

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organization</b>	Tenant: Borneo Benar Sdn. Bhd. (488524-D) Mill: Makeson Sdn. Bhd. (99395-V)	<b>Reference #</b>	G162-503
<b>Contact Person</b>	Lau Swee Cheong (Manager)	<b>Audit Date</b>	04/12/2018
<b>Office Address</b>	KM 25, Off Jalan Tuaran, Makeson Timber Complex, 88452 Telipok, Kota Kinabalu, Sabah, Malaysia.	<b>Date close out</b>	-
<b>Mill Address</b>	KM 25, Off Jalan Tuaran, Makeson Timber Complex, 88452 Telipok, Kota Kinabalu, Sabah, Malaysia.	<b>Telephone</b>	+6088 492 822 +6088 492 811
<b>Email</b>	bbenar.irwan@gmail.com	<b>Fax</b>	+6088 498 841
		<b>Approved By</b>	Dr. Kevin Grace

### Statements

<b>Audit Statement #</b>	GFS 197 WTP		
<b>Issuance Date</b>	01 January 2019	<b>Expiration Date</b>	31 December 2019

### Assessment Details

<b>Company Type</b>	Moulding mill & Exporter
<b>Scope of Assessment</b>	Sabah TLAS P5 – 6: JP(K)KK 001/14 (M05) & FDS(KK)(E)228/2018
<b>Product Group</b>	Moulding (S4S, E4E, decking, tongue & groove, panelling) & Malaysian plywood
<b>Source of Material</b>	Sabah, Malaysia.
<b>Species</b>	<i>Dryobalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Shorea inappendiculata</i> (Selangan batu), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Melapi), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Intsia spp.</i> (Merbau), Other timber (OT)
<b>Lead Assessor</b>	Priera Bagang
<b>Assessor(s)</b>	Franklin Emang, Cynthia D. John
<b>FDS Staff</b>	Valentine Sebastian (ADFO Kota Kinabalu), RH Muznah Sabardin (EIS Kota Kinabalu), RH Jamain Othman (KPPM Kota Kinabalu), Justin Lohuji (MCEE Kota Kinabalu)

### Terms of Assessment

The scope of the evaluation is to verify compliance of the Borneo Benar Sdn. Bhd. to the criteria within the Sabah Timber Legality Assurance System (TLAS) Principle 5 - Mill Operations and Principle 6 -Trade and Customs standards. Compliance is defined when the organization demonstrates that there is no non-compliance to any applicable criteria. Non-compliance to the Sabah Legality Standard occurs when the organization does not comply with 1 or more criteria. Non-compliance must be formally addressed prior to certification or within 2 months following a surveillance assessment.

### 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 clients are 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 of knowledge of GFS.

**Background Information:**

Makeson Sdn. Bhd. (**Makeson**) mill facilities are leased to Borneo Build & Supply Sdn. Bhd. (715981-W) (**Borneo Build & Supply**), Borneo Benar Sdn. Bhd. (488524-D) (**Borneo Benar**) and WVT Timber Industries Sdn. Bhd. (1225533-T) (**WVT Timber**) to produce mouldings and sawn timber respectively.

Company	Production area	Appendix
Makeson Sdn. Bhd.	Moulding mill and kiln dry plant	7, 11
Borneo Build & Supply Sdn. Bhd.	Moulding mill	7
Borneo Benar Sdn. Bhd.	Moulding mill	7
WVT Timber Industries Sdn. Bhd.	Sawmill for plantation logs, kiln dry plant and wood preservation plant	1, 11, C

Borneo Benar purchased moulding, sawn timbers and plywood from local suppliers (Sabah) and its products mainly exported to Maldives.

The previous assessment was conducted in December 2017 that resulted in 1 gap(s) and 0 observation(s) (report #: G162-371).

**Associated Organizations & Subcontractors:**

Borneo Benar is associated with Borneo Build & Supply (sister company) that has obtained FSC Chain of Custody certificate, certificate #: SA-COC-001694 for their products (FSC 100%) since May 2007 which valid until 21<sup>st</sup> May 2022. Borneo Build & Supply is also providing finished products (moulding) to Borneo Benar.

Borneo Benar engaged Makeson to provide kiln dry service whereas Kilang Papan Hiong Tiong Sdn. Bhd. for wood preservation service.

**Description of the Supply Chain:**

In December 2017 to November 2018, Borneo Benar purchased moulding, sawn timbers and plywood from the suppliers as below:

Supplier	License #	Raw Material	Location	FDS TLAS-CC (Validity)	GFS Audit Statement # (Validity)
Kilang Papan Hiong Tiong Sdn. Bhd	JP(K)KK003/00(X04)R	Sawn timber	Kota Kinabalu	FDS(SCS)035/2018 (31/03/2019)	GFS 071 WTP (31/03/2019)
Selera Indah Sdn. Bhd.	JP(T)TW001/00(X50)R	Sawn timber	Tawau	FDS(SCS)086/2018 (31/05/2019)	GFS 096 WTP (31/05/2019)
Yung Lung Trading Sdn. Bhd.	Not available	Sawn timber	Kota Kinabalu	-	-
Borneo Build & Supply Sdn. Bhd. (Makeson Sdn. Bhd.)	JP(K)KK 001/14 (B05)	Moulding	Kota Kinabalu	FDS(SCS)034/2018 (31/03/2019)	GFS 047 WTP (31/03/2019)
Thai Soon Hang Hardware	Not available	Plywood	Kota Kinabalu	-	-
Kilang Kayu Lohan Sdn. Bhd.	JP(K)RN 005/00(X04)R	Sawn timber	Ranau	FDS(SCS)050/2018 (30/04/2019)	GFS 032 WTP (30/04/2019)
Gold Rank Sdn. Bhd.	JP(T)TW 001/10 (X04)	Sawn timber	Tawau	FDS(SCS)005/2018 (31/01/2019)	GFS 010 WTP (31/01/2019)
Mastergroup Enterprise Sdn. Bhd. (Rimba Kekal Sdn. Bhd.)	JP(T)TW 001/03(X22)	Sawn timber	Tawau	<i>Pending an update</i>	GFS 222 WTP (31/10/2019)
SRT Timber Sdn. Bhd.	FDS (KK)(E) 257/2018	Sawn timber	Kota Kinabalu	FDS(SCS)107/2017 (31/12/2018)	GFS 206 WTP (31/12/2018)
Seratim Sdn. Bhd.	FDS (KK)(E) 264/2018(M)	Sawn timber	Kota Kinabalu	FDS(SCS)062/2018 (30/06/2019)	GFS 022 WTP (30/06/2019)

**Summary Results:**

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

<b>GAPs:</b>			
<b>GAP #</b>	<b>Type</b>	<b>Checklist</b>	<b>Description</b>
003/2018	Minor	6.1.2	According to the Chief Conservator of Forests Circular, CF 21/2017 Clause (iii); Page 4 (Ref.#: JPHTN/KKH: 100 – 4/1/Jld 3/ (65) dated 26 May 2017), all mill tenants shall register to FDS as a Mill Contractor.

\*Major = Non-Compliance

<b>Status of Outstanding GAPs:</b>				
<b>GAP #</b>	<b>Type</b>	<b>Checklist</b>	<b>Status</b>	<b>Description</b>
002/2017	Minor	5.2.4 5.2.5 5.2.7	<b>Closed</b>	<p><b>December 2017:</b> Borneo Benar / Borneo Build and Supply has yet to prepare and implement CoC procedures to include Sabah TLAS materials that is limited to FSC production.</p> <p><b>December 2018:</b> Borneo Benar has documented the CoC procedure for Sabah TLAS and implemented their full CoC system in November 2018.</p>

<b>Observations:</b>		
<b>OBS #</b>	<b>Checklist #</b>	<b>Description</b>
001-2018	5.1.2 5.2.1	According to the company, plywood received from Thai Soon Hang Hardware (located in Kota Kinabalu) exempted from the Removal Pass <sup>3</sup> as the volume for each transportation of plywood was less than 6m <sup>3</sup> (using a 3-ton carriage lorry). However, no reference of the plywood volumes on the supplier's invoice.

<b>Highlights of Close-Out Visit (if applicable)</b>	<b>Date -</b>
<b>Not Applicable</b>	

<b>Recommendations</b>
<p><b>Borneo Benar Sdn. Bhd.</b> has demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody and is recommended to receive a GFS Audit Statement and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) by FDS.</p> <p>Gap and observation identified in this assessment shall be addressed before the next surveillance visit. Actions required to close the gap and observation include:</p> <p><b>Gap 003/2018 (Minor) – Checklist 6.1.2:</b> To register as a Mill Contractor with FDS according to the CCF circular.</p> <p><b>Observation 001-2018 – Checklist 5.1.2, 5.2.1:</b> To provide volume or weight referencing on the Delivery Note/Packing list upon arrival of plywood in the mill.</p> <p>The next surveillance visit will be scheduled in November 2019.</p>

**End of Summary Report**