

Sabah TLAS Audit Report

Sabah Legality Standard Principles 1 – 4

Licensee	Kalabakan Borneo Resources Sdn. Bhd. (0747568-X)	Reference #	GFSSBH 003-188a
Contact Person	Lim See Yee (Sr. Manager)	Date of Report	24/03/2023
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		Approved By	Dr Kevin Grace

Statements

Audit Statement	NC: Non-Compliance Criteria 1.3 & 1.6 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Assessment Dates	20 – 24 March 2023
Scope of Assessment	Sabah TLAS P1-4: SFMLA 04/2018; FMU 25 (partly)
Species	Not applicable (<i>No harvesting yet</i>)
Lead Assessor	Priera Bagang
Assessor(s)	Varenius Untomon, Sandra George
SFD Staff	Awangku Effendy Pg Mahmud (DFO Serudong)

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:

- Kalabakan Borneo Resources Sdn. Bhd. (Kalabakan Borneo Resources) was granted a licensed area of 23,610 ha located within Kalabakan Forest Reserve (FMU 25) by the Sabah State Government under the Sustainable Forest Management License Agreement (SFMLA 04/2018).
- Kalabakan Borneo Resources aims to contribute to Sabah's economic development by practicing sustainable harvesting and regeneration from their plantation's activity.
- The area has been intensively logged from 1976 to 2007. Records indicated that 27 logging licenses were being issued within the area.
- Previously, Kalabakan Borneo Resources was granted the management of approximately 53,610 ha of the Commercial Class II Forest Reserve. However, the agreement was revised and changed to the current granted area, which will be happening for 100 years, starting from 12/04/2018.
- The previous assessment was conducted in April 2022 that resulted in 2 gap(s) and 3 observation(s) (Report #: GFSSBH003-122a).

Current Operations:

- No logging has started (NFM-RIL/ITP-salvage) within the licensed area as of 24/03/2023.
- Harvest planning based on FMP as follows:

Cmpt #	Area (ha)	Logging schedule	Land Use	Cmpt #	Area (ha)	Logging schedule	Land Use
10	432.32	2022	NFM-RIL	1	405.23	2026	ITP-Salvage
15	451.78	2023	NFM-RIL	2	419.14	2026	ITP-Salvage
16A	231.70	2024	NFM-RIL	3	401.83	2026	ITP-Salvage
17A	208.27	2024	NFM-RIL	4	409.48	2026	ITP-Salvage
25	482.05	2025	NFM-RIL	5	400.56	2026	ITP-Salvage
9	467.17	2026	NFM-RIL	6	410.46	2026	ITP-Salvage
26A	273.65	2027	NFM-RIL	7	441.19	2026	ITP-Salvage
8A	137.69	2028	NFM-RIL	8	336.32	2027	ITP-Salvage
24A	190.46	2029	NFM-RIL	27	452.91	2027	ITP-Salvage
11	465.80	2022	ITP-Salvage	28	450.06	2027	ITP-Salvage
12	421.71	2022	ITP-Salvage	35	453.11	2027	ITP-Salvage
13	485.22	2022	ITP-Salvage	36	443.78	2027	ITP-Salvage
14	437.60	2022	ITP-Salvage	37	407.60	2027	ITP-Salvage
18	456.04	2023	ITP-Salvage	38	409.00	2027	ITP-Salvage
19	457.02	2023	ITP-Salvage	26	98.52	2028	ITP-Salvage
20	473.39	2023	ITP-Salvage	39	450.26	2028	ITP-Salvage
21	453.48	2023	ITP-Salvage	49	412.74	2028	ITP-Salvage
23	478.65	2023	ITP-Salvage	51	401.97	2028	ITP-Salvage
16	195.73	2024	ITP-Salvage	52	443.26	2028	ITP-Salvage
17	271.03	2024	ITP-Salvage	53	427.64	2028	ITP-Salvage
22	424.73	2024	ITP-Salvage	54	403.26	2028	ITP-Salvage
29	452.59	2024	ITP-Salvage	24	285.45	2029	ITP-Salvage
30	466.72	2024	ITP-Salvage	40	433.41	2029	ITP-Salvage
31	450.09	2024	ITP-Salvage	45	426.66	2029	ITP-Salvage
32	456.45	2024	ITP-Salvage	46	403.41	2029	ITP-Salvage
33	434.34	2025	ITP-Salvage	47	402.16	2029	ITP-Salvage
34	408.40	2025	ITP-Salvage	48	404.36	2029	ITP-Salvage
41	413.71	2025	ITP-Salvage	50	407.32	2029	ITP-Salvage
42	427.35	2025	ITP-Salvage	Total	23,508.66		
43	414.69	2025	ITP-Salvage				
44	447.74	2025	ITP-Salvage				

Note: Planting activity will be carried out 6 months after logging. There were no planting activities as of the assessment.

- Land use classification:

Land classification	FMP Area (ha)	Current Status
Production Area (NFM & ITP)	20,778.07	NFM area: 2,875.09 ha (Net = 2,276.50 ha) Expected yield 74,555.38 m ³ (>50cm) ITP area: 20,633.57 ha (Net = 18,501.57 ha) Expected yield: 1,070,848.76 m ³ (>20cm)
Riparian buffers (incl. streams & ponds)	2,267.61	2,267.61
Steep Area	246.09	246.09
Conservation Area	101.34	101.34
Road, swamps & other inoperable areas	186.89	186.89
Base camp & other facilities	30.00	30.00
Total licensed area	23,610.00	23,610.00

Environmental Context: (based on FMP)

- The SFMLA area is classified as a Class II Commercial Forest Reserve reserved for the supply of timber and other produce.
- There are five (5) forest types: the Upland Mixed Dipterocarp & Kerangas Forests, Lowland Mixed Dipterocarp & Kerangas Forest, Lowland Mixed Dipterocarp Forest, Upland Kerangas Forest and Lowland Kerangas Forest.
- Common dipterocarps found are *Dryobalanops lanceolata*, *Shorea parvifolia*, *S. leprosula* and *S. laevis*. Pioneer species of commercial value such as *Neolamarckia cadamba* (Laran), *Octomeles sumatrana* (Binuang) and Magas are also present.
- There are 17 species of mammals recorded within the area, including Bornean orang-utan (*Pongo pygmaeus*), Bornean elephant (*Elephas maximus*) and Bornean banteng (*Bos javanicus*). Other large mammals include Sambar deer, bearded pig, clouded leopard, Malayan sun bear, greater mouse deer, pig-tailed macaque, Bornean yellow muntjac and red muntjac.
- Seven (7) Bornean endemic bird species were recorded within the FMU 25 (including in the license area). Bucerotidae, Nectariniidae and Pellorneidae were the most species of bird families. There are also Black Hornbills, Bushy-crested Hornbills, Helmeted Hornbills, Rhinoceros Hornbills, Wreathed Hornbills and Wrinkled Hornbills.
- The licensed area consists of three (3) main rivers, namely the Sungai Luis, Sungai Tambalunan and Sungai Serudong. The area is a vital watershed for the Kampung Serudong Laut community.
- Kalabakan Borneo Resources has an approved EIA study from EPD (Ref.#: JPAS/PP/KLBKN/600-1/01/3/75(23), dated 27/07/2022) which was not available to confirm information in the FMP.

Social Context:

- Based on the FMP there are no local communities living within or adjacent to the licensed area. Kg. Piorgon and Kg. Serudong Laut are located 8 km and 23 km, respectively, from the border of the licensed area.
- Kg. Piorgon is an old village that has been abandoned where; the communities went back to their former village, Kg. Serudong Laut.
- No Social Baseline Survey has been conducted and EIA was not available to confirm the information in the FMP.

Scope of Assessment

- The scope of the evaluation is to verify compliance of **Kalabakan Borneo Resources Sdn. Bhd.** with the Sustainable Forest Management License Agreement (SFMLA 04/2018) for FMU 25 (partly).
- 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 **Kalabakan Borneo Resources 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 25 (Partly) / Kalabakan Borneo Resources Sdn. Bhd. / Close-out: Timberwell Berhad / Serudong District / 20 – 24 March (Total Mandays = 19)

Date	Activity	GFS Staff	Mandays
20 March 2023 Monday	Travelling to Tawau and overnight. Preparation for site visit to Kalabakan Borneo Resources Sdn. Bhd.	Priera Bagang, Varenus Untomon, Sandra George	3
21 March 2023 Tuesday	Opening meeting at Kalabakan Borneo Resources’s nursery office. Field visits to licensed areas: Common boundaries, Compartment 11 & Compartment 12, protected areas.	Priera Bagang, Varenus Untomon, Sandra George	3
22 March 2023 Wednesday	Document review at PPD Tawau.	Priera Bagang, Varenus Untomon, Sandra George	3
23 March 2023 Thursday	Drafting report for Kalabakan Borneo Resources Sdn. Bhd. Closing meeting at PPD Tawau.	Priera Bagang, Varenus Untomon, Sandra George	3
24 March 2023 Friday	Close-out for Timberwell Berhad. Drafting report for Timberwell Bhd. Travel to home base.	Priera Bagang, Varenus Untomon, Sandra George	3
25-26 March 2023	Reporting GFSSBH 003-176a Reporting GFSSBH 003-188	Dr Kevin Grace Priera Bagang	4
Total			19

Highlights of Assessment

(Major Gaps = 1; Minor Gaps = 2; Observations = 3)

May 2023: (Major Gaps = 1; Minor Gaps = 2; Observations = 3)

Kalabakan Borneo Resources Sdn. Bhd. has not complied with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criteria 1.3 & 1.6 during the assessment on 20 – 24 March 2023.

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

Principle 1.

The State Government granted a Sustainable Forest management License Agreement (SFMLA 04/2018) to Kalabakan Borneo Resources for 100 years.

Kalabakan Borneo Resources has an EIA approved by the EPD on 27/07/2022 [Ref.#: JPAS/PP/KLBKN/600-1/01/3/75(23)].

Kalabakan Borneo Resources has a 10-year approved Forest Management Plan / Plantation Development Plan describing the concession and activities expiring in 2031, including salvage logging and conversion of Strata 2 & 3 forest areas totaling 20,633 ha to ITP.

An annual work plan for 2023 was submitted and approved by SFD as required.

March 2022: Gap 001/2022 (Major) – Checklist 1.3.2, 1.6.1

Highlights of Assessment

Contradiction between FMP land use planning and establishment of ITP on Strata 2&3 forest areas that contain exploitable volumes of trees over 60 cm diameter, with SFMLA conditions that limit plantation establishment to areas of degraded forest land having no exploitable volume of trees greater than 60cm dbh and insufficient regeneration, but not exceeding 25 degrees slopes.

May 2022: Gap 001/2022 (Major) – Outstanding

The land use planning in the FMP has not been revised to comply with the SFMLA conditions on the conversion of natural forests to ITP.

March 2023: Gap 001/2022 (Major) – Outstanding

No evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on the conversion of natural forests to ITP.

May 2023: Gap 001/2022 (Major) – Outstanding

No evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on the conversion of natural forests to ITP.

March 2022: Observation 001-2022 Checklist 1.2.1

An EIA must be developed and approved by EPD that clearly defines mitigation of environmental impacts in relation to SFMLA requirements and planned conversion of natural forests classified as strata 2 & 3 into timber plantations prior to starting logging operations.

March 2023: Gap 001/2023 (Raised to Minor)

The EIA report approved by EPD, was not available for use by Kalabakan Borneo Resources to mitigate impacts of conversion with respect to compliance with SFMLA requirements.

March 2022: Observation 002-2022 Checklist 1.3.2.1

The policy statement does not reflect the planning for the conversion of 87% of the forest areas under strata 2 & 3 to Industrial Timber Plantations (ITP).

March 2023: Gap 002/2023 (Raised to Minor)

No evidence of policy statement revision inside the FMP for current activities.

Principle 2.

Kalabakan Borneo Resources has not started any forest operations as of the assessment. Instead, Kalabakan Borneo Resources focuses on road surveying and infrastructure construction.

March 2022: Observation 003-2022 - Checklist 2.3.7

The Forest Fire Management Plan has not been developed yet.

March 2023: Observation 003-2022 (Addressed)

The Forest Fire Management Plan (FFMP) has been submitted and approved by the Chief Conservator of Forests.

March 2023: Observation 001-2023 – Checklist 2.3.1

The COI application for forest workers was submitted on 15/03/2023 and is pending approval from SFD.

March 2023: Observation 002-2023 – Checklist 2.3.2

No evidence of training of forest workers for RIL and salvage logging as required prior to starting logging operations.

Principle 3.

Kalabakan Borneo Resources has paid applicable fees to SFD as required. Heavy machineries are in the process to be registered to SFD.

As of the assessment, there is no logs production.

March 2022: Gap 002/2022 (Minor) - Checklist 3.1.1

The OP number JP(SER)OP03/2021 was expired on 02/03/2022.

March 2023: Gap 002/2022 (Minor) – Closed

Kalabakan Borneo Resources has renewed the OP for JP(SER)OP03/2021.

March 2023: Observation 003-2023 – Checklist 3.1.1

The heavy machinery registration was submitted to SFD and is pending approval.

Highlights of Assessment

Principle 4.

Not applicable – No local communities are living within or adjacent to the licensed area. Kg. Piorgon and Kg. Serudong Laut, are located 8 km and 23 km, respectively, from the border of the licensed area. Therefore, according to the approved FMP, conducting a Social Baseline Assessment was not required.

Summary Results:

(Major gap = 1, Minor gap = 2, Observation = 3)

May 2023: (Major Gaps = 1; Minor Gaps = 2; Observations = 3)

Gaps raised against indicators & criteria during the March, 2023 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Major	1.3.2 1.6.1	Outstanding	<p>March 2022: A significant contradiction exists between FMP land use planning for conversion of Stata 2 & 3 forest areas with the SFMLA conditions that limits plantation establishment to areas of degraded forest land having no exploitable volume of trees greater than 60cm DBH.</p> <p>May 2022: Land use planning in the FMP has not been revised to comply with the SFMLA conditions on the conversion of natural forests to ITP.</p> <p>March 2023: No evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on the conversion of natural forests to ITP.</p> <p>May 2023: No evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on the conversion of natural forests to ITP.</p>
002/2022	Minor	3.1.1	Closed	<p>March 2022: The OP number JP(SER)OP03/2021 expired on 02/03/2022.</p> <p>March 2023: Kalabakan Borneo Resources has renewed the OP for JP(SER)OP03/2021</p>
001/2023	Obs 001-2022	1.2.1	Raised to Minor	<p>March 2022: An EIA must be developed and approved by EPD that clearly defines mitigation of environmental impacts in relation to SFLMA requirements and planned conversion of natural forests classified as strata 2 & 3 into timber plantations prior to starting logging operations.</p> <p>March 2023: The EIA report approved by EPD, was not available for use by Kalabakan Borneo Resources to mitigate impacts of conversion with respect to compliance with SFMLA requirements.</p>
002/2023	Obs 002-2022	1.3.2.1	Raised to Minor	<p>March 2022: The policy statement does not reflect the planning for the conversion of 87% of the forest areas under strata 2 & 3 to Industrial Timber Plantations (ITP).</p> <p>March 2023: No evidence of policy statement revision inside</p>

GAP	Type	Checklist	Status	Description
				the FMP for current activities.

Note*: The Major gap refers to the entire criterion 1.3.2

Observation raised against indicators & criteria during the March, 2023 assessment.

Obs #	Checklist	Description
003-2022 Addressed	2.3.7	March 2022: The Forest Fire Management Plan has not been developed yet. March 2023: The Forest Fire Management Plan (FFMP) has been submitted and approved by Chief Conservator of Forest.
001-2023	2.3.1	March 2023: The COI application for forest workers was submitted on 15/03/2023 and is pending approval from SFD.
002-2023	2.3.2	March 2023: No evidence of training of forest workers for RIL and salvage logging as required prior to starting logging operations.
003-2023	3.1.1	March 2023: The heavy machinery registration was submitted to SFD and is pending approval.

Highlights of Close Out Visit (if applicable)	Dates	25 May 2023
The Major Gap 001/2022 shall be addressed within two months by June 2023 . No evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on the conversion of natural forests to ITP; thus, the Major Gap remains outstanding.		

Recommendations
<p>Kalabakan Borneo Resources Sdn. Bhd. has not demonstrated compliance with the Sabah Legality Standard (SFD-TLAS-002) as non-compliance was identified under Criteria 1.3 & 1.6 and is not recommended to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>The Major Gap shall be addressed within two months by June 2023.</p> <p>Gap 001/2022 (Major) Outstanding – Checklist 1.3.2, 1.6.1: Kalabakan Borneo Resources shall revise the land use planning in the FMP to comply with SFMLA license requirements regarding conditions for ITP development and ensure compliance with EIA requirements following the completion of EIA assessment and approval by EPD.</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 (Raised to Minor) – Checklist 1.2.1: The approved EIA report shall be available to the operations manager and used in mitigating impacts of conversion with respect to compliance with SFMLA requirements.</p> <p>Gap 002/2023 (Raised to Minor) – Checklist 1.3.2.1: The policy statement should not be misleading and shall reflect the objectives of concession management in relation to SFMLA and EIA requirements.</p> <p>Observation 001-2023 – Checklist 2.3.1: SFD shall expedite the COI approval.</p> <p>Observation 002-2023 – Checklist 2.3.2: Kalabakan Borneo Resources shall train forest workers for RIL and salvage logging as required prior to starting logging operations.</p> <p>Observation 003-2023 – Checklist 3.1.1: Kalabakan Borneo Resources shall ensure that heavy machinery is registered as required prior to starting operations.</p> <p>The next annual surveillance audit will be scheduled for March 2024.</p>

End of Summary Report