

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Tenant: Borneo Build & Supply Sdn. Bhd. (715981-W) Mill: Makeson Sdn. Bhd. (99395-V)	<b>Reference #</b>	GFSSBH 004-022
<b>Contact Person</b>	Lau Swee Cheong (Manager)	<b>Assessment Date</b>	28/03/2019
<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.lau@gmail.com	<b>Fax</b>	+6088 498 841
		<b>Approved By</b>	Dr. Kevin Grace

### Statements

<b>Audit Statement #</b>	NA: Non Conformance - Checklist 6.1		
<b>Issuance Date</b>	NA	<b>Expiration Date</b>	NA

### Assessment Details

<b>Company Type</b>	Moulding mill
<b>Scope of Assessment</b>	Sabah TLAS P5-6: JP(K)KK 001/14 (B05)
<b>Product Group</b>	Moulding (S4S, E4E, reeded decking, tongue & groove, panelling)
<b>Source of Material</b>	Sabah, Malaysia.
<b>Species</b>	<i>Drybalanops spp.</i> (Kapur), <i>Shorea inappendiculata</i> (Selangan batu)
<b>Lead Assessor</b>	Cynthia D. John
<b>Assessor(s)</b>	Not available
<b>FDS Staff</b>	RH Jamain Othman (KPPM Kota Kinabalu)

### Terms of Assessment

The scope of the evaluation is to verify compliance of the Sabah, Malaysia. Borneo Build & Supply 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 client 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.

**Background Information:**

Makeson Sdn. Bhd. (Makeson) mill license and mill contractor license are leased to Borneo Build & Supply Sdn. Bhd. (715981-W) (Borneo Build & Supply) and WVT Timber Industries Sdn. Bhd.(1225533-T) (WVT) to produce moulding products and sawn timber respectively.

Borneo Build & Supply produced moulding and sold to Borneo Benar. The company had formally registered with the Company Commission of Malaysia in Sabah dated 25/11/2005 with a registration number 715981-W.

The previous assessment was conducted in March 2018 that resulted in 3 gap(s) and 0 observation(s) (report #: G162-406)

**Associated Organizations & Subcontractors:**

Borneo Build & Supply is associated to the company Mostim Sdn. Bhd. and Borneo Benar Sdn. Bhd. that involved in the company's management. The company engaged Terus Maju Enterprise 2 as a subcontractor to provide and manufacturing products.

Presently, Borneo Build & Supply only purchases logs from FSC certified forest (Deramakot Forest Reserve) and subsequently engaged Kilang Kayu Lohan Sdn. Bhd. for logs processing before transporting the purchased logs to their mill.

**Description of the Supply Chain:**

In 2018, Borneo Build & Supply purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	FDS TLAS-CC (Expiry Date)	GFS Audit Statement # (Expiry Date)
Kilang Kayu Lohan Sdn. Bhd.	JP(K)RN005/00(X04) R	Sawn timber	Ranau	FDS(SCS)050/2018 (30/04/2019)	GFS 032 WTP (30/04/2019)
Borneo Benar Sdn. Bhd.	JP(K)KK 001/14 (M05)	Sawn timber	Kota Kinabalu	FDS(SCS)105/2017 (31/12/2018)*	GFS 197 WTP (31/12/2019)

Note: \*FDS to update their website.

**Summary Results:**

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

GAPs:					
GAP #	Type	Checklist	Status	Description	
008/2018	Minor	5.2.4	Closed	<p><b>March 2018:</b> The current CoC procedure is still limited to FSC production, as Borneo Build &amp; Supply has not taken action to revise the current CoC procedure to include Sabah TLAS materials.</p> <p><b>March 2019:</b> Borneo Build &amp; Supply has amended their COC procedure dated 2<sup>nd</sup> May 2018 that identified Sabah TLAS requirements.</p>	
009/2018	Minor	5.2.5 5.2.7	Outstanding	<p><b>March 2018:</b> WIP &amp; Finished Goods were not identified in regards to a production batch unit # or Sabah TLAS status although the material originated from Kilang Kayu Lohan FDS(SCS)038/2017 (30/04/2018).</p> <p><b>March 2019:</b> During the mill visit, no mill activity was observed as the mill productions were based on buyer's request. Therefore, no WIP and finished goods were sampled. This will be verified on the</p>	

				next surveillance visit.
010/2018	Minor	5.3.4	<b>Closed</b>	<p><b>March 2018:</b> Borneo Build &amp; Supply has yet to submit JKKP Form 8 to DOSH for 2017.</p> <p><b>March 2019:</b> Borneo Build &amp; Supply has submitted JKKP Form 8 for 2017 dated 22<sup>nd</sup> March 2018 to DOSH (Ref. #: JKKP 8/17529/2017). The JKKP 8 Form was acknowledged received by DOSH on 26<sup>th</sup> March 2018.</p>
011/2019	<b>Major</b>	6.1.1	<b>New</b>	Borneo Build & Supply has not registered to FDS as a "Mill Contractor". Based on the Chief Conservator of Forest Circular, CF 21/2017 Clause (iii); Page 4 (Ref. #: JPHTN/KKH: 100 – 4/1/Jld 3/ (65) dated 26 <sup>th</sup> May 2017) all mill's tenant shall register to FDS as a 'Mill Contractor'.

\*Major = Non-Compliance

Obs #	Checklist	Description
-	-	-

Highlights of Close-Out Visit (if applicable)	Date -
The Gap Major shall be addressed within 2 months by May 2019.	

Recommendations
<p>Borneo Build &amp; Supply Sdn. Bhd. has not demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody and is not recommended to receive a GFS Audit Statement and STCC from FDS.</p> <p>The Gap Major shall be addressed within 2 months by May 2019.</p> <p><b>GAP 011/2019 (Major) – Checklist 6.1.1:</b> To register as a Mill Contractor with FDS as stipulated in Forest Circular, CF 21/2017.</p> <p>Gaps identified in this assessment should be addressed before the next surveillance visit. Actions required to close the gaps include:</p> <p><b>GAP 009/2018 (Minor) Outstanding – Checklists 5.2.5, 5.2.7:</b> To implement the COC system reflecting the Sabah TLAS requirements in the production line whenever there is buyer request in the near future.</p> <p>The next surveillance visit is scheduled in January 2020.</p>

**End of Summary Report**