meeting.	Priera Bagang Glory Linggou Brandon James	3
15-16 July 2023	Reporting GFSSBH 003-207	Dr. Kevin Grace Priera Bagang	2
Total			17

Highlights of Assessment

(Major Gaps = 4; Minor Gaps = 1; Observations = 4)

September 2023: (Major Gaps = 2; Minor Gaps = 1; Observations = 4)

Borneo Sulaman Cove Sdn. Bhd. has not complied with the Sabah Legality Standard (**SFD-TLAS-002**) as non-compliance was identified under Criteria 2.3, 3.1, and 4.1 during the assessment on 10 – 14 July 2023.

Summary of status of operations by **Principle**:

Principle 1.

An agreement (SFMLA 02/2007) was signed between Sabah Forestry Department and Borneo Sulaman Cove whereby a total of about 488 ha of the Sulaman Lake Mangrove Forest Reserve was placed under the management of Borneo Sulaman Cove. This agreement expires on 25/07/2058.

The 2nd Forest Management Plan (2nd FMP) is valid from 01/01/2019 to 31/12/2028 for an area of 488 ha at FMU 6 & Sulaman Lake Mangrove Forest Reserve. The revised 2nd FMP is approved [Ref.#: JPHTN/SFM 800-1/1/22(JILID.2) 62, dated 13/12/2019].

Environment Impact Assessment for the licensed area is not required, as the area is managed for conservation and does not involve any harvesting or conversion of forests [Refer Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 1987 (Appendix 2)].

July 2023: Observation 001-2023 - Checklist 1.3.2.4, 4.1.1, 4.1.2

No evidence that the FMP land use has identified areas traditionally used by local communities.

Highlights of Assessment

July 2023: Observation 002-2023 - Checklist 1.4.2

Culvert within Area 2 to support water management has not been installed as planned.

July 2023: Gap 001/2023 (minor) - Checklist 1.7.1

Lack of maintaining the license boundary marking on the ground for Area 3.

July 2023: Observation 003-2023 - Checklist 1.8.2

There is no evidence of PSP analysis for monitoring the progress of the three different reforestation methods being applied in the forest area.

Principle 2.

The licensed area is designated for conservation, research, education and nature based Eco-tourism purposes.

July 2022: Observation 001-2022 – Checklist 2.3.1

Two (2) newly recruited staff have yet to be registered under COI and SOCSO.

July 2023: Gap 002/2023 (Raised to Major)

No evidence of SOCSO contribution or COI renewal for permanent staff.

September 2023: Gap 002/2023 (Major) – Closed

Workers are registered and contributed under SOCSO.

July 2023: Observation 004/2023 – Checklist 2.3.2

Safety training did not include all permanent field staff.

July 2021: Gap 004/2021 (minor) – Checklist 2.3.7

No evidence of an approved Forest Fire Management Plan. No recent record of fire training from 2020 until June 2021. One (1) fire extinguisher was observed without pressure and expired (Expiry:14/05/2019).

July 2022: Gap 004/2021 (minor) – Outstanding

The licensee has yet to submit a draft Fire Management Plan to SFD. No recent record of fire training in 2021 and 2022.

July 2023: Gap 004/2021 (Raised to Major)

No evidence of fire safety training has been conducted for workers since 2021. Two (2) fire extinguishers have expired.

September 2023: Gap 004/2021 (Raised to Major) – Closed

Borneo Sulaman Cove has conducted the fire training for workers. Expired fire extinguishers have been renewed.

Principle 3.

The SFD did not require the Occupational Permit to be registered for any infrastructure constructed by Borneo Sulaman Cove inside the licensed area.

July 2022: Observation 002-2022 – Checklist 3.1.1

The company has yet to pay the annual rent for 2022 to SFD.

July 2023: Gap 003/2023 (Raised to Major)

No evidence that the annual rent was paid as required in the SFMLA since 2021.

September 2023: Gap 003/2023 (Raised to Major) – Outstanding

No evidence that the annual rent was paid as required in the SFMLA since 2021.

Principle 4.

There is no separate SBS or SIA document for Borneo Sulaman Cove. However, during the FMP development, a social baseline survey was conducted to identify communities living adjacent to the licensed area, impacts and mitigation measures.

Based on the FMP, the licensed area is surrounded by numerous lands titled owned by the locals from the adjacent villages (Kg. Indai, Termunong, Kg. Serusop and Simpangan).

July 2021: Gap 005/2021 (minor) – Checklist 4.1.4

No evidence of meetings or dialogue with local communities regarding encroachment of licensed areas

Highlights of Assessment

within the Forest Reserve.

July 2022: Gap 005/2021 (minor) - Outstanding

The licensee has yet to conduct meetings or dialogue with local communities regarding encroachment of licensed areas within the Forest Reserve. Pending feedback from SFD and related authorities.

July 2023: Gap 005/2021 (Raised to Major)

No records of meetings conducted with the community since 2021 to discuss and resolve encroachment and community use issues.

September 2023: Gap 005/2021 (Raised to Major) – Outstanding

No records of meetings conducted with the community since 2021 to discuss and resolve encroachment and community use issues.

Summary Results:

(Major gap = 4, Minor gap = 1, Observation = 4)

September 2023: (Major gap = 2, Minor gap = 1, Observation = 4)

Gap raised against indicators & criteria during the July 2023 assessment.

GAP	Type	Checklist	Status	Description
004/2021	Raised to Major	2.3.7	Closed	<p>July 2021: No evidence of an approved Forest Fire Management Plan. No recent record of fire training from 2020 until June 2021. One (1) fire extinguisher was observed without pressure and expired (Expiry:14/05/2019).</p> <p>July 2022: The licensee has yet to submit a draft Fire Management Plan to SFD. No recent record of fire training in 2021 and 2022.</p> <p>July 2023: No evidence of fire safety training has been conducted for workers since 2021. Two (2) fire extinguishers have expired.</p> <p>September 2023: Borneo Sulaman Cove has conducted the fire training for workers. Expired fire extinguishers have been renewed.</p>
005/2021	Raised to Major	4.1.4	Outstanding	<p>July 2021: No evidence of meetings or dialogue with local communities regarding encroachment of licensed areas within the Forest Reserve.</p> <p>July 2022: The licensee has yet to conduct meetings with local communities regarding encroachment of licensed areas within the Forest Reserve. Pending feedback from SFD and related authorities.</p> <p>July 2023: No records of meetings conducted with the community since 2021 to discuss and resolve encroachment and community use issues.</p> <p>September 2023: No records of meetings conducted with the community since 2021 to discuss and resolve encroachment and community use issues.</p>
001/2023	minor	1.7.1	New	<p>July 2023: Lack of maintaining the license boundary marking for Area 3.</p>

GAP	Type	Checklist	Status	Description
002/2023	Raised to Major	2.3.1 2.3.5	Closed	<p>July 2022: Two (2) newly recruited staff have yet to be registered under COI and SOCSO.</p> <p>July 2023: No evidence of SOCSO contribution or COI renewal for permanent staff.</p> <p>September 2023: Workers are registered and contributed under SOCSO.</p>
003/2023	Raised to Major	3.1.1	Outstanding	<p>July 2022: The company has yet to pay the annual rent for 2022 to SFD.</p> <p>July 2023: No evidence that the annual rent was paid as required in the SFMLA since 2021.</p> <p>September 2023: No evidence that the annual rent was paid as required in the SFMLA since 2021.</p>

Observation raised against indicators & criteria during the July 2023 assessment.

Obs #	Checklist	Description
001-2023	1.3.2.4 4.1.1 4.1.2	<p>July 2023: No evidence that the FMP land use has identified areas traditionally used by local communities.</p>
002-2023	1.4.2	Culvert within Area 2 to support water management has not been installed as planned.
003-2023	1.8.2	<p>July 2023: There is no evidence of PSP analysis for monitoring the progress of the three different reforestation methods being applied in the forest area.</p>
004-2023	2.3.2	<p>July 2023: Safety training did not include all permanent field staff.</p>

Highlights of Close Out Visit (if applicable)	Dates	15 September 2023
Major Gaps 004/2021 & 003/2023 are closed based on document submission. Major Gaps 005/2021 & 002/2023 remain outstanding since Borneo Cove Sulaman did not resolve community issues and pay the annual rent.		

Recommendations
<p>Borneo Sulaman Cove Sdn. Bhd. has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criteria 2.3, 3.1 and 4.1 and is NOT recommended to receive a GFS Statement of Compliance or a Sabah TLAS Compliance Certificate from SFD.</p> <p>The Major Gaps shall be addressed within two months by September 2023.</p> <p>Gap 005/2021 (Raised to Major) - Checklist 4.1.4: Borneo Sulaman Cove shall hold discussions with communities to resolve encroachment and community use issues and maintain the records of meetings.</p> <p>Gap 003/2023 (Raised to Major) - Checklist 3.1.1: Borneo Sulaman Cove shall expedite the annual rent payment to SFD.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit. Action required to close the gap(s)/observation(s) include:</p> <p>Gap 001/2023 (minor) - Checklist 1.7.1: Borneo Sulaman Cove shall maintain the licensed boundary, including marking on the ground and mapping.</p> <p>Observation 001-2023 - Checklist 1.3.2.4, 4.1.1, 4.1.2: Borneo Sulaman Cove should clearly identify areas traditionally used by local communities in the FMP.</p> <p>Observation 002-2023 - Checklist 1.4.2: Install culverts within Area 2 as planned to support water management.</p> <p>Observation 003-2023 - Checklist 1.8.2: Analyze PSP data to determine the result of different</p>

reforestation methods inside the licensed area.

Observation 004-2023 - Checklist 2.3.2: Conduct safety training for workers in relation to the type of activities implemented inside the licensed area.

The next annual surveillance audit will be scheduled for July 2024.

End of Summary Report