

# Sabah TLAS Audit Report

## Sabah Legality Standard Principles 1 – 4

<b>Licensee</b>	Kalabakan Borneo Resources Sdn. Bhd. 200601027812 (747568-X)	<b>Reference #</b>	GFSSBH 003-249a
<b>Contact Person</b>	Lim See Yee (Act. General Manager)	<b>Date of Report</b>	05/04/2024
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		<b>Approved By</b>	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	01 – 05 April 2024
Scope of Assessment	Sabah TLAS P1-4: SFMLA 04/2018; FMU 25 (partly)
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Eugenia spp.</i> (Obah), <i>Pentaceae spp.</i> (Takalis), <i>Sapotaceae spp.</i> (Nyatoh), <i>Terminalia subspathulata</i> (Talisai), <i>Dyera spp.</i> (Jelutong), <i>Dialium indum</i> (KerANJI), <i>Lauraceae spp.</i> (Medang), <i>Alstonia spp.</i> (Pulai), <i>Hopea sangal</i> (Gagil), <i>Shorea inappendiculata</i> (Selangan Batu), Other Timber (OT)
Lead Assessor	Priera Bagang
Assessor(s)	Aleeza Ho, Tommy Olui
SFD Staff	Mohd Arapa Lamuda (PPW Tawau), Noordin Musa (PPW Tawau), Awangku Effendy Pg Mahmud (DFO Serudong), Johnny Laminggu (ADFO Serudong), Andy Norman (PPM 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 issued within the area.
- Previously, Kalabakan Borneo Resources was granted to manage 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.
- Kalabakan Borneo Resources operates under the auspices of the Usahawan Borneo Group, with management responsibilities shared among companies such as Bakat Saga Sdn. Bhd., Usahawan Borneo Greenwood Sdn. Bhd., Golden Borneo Palm Sdn. Bhd., Timjadi Sdn. Bhd., Wincojaya Sdn. Bhd., and Kebamega Sdn. Bhd.
- As of the assessment, Kalabakan Borneo Resources has appointed Bakat Saga Sdn. Bhd. as the subcontractor for log harvesting.
- The previous assessment was conducted in March 2023 that resulted in 3 gap(s) and 3 observation(s) (Report #: GFSSBH003-188a).

### Current Operations:

- As of April 2024, no logging within the NFM coupes areas.
- Salvage logging recently commenced in December 202 for the following compartments.

Cmpt #	Gross area (ha)	Net harvest area (ha)	Harvest year
11	465.80	405.50	2023, 2024
12	421.71	351.40	2024

- In March 2024, the planting activity commenced at Compartment 11. The summary of the planted area is as follows:

Cmpt #	Total planted, ha	Species	Total seedlings
11	3.61	Batai	1,003

- Harvest planning based on FMP is 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	<b>Total</b>	<b>23,508.66</b>		
43	414.69	2025	ITP-Salvage				
44	447.74	2025	ITP-Salvage				

- Land use classification:

Land classification	FMP net 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 <sup>3</sup> (>50cm) ITP area: 20,633.57 ha (Net = 18,501.57 ha) Expected yield: 1,070,848.76 m <sup>3</sup> (>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
<b>Total licensed area</b>	<b>23,610.00</b>	<b>23,610.00</b>

### Environmental Context:

- 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.
- Kalabakan Borneo Resources has an approved EIA study titled "Proposed Forest Operations of Approximately 23,610 Hectares Under Sustainable Forest Management Licensed Agreement (SFMLA) No. 04/2018, in Part of Forest Management Unit (FMU) No. 25 of Kalabakan Class II Forest Reserve, Within Kalabakan District, Sabah" from the Director of EPD [Ref.#: JPAS/PP/KLBKN/600-1/01/3/75(23), dated 27/07/2022].

**Social Context:**

- Based on the FMP and EIA, there are no local communities living within or adjacent to the licensed area. However, two communities, namely, Kg. Piorgon and Kg. Serudong Laut, are located 8 km and 23 km away from the licensed area. The FMP did not specify the potential impacts towards the community.

Scope of Assessment
<ul style="list-style-type: none"> <li>The scope of the evaluation is to verify compliance of <b>Kalabakan Borneo Resources Sdn. Bhd.</b> with the Sustainable Forest Management License Agreement (<b>SFMLA 04/2018</b>) for <b>FMU 25</b> (partly).</li> <li>The assessment is in accordance on the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 dated November 2020 (<b>SFD-TLAS-002</b>).</li> <li>Site evaluation to verify and report the level of compliance by <b>Kalabakan Borneo Resources Sdn. Bhd.</b> and contractors to the standard in respect to each of the criteria within this report.</li> <li>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.</li> </ul>

**Itinerary & Mandays: FMU 25 (Partly) / Kalabakan Borneo Resources Sdn. Bhd. / Serudong District / 01 – 05 April 2024 (Total Mandays = 17)**

Date	Activity	GFS Staff	Mandays
01 April 2024 Monday	Travelling to Tawau and overnight.	Priera Bagang Aleeza Ho Tommy Olui	3
02 April 2024 Tuesday	Opening meeting at Kalabakan Borneo Resources’s camp office & field assessment to licensed areas (harvesting/planting/protection areas/campsite) & document review.	Priera Bagang Aleeza Ho Tommy Olui	3
03 April 2024 Wednesday	Continue field assessment to stumping licensed area and logyard at Sg. Kalamuning & document review.	Priera Bagang Aleeza Ho Tommy Olui	3
04 April 2024 Thursday	Document review at PPD Tawau.	Priera Bagang Aleeza Ho Tommy Olui	3
05 April 2024 Friday	Finalizing report and closing meeting at PPD Tawau. Travel to homebase.	Priera Bagang Aleeza Ho Tommy Olui	3
06-07 April 2024	Reporting GFSSBH 003-249	Dr Kevin Grace Priera Bagang	2
<b>Total</b>			<b>17</b>

Highlights of Assessment
<p><b>(Major Gaps = 1; minor Gaps = 5; Observations = 1)</b>  <b>July 2024: (Major Gaps = 1; minor Gaps = 5; Observations = 1)</b></p> <p><b>Kalabakan Borneo Resources Sdn. Bhd.</b> has not complied with the Sabah Legality Standard (<b>SFD-TLAS-002</b>) as non-compliance were identified under Criteria 1.3 &amp; 1.6 during the assessment on 01 - 05 April 2024.</p> <p>Summary of status of operations by <b>Principle</b>:</p> <p><b>Principle 1.</b>  The State Government granted a Sustainable Forest management License Agreement (SFMLA 04/2018) to Kalabakan Borneo Resources for 100 years. 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 &amp; 3 forest areas totaling 20,633 ha to ITP.</p> <p><b>March 2023: Gap 001/2022 (Major) – Outstanding</b></p>

### Highlights of Assessment

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.

**April 2024: Gap 001/2022 (Major) – Outstanding – Checklist 1.3.2, 1.6.1**

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

**July 2024: Gap 001/2022 (Major) – Outstanding**

There is no evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on converting natural forests to ITP.

**April 2024: Gap 001/2024 (minor) – Checklist 1.2.3**

No evidence that the ECR has been conducted by the EPD consultant.

**March 2023: Gap 001/2023 (minor) - Checklist 1.2.1**

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.

**April 2024: Gap 001/2023 (minor) – Closed**

The EIA was presented, outlining mitigation measures to minimize the impact of forestry activities within the licensed area.

**March 2023: Gap 002/2023 (minor) - Checklist 1.3.2.1**

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

**April 2024: Gap 002/2023 (minor) – Outstanding**

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

**April 2024: Observation 001-2024 – Checklist 1.3.2.7**

Kalabakan Borneo Resources did not specify AAC for NFM in the FMP.

**April 2024: Gap 002/2024 (minor) – Checklist 1.7.3**

Kalabakan Borneo Resources constructed the temporary stumping area inside the riparian reserve.

**Principle 2.**

Kalabakan Borneo Resources demonstrates compliance with forest operation principles by maintaining reporting of log productions and transportation, as well as conducting the marking of sensitive areas such as riparian reserves. They also compliance with regulatory requirements for workers.

**April 2024: Gap 001/2024 (minor) – Checklist 2.1.11**

No evidence that the ECR has been conducted by the EPD consultant.

**April 2024: Gap 002/2024 (minor) – Checklist 2.1.13**

Kalabakan Borneo Resources constructed the temporary stumping area inside the riparian reserve.

**April 2024: Gap 003/2024 (Raised to minor) - Checklist 2.2.2**

No evidence of registration for the temporary stumping site with SFD, and FD registration plates were not displayed on 2 heavy machineries.

**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.

**April 2024: Observation 001-2023 (Addressed)**

The SFD has approved the workers' COI for those working within the licensed area and they possess a valid COI.

**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.

**April 2024: Gap 004/2024 (Raised to minor)**

### Highlights of Assessment

Kalabakan Borneo Resources has not conducted work safety training for workers.

**Principle 3.**

Associated fees were paid and royalty payment was maintained by Kalabakan Borneo Resources. Records are available and maintained.

**March 2023: Observation 003-2023 – Checklist 3.1.1**

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

**April 2024: Gap 004/2024 (Raised to minor)**

No evidence of registration for the temporary stumping site with SFD.

**Principle 4.**

**Not applicable** – There are no local communities living within or adjacent to the licensed area. However, two communities, namely, Kg. Piorgon and Kg. Serudong Laut, are located 8 km and 23 km away from the licensed area. The FMP did not specify the potential impacts towards the community.

### Summary Results:

(Major gap = 1, minor gap = 5, Observation = 1)

July 2024: (Major Gaps = 1; minor Gaps = 5; Observations = 1)

Gaps raised against indicators & criteria during the April 2024 assessment.

GAP	Type	Checklist	Status	Description
001/2022	Major	1.3.2 1.6.1	Outstanding	<p><b>March 2022:</b> A significant contradiction exists between FMP land use planning for conversion of Strata 2 &amp; 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><b>May 2022:</b> 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><b>March 2023:</b> 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><b>May 2023:</b> 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><b>April 2024:</b> 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><b>July 2024:</b> There is no evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on converting natural forests to ITP.</p>
001/2023	minor	1.2.1	Closed	<p><b>March 2022:</b> An EIA must be developed and approved by EPD that clearly defines mitigation of environmental impacts in relation to SFLMA requirements and</p>

GAP	Type	Checklist	Status	Description
				planned conversion of natural forests classified as strata 2 & 3 into timber plantations prior to starting logging operations. <b>March 2023:</b> 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. <b>April 2024:</b> The EIA was presented, outlining mitigation measures to minimize the impact of forestry activities within the licensed area.
002/2023	minor	1.3.2.1	Outstanding	<b>March 2022:</b> 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). <b>March 2023:</b> No evidence of policy statement revision inside the FMP for current activities. <b>April 2024:</b> No evidence of policy statement revision inside the FMP for current activities.
001/2024	minor	1.2.3, 2.1.11	New	<b>April 2024:</b> No evidence that the ECR has been conducted by the EPD consultant.
002/2024	minor	1.7.3 2.1.13	New	<b>April 2024:</b> Kalabakan Borneo Resources constructed the temporary stumping area inside the riparian reserve.
003/2024	Obs 003-2023	2.2.2 3.1.1	Raised to minor	<b>March 2023:</b> The heavy machinery registration was submitted to SFD and is pending approval. <b>April 2024:</b> No evidence of registration for the temporary stumping site with SFD, and FD registration plates were not displayed on 2 heavy machineries.
004/2024	Obs 002-2023	2.3.2	Raised to minor	<b>March 2022:</b> No evidence of training of forest workers for RIL and salvage logging as required prior to starting logging operations. <b>April 2024:</b> Kalabakan Borneo Resources has not conducted work safety training for workers.

Observation raised against indicators & criteria during the April 2024 assessment.

Obs #	Checklist	Description
001-2023 Addressed	2.3.1	<b>March 2023:</b> The COI application for forest workers was submitted on 15/03/2023 and is pending approval from SFD. <b>April 2024:</b> The SFD has approved the workers' COI for those working within the licensed area and they possess a valid COI.
001-2024	1.3.2.7	<b>April 2024:</b> Kalabakan Borneo Resources did not specify AAC for NFM in the FMP.

Highlights of Close Out Visit (if applicable)	Dates	24 July 2024
The major gap <b>001/2022</b> shall be addressed within two months by June 2024. There is no evidence that Kalabakan Borneo Resources has revised the FMP to comply with the SFMLA conditions on converting natural forests to ITP. Therefore, the major gap remains outstanding.		

Recommendations
<p><b>Kalabakan Borneo Resources Sdn. Bhd.</b> has not demonstrated compliance with the Sabah Legality Standard (<b>SFD-TLAS-002</b>) as non-compliance were identified under Criteria 1.3 &amp; 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 <b>June 2024</b>.</p> <p><b>Gap 001/2022 (Major) Outstanding – Checklist 1.3.2, 1.6.1:</b> 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><b>Gap 002/2023 (minor) Outstanding – Checklist 1.3.2.1:</b> The policy statement should not be misleading and shall reflect the objectives of concession management in relation to SFMLA and EIA requirements.</p> <p><b>Gap 001/2024 (minor) – Checklist 1.2.3, 2.1.11:</b> The ECR shall be submitted quarterly as required by EPD.</p> <p><b>Gap 002/2024 (minor) – Checklist 1.7.3, 2.1.13:</b> Kalabakan Borneo Resources shall move stumping outside the riparian reserve and restore the damage to the Riparian area.</p> <p><b>Gap 003/2024 (Raised to minor) – Checklist 2.2.2, 3.1.1:</b> Kalabakan Borneo Resources shall ensure the temporary stumping site is registered with SFD and affix the FD registration plate onto tractors.</p> <p><b>Gap 004/2024 (Raised to minor) – Checklist 2.3.2:</b> Kalabakan Borneo Resources shall conduct work safety training for forest workers.</p> <p><b>Observation 001-2024 – Checklist 1.3.2.7:</b> Kalabakan Borneo Resources shall specify the AAC for NFM in the FMP.</p> <p>The next annual surveillance audit will be scheduled for April 2025.</p>

**End of Summary Report**