

Sabah TLAS + Audit Report

Sabah Legality Standard Principles 1 – 4 & 7

Licensee	Kalabakan Borneo Resources Sdn. Bhd. 200601027812 (747568-X)	Reference #	GFSSBH003-413
Contact Person	Lim See Yee (Act. General Manager)	Date of Report	24/07/2026
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		Approved By	Dr. Kevin Grace

Statements

Statement of Compliance				GFS 175 LVS			
Issuance Date		27 July 2026		Expiration Date		26 July 2027	

Assessment Details

Assessment Dates	20-24 July 2026
Scope of Assessment	Sabah TLAS+ P1-4: SFMLA 04/2018 – FMU 25 (partly)
Species	ITP (Salvage logging): <i>Drybalanops</i> (Kapur), <i>Richetia</i> sp. (Yellow seraya), <i>Dipterocarpus</i> (Keruing), <i>Syzygium</i> sp. (Obah), <i>Palaquium</i> sp. (Nyatoh), <i>Terminalia</i> sp. (Talisai), <i>Dyera</i> sp. (Jelutong), <i>Dialium indum</i> (KerANJI), <i>Lauraceae</i> (Medang), <i>Alstonia</i> spp. (Pulai), <i>Hopea sangal</i> (Gagil), <i>Shorea pauciflora</i> king (Oba suluk), <i>Koompassia malaccensis</i> (Impas), <i>Rubroshorea</i> sp. (Red seraya), <i>Vatica</i> sp. (Resak), <i>Lithocarpus</i> & <i>Quercus</i> (Mempening), <i>Shorea inappendiculata</i> (Selangan batu), <i>Sindora beccariana</i> (Sepetir), <i>Anthoshorea</i> sp. (Melapi), <i>Neolamarkia cadamba</i> (Laran), <i>Anisoptera</i> sp. (Pengiran), <i>Duabanga moluccana</i> (Magas) ITP (Planted): <i>Neolamarkia cadamba</i> (Laran), <i>Octomoles sumatrana</i> (Binuang), <i>Terminalia copelandii</i> (Talisai paya), <i>Paraserianthes falcata</i> (Batai), <i>Duabanga moluccana</i> (Magas), <i>Eucalyptus pellita</i> (Eucalyptus).
Lead Assessor	Eljipy Sualim, (Acting Lead Auditor) Soliano Andrew
Assessor(s)	UMS Internship: Stacy Robert
SFD Staff	ADFO Serudong: Jory Julmani, Mohd. Sharulizwan Bin Kumban, PPM Serudong: Wilfred Pius, Boneventure Marimin, Andy N. Norman, Mohd Hadi Bin Jakarulah

Objectives

- The objective of this checklist is to verify compliance with the Criteria listed in the Sabah Legality Standard as defined by Principles 1 - 4 including Principle 7 for Deforestation Free (DF) where applicable and Optional Principle 8 for CS3D dated 1 July 2026.
- 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 reflects non-compliance to the criterion which shall be addressed within 2 months.
- All issues identified under this standard shall be considered appropriate to the scale and degree of forestry operations undertaken by the parties under the license agreement.

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 with the terms of the agreement for the “Sabah Legality Standard Principles 1 - 4 & 7 dated 1 July 2026.
- Principle 7 Deforestation Free: ☐ Applicable ☒ Not Applicable
- Principle 8: CS3D: ☐ Included ☒ Not Included
- 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.

Limitations of Assessment

The information presented in this report is based on documentation and other information presented by the client and observations made during the field verification under the assessment. Auditor's reporting of information presented by the client is taken as accurate unless evaluated differently through the observations made during the assessment. All information presented in the report is accurate and complete to the best knowledge of GFS.

Summary Information

Overview of Licensee:

Kalabakan Borneo Resources Sdn. Bhd. (Kalabakan Borneo Resources) herewith the Licensee entered into an agreement (SFMLA 04/2018) with the State Government of Sabah on 24/04/2018 for 100 years, to manage a Commercial Class II Forest Reserve at Kalabakan Forest Reserve (approx. 53,610 ha) more or less, which is referred to as Sustainable Forest Management Licensed Agreement Area (SFMLA Area) or Forest Management Unit (FMU) No. 25.

However, in early 2018, there were discussions between the Sabah Forestry Department (SFD) and Kalabakan Borneo Resources on issues pertaining to excision of some areas within the SFMLA areas and subsequently to be awarded to Yayasan Sabah. After several rounds of discussions, all parties finally agreed to excise approximately 30,000 Ha from the SFMLA area. These areas are mainly located at the northern part of the SFMLA area, which are mainly comprised of hilly terrain. The balance area of approximately 23,610 Ha (Licensed Area or Project Area) is located at the south, which is mainly low lying areas and have been intensively logged from 1976 to 2007, resulted in residual forest that is considerably poor in commercial regeneration, with extensive pioneer tree cover. Pursuant to this, a First Supplemental Agreement to the Principal Agreement was duly prepared and signed on 12/04/2018, whereby both parties agreed amongst others as follows:

- a) The 30,000 Ha to be excised and awarded to Yayasan Sabah.
- b) All terms and conditions of the Principal Agreement shall remain valid and in full force, and
- c) The balance area of the Kalabakan Borneo Resources SFMLA area is now 23,610 Ha.

It was also agreed that such changes will be captured in the first Forest Management Plan (1st FMP), which covers the planning period of 01/01/2022-31/12/2031.

The previous assessment was conducted in July 2025 that resulted in 3 gap(s) and 4 observation(s) (Report #: GFSSBH 003-359).

Land use classification:

Based on FMP, Table 4.1 & 4.2.

Land classification	FMP Area (Ha)	Current Status (Ha)
Total Licensed Area	23,610.00	23,610.00
ITP zoned area	20,633.57	Total Area planted: 1,553.15 Area planted by species: * Batai – 958.31 <i>Eucalyptus pellita</i> – 104.04 White Laran – 175.04 Magas – 70.17 Binuang – 171.45 Talisai Paya – 71.70 Red Laran – 2.43
Non-Production areas: within the ITP area Identified Riparian buffers = 1,627.62 Ha Class I FR buffers = 41.40 Ha Identified steep slope $\geq 25^\circ$ = 246.09 Ha Nursery and housing = 30 Ha Roads, swamps and other inoperable areas (scattered small steep areas with slope $\geq 25^\circ$) @ 1 % of the Net Production Area = 186.89 Ha	2,132 Ha	
NFM zoned Area	2,875.09	2,875.09
NFM area: Riparian Buffers	598.59	598.59
Conservation (Contiguous Area)	101.34	101.34

*Typo in area planted by species by the licensee. The correct calculation = 1,553.14 ha

Current Operations:

Based on AWP 2026

Activity	Current operations Compartments / Area (ha)	AWP planned: Compartments / Area (ha)
NFM RIL harvesting	No operation from 2025 to 2026.	CHP Preparation: Cpts 15, 16A, 17A, 25, 9 = 2,273.29 Ha / Target = 1,762.42 Ha
ITP Salvage Logging	Cpts 16, 18 = 619.31 Ha	Salvage logging (ITP) & site preparation: Cpts 16, 17, 18, 19, 20, 21, 23 = 2,509.46 Ha (Target) CPP preparation: Cpts 41, 42, 43, 44, 1, 2, 3 = 2,509.46 Ha
ITP planted tree harvesting	-	-
Tree Planting	Cpts 14, 16, 18 = 1,057.81 Ha	New planting: Cpts 14, 16, 17, 18, 19, 20, 21, 23 = 2,947.94 Ha (Target)

List **current compartments** under planting.

Comp #	NFM/ITP	Status	Area (ha)	Geo-location data
14	ITP	Sabah TLAS	438.50	NW: 117 12' 38 E 4° 23' 28" N NE: 117 12' 59 E 4° 23' 18" N SW: 117 13' 59 E 4° 22' 50" N SE: 117 12' 57 E 4° 22' 43" N
16	ITP	Sabah TLAS	195.73	NE: E481294.1618, N834461.5702 NW: E481601.1747, N 833859.8988 SE: E481170.0994, N 835118.6402 SW: E481156.2105, N 835117.6350
18	ITP	Sabah TLAS	423.58	NE: E 486431.8153, N 835309.0056 NW: E 486271.9040, N 833930.3167 SE: E 484618.3863, N 835526.9056 SW: E 484666.4253, N 833933.3156

List **current compartments** under salvage logging.

Comp #	NFM/ITP	Status	Area (ha)	Geo-location data
16	ITP	Sabah TLAS	195.73	NE: E481294.1618, N834461.5702 NW: E481601.1747, N 833859.8988 SE: E481170.0994, N 835118.6402 SW: E481156.2105, N 835117.6350
18	ITP	Sabah TLAS	423.58	NE: E 486431.8153, N 835309.0056 NW: E 486271.9040, N 833930.3167 SE: E 484618.3863, N 835526.9056 SW: E 484666.4253, N 833933.3156

List **AWP areas** planned for salvage logging.

Comp # or Coup	NFM / ITP	Status	Area (ha)	Geo-location data
17	ITP	Sabah TLAS	253.81	NE: E 486939.1867, N 832912.2550 NW: E 486229.9127, N 831423.4760 SE: E 485409.8727, N 832911.9260 SW: E 485419.7991, N 831406.6968
19	ITP	Sabah TLAS	414.10	NE: E 485994.7093, N 833561.0878 NW: E 484968.0807, N 831569.8585 SE: E 484105.5964, N 833562.9778 SW: E 483929.0233, N 831579.5188
20	ITP	Sabah TLAS	408.54	NE: E 484357.0069, N 835032.4499 NW: E 483522.1611, N 833038.6599 SE: E 482805.1893, N 834028.8499 SW: E 482838.9693, N 833013.6399
21	ITP	Sabah TLAS	381.29	NE: E 484183.5414, N 831698.3935 NW: E 484170.7914, N 830721.2035 SE: E 482158.4514, N 832703.3735 SW: E 482191.0814, N 830858.7235
23	ITP	Sabah TLAS	432.41	NE: E 487031.3828, N 831836.3709 NW: E487033.0028, N829868.5909 SE: E 485029.6028, N 830765.7809 SW: E 485025.5228, N 829860.4009

Environmental context:

Forest type:

The five (5) forest types are Upland Mixed Dipterocarp & Kerangas Forests (UMDKF), Lowland Mixed Dipterocarp & Kerangas Forests (LMDKF), Lowland Mixed Dipterocarp Forests (LMDF), Upland Kerangas Forest (UKF), and Lowland Kerangas Forest (LKF). In these five forest types, tree species of the Dipterocarp family form the dominant vegetation that provides the main forest structure and largely contributes to the stem numbers and basal area.

Commercial species currently existing:

ITP (Salvage logging): *Drybalanops* sp. (Kapur), *Richetia* sp. (Yellow seraya), *Dipterocarpus* (Keruing), *Syzygium* sp. (Obah), *Palaquium* sp. (Nyatoh), *Terminalia* sp. (Talisai), *Dyera* spp. (Jelutong), *Dialium indum* (KerANJI), *Lauraceae* (Medang), *Alstonia* spp. (Pulai), *Hopea sangal* (Gagil), *Shorea pauciflora* king (*Oba suluk*), *Koompassia malaccensis* (Impas), *Rubroshorea* sp. (Red seraya), *Vatica* sp. (Resak), *Lithocarpus* & *Quercus* (Mempening), *Shorea inappendiculata* (Selangan batu), *Sindora beccariana* (Sepetir), *Anthoshorea* sp. (Melapi), *Neolamarkia cadamba* (Laran), *Anisoptera* sp. (Pengiran), *Duabanga moluccana* (Magas).

ITP (Planted): *Neolamarkia cadamba* (Laran), *Octomoles sumatrana* (Binuang), *Terminalia copelandii* (Talisai paya), *Paraserianthes falcataria* (Batai), *Duabanga moluccana* (Magas), *Eucalyptus pellita* (Eucalyptus).

Specific biological values (e.g., rare or endangered species):

Camera trapping transects and aerial survey methods by WWF Sabah has recorded 17 species of mammals within the Licensed Area (WWF 2018). Three out of seven Sabah charismatic wildlife, namely, the Bornean banteng (*Bos javanicus*), are recorded within the Licensed Area. An aerial orang-utan nest count conducted by WWF found some nests in the Licensed Area, suggesting that orang-utans are present

or occur between 1-30. It is noted that the lowland areas along Sg. Tambulanan, Sg. Sesui and Sg. Luis drained out to Sg. Serudong are critical migratory corridors of two wide ranging keystone species (elephant and banteng) and the Vulnerable sun bear.

Environmental services (e.g., critical watersheds, wildlife habitat, peat swamp, etc.):

The Licensed Area consists of three (3) main rivers, namely, Sg. Luis, Sg. Tambulanan and Sg. Serudong. Sg. Tambulanan has a member of small tributaries of which, Sg. Sesui, which is located at the southwest, is the most important tributary. Sg. Tambulanan joins Sg. Luis at the south, where the latter then joins Sg. Serudong at the southeast. Considering the character of the landscape, the Licensed Area is a vital watershed for the Kg. Serudong Laut community, which is located approximately 23 KM downstream.

EIA Report #:

EIA	Ref. #	Consultant
Proposed Forest Operations of Approximately 23,610 Hectares Under Sustainable Forest Management (SFMLA) No.04/2018, in Part of Forest Management Unit (FMU) No.25 of Kalabakan Class II Forest Reserve, within Kalabakan District, Sabah	JPAS/PP/KLBKN/600-1/01/3/75 dated 27/07/2022	Kiwiheng Environmental Consultants Sdn. Bhd.

Social Context:

Social assessment SBS / SIA / EIA summary:

Based on the FMP, there are no local communities living within or adjacent to the Licensed Area, that is, the latter is located entirely within the forest reserve, which is at remote part of Sabah. The only villages found are Kg. Piorgon and Kg. Serudong Laut. Kg. Piorgon, which is approximately 8 KM from the border of the Licensed Area, is an old village, which comprises of people from Kg Serudong Laut, who were once workers of logging companies. Kg. Piorgon is not an official village. It has since been abandoned where the communities went back to their former village. That is, Kg. Serudong Laut. Kg. Serudong, which is located approximately 23 KM south-east of the Licensed Area. Kg. Serudong Laut is separated from the Licensed Area with Class 1 Protection FRs, namely, Sg. Serudong FR and Silimpopon FR and oil palm plantations respectively.

Identified communities that are dependent on the FMU:

None

Land claims, disputes & communication system:

None

Community Forestry Projects:

None

Itinerary & Mandays: FMU 25: Kalabakan Borneo Resources / Serudong District

Date	Activity	GFS Staff	Mandays
20 July 2026 Monday	Travelling to Serudong and Opening meeting at PPD Serudong. Document review. Overnight at PPD Serudong.	Eljipy Sualim, Soliano Andrew, Stacy Robert	3
21 July 2026 Tuesday	Field assessment to operation areas: ITP area, Compartment 16 & 18 (Salvage logging). Compartment 14, 16 & 18 (Planting area). Compartment 13 (2025 planted and maintenance area), licensed boundary, Protected areas (riparian reserve & steep area) Nursery. Document review. Overnight at PPD Serudong.	Eljipy Sualim, Soliano Andrew, Stacy Robert	3
22 July 2026 Wednesday	Continue field assessment to stumping, campsite, workshop, Diesel Depot, Schedule waste & Workers quarters. Document review. Overnight at PPD Serudong.	Eljipy Sualim, Soliano Andrew, Stacy Robert	3
23 July 2026 Thursday	Closing meeting at PPD Serudong. Travel back to homebase.	Eljipy Sualim, Soliano Andrew, Stacy Robert	3

24 July 2026 Friday	Finalizing report.	Eljipy Sualim, Soliano Andrew, Stacy Robert	3
25-26 July 2026	Reporting/Administration: GFSSBH003-413	Dr. Kevin Grace Eljipy Sualim	2
Total			17

Highlights of Assessment

(Major Gaps = 0; Minor Gaps = 1; Observations = 5)

Kalabakan Borneo Resources Sdn. Bhd. has complied with the Sabah TLAS+ requirements (FDS TLAS-006) as no non-compliance was identified during the assessment on 20-24 July 2026.

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

Principle 1. Right to Harvest

Kalabakan Borneo Resources demonstrated compliance with the license requirements, required management planning, and submission of documents or reports, such as the EIA monitoring report to the relevant authorities.

July 2026: Observation 001-2026 – Checklist 1.2.5

No confirmation by the EPD on exemption for location of nursery and genset and the ECR Q2 Jul 2026 has yet to be scheduled by Kalabakan Borneo Resources.

July 2026: Gap 001/2026 (minor) – Checklist 1.3.3

The FMP mid-term review 2026 has not yet been drafted.

July 2026: Observation 002-2026 – Checklist 1.6.4

Discrepancy in recording plantable areas for Compartments 19 and 23.

Principle 2. Forest Operations

Kalabakan Borneo Resources demonstrated compliance with the licensed area security, maintenance of licensed boundary and protection of the buffer zones and implemented a system to monitor planted trees and ensure compliance with the regulatory requirements for workers.

July 2026: Observation 003-2026 – Checklist 2.2.3, 2.2.7

Inconsistent in stamping the “Sabah TLAS CC” on the Removal Pass.

July 2026: Observation 004-2026 – Checklist 2.3.3

Kalabakan Borneo Resources has yet to establish the PSP plots within ITP and NFM areas.

July 2026: Observation 001-2026 – Checklist 2.3.4

No confirmation by the EPD on exemption for location of nursery and genset and the ECR Q2 Jul 2026 has yet to be scheduled by Kalabakan Borneo Resources.

July 2026: Observation 005-2026 – Checklist 2.4.2

COI for one worker is in the renewal process.

Principle 3. Statutory Charges

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

Principle 4. Other User Rights

Not applicable

Principle 7. Deforestation Free

Not applicable – Kalabakan Borneo Resources conducted salvage logging in natural forest areas zoned for ITP after 2020.

Principle 8. In Accordance with the EU Corporate Sustainability Due Diligence Directive (CS3D)

Highlights of Assessment
(Optional) Not applicable

Summary Results:

(Major gap = 0, Minor gap = 1, Observation = 5)

Gap raised against indicators & criteria during the July 2026 assessment.

GAP	Type	Checklist	Status	Description
002/2026	minor	1.3.3	New	July 2026: The FMP mid-term review 2026 has not yet been drafted.

Observation raised against indicators & criteria during the July 2026 assessment.

Obs #	Checklist	Description
001-2026	1.2.5, 2.3.4	July 2026: No confirmation by the EPD on exemption for location of nursery and genset and the ECR Q2 Jul 2026 has yet to be scheduled by Kalabakan Borneo Resources.
002-2026	1.6.4	July 2026: Discrepancy in recording plantable areas for Compartments 19 and 23.
003-2026	2.2.3, 2.2.7	July 2026: Inconsistent in stamping the "Sabah TLAS CC" on the Removal Pass.
004-2026	2.3.3	July 2026: Kalabakan Borneo Resources has yet to establish the PSP plots within ITP and NFM areas.
005-2026	2.4.2	July 2026: COI for one worker is in the renewal process.

Highlights of Close Out Visit (if applicable)	Dates	-
Not applicable		

Recommendations
Kalabakan Borneo Resources Sdn. Bhd. has demonstrated compliance with the Sabah TLAS + Principle 1-4 & 7 requirements (FDS TLAS-006) for its designated area and is recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System+ Compliance Certificate (Sabah TLAS+ CC) from SFD. 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: Gap 001/2026 (minor) – Checklist 1.3.3: Kalabakan Borneo Resources should draft the FMP mid-term review as stipulated in the FMP. Observation 001-2026 – Checklist 1.2.5, 2.3.4: Kalabakan Borneo Resources should schedule the ECR for Q2 Jul 2026 and follow up with the EPD for location of genset and nursery. Observation 002-2026 – Checklist 1.6.4: Plantable areas should be recorded correctly for Compartments 19 and 23. Observation 003-2026 - Checklist 2.2.3, 2.2.7: SFD shall stamp "Sabah TLAS CC" on the Removal Pass since Kalabakan Borneo Resources compliant under Sabah TLAS. Observation 004-2026 – Checklist 2.3.3: Kalabakan Borneo Resources should establish PSP plots within ITP and NFM areas. Observation 005-2026 – Checklist 2.4.2: Worker should be registered with COI under the SFD. The next annual surveillance audit will be scheduled for July 2027.

End of Summary Report