

Sabah TLAS Audit Report Principles 5 & 6

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| Organisation | Fook Ngiap Sawmill Sdn. Bhd. (57963-H) Tenant: Sukses Jadi Sdn. Bhd. (1060600-M) | Reference # | GFSSBH 004-066 |
| Contact Person | Joseph Chan Teck Ming (Shipping Officer) | Assessment Date | 03/07/2019 |
| Office Address | Fook Ngiap Sawmill Sdn. Bhd.: P.O.Box No.865, 91008 Tawau, Sabah, Malaysia. Sukses Jadi Sdn. Bhd.: TB 231, Lot 8, 3 rd Floor Town Ext No.2, Jalan Haji Karim, Tawau, Sabah, Malaysia. | Date close out | - |
| Mill Address | 12KM, Jalan Sin San, Sg. Iman, Pasir Putih, Tawau, Sabah, Malaysia. | Telephone | +6089 918 633 |
| Email | wind_ming83@yahoo.com | Fax | +6089 918 622 |
| | | Approved By | Dr. Kevin Grace |

Statements

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|--------------------------|----------------|------------------------|--------------|
| Audit Statement # | GFS 115 WTP | | |
| Issuance Date | 01 August 2019 | Expiration Date | 31 July 2020 |

Assessment Details

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| Company Type | Sawmill/Veneer/Plywood/Film Face Plywood/Moulding and Wood Preservation Plant. |
| Scope of Assessment | Fook Ngiap Sawmill Sdn. Bhd. (Sukses Jadi Sdn. Bhd.) |
| Product Group | Veneer and Sawn timber |
| Source of Material | Sabah, Malaysia. |
| Species | <i>Drybalanops</i> spp. (Kapur), <i>Dipterocarp</i> spp. (Keruing), <i>Parashorea</i> spp. (White seraya), <i>Shorea</i> spp. (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Scaphium</i> spp. (Kembang semangkuk), (Nyatoh), <i>Shorea pauciflora</i> (Oba suluk), <i>Neolamarckia cadamba</i> (Laran), <i>Duabanga moluccana</i> (Magas), <i>Octomeles sumatrana</i> (Binuang), <i>Alstonia</i> spp. (Pulai), <i>Nauclea</i> spp. / <i>Neonauclea</i> spp. (Bangkal), <i>Annonaceae</i> spp. (Karai), <i>Eugenia</i> spp. (Obah), <i>Sindora beccariana</i> (Sepetir), Lauraceae (Medang), <i>Planchonia valida</i> (Putat), <i>Lophopetalum</i> spp. (Perupok), <i>Terminalia subspatulata</i> (Talisai), Myristicaceae (Darah-darah), <i>Dillenia</i> spp. (Simpur), <i>Cotylelobium</i> spp. (Resak batu), <i>Cratoxylum arborescens</i> (Serungan), <i>Pentace</i> spp. (Takalis), <i>Koordersiodendron pinnatum</i> (Runggu), <i>Hopea sangal</i> (Gagil), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Gluta/ Semecarpus/Melanochyla & Swintonia</i> (Rengas), <i>Annonaceae</i> (Pisang-pisang), <i>Azadirachta excels</i> (Bawang-bawang), <i>Endospermum diadenum</i> (Sendok – Sendok), <i>Campnosperma auriculatum</i> (Terentang), Assam, Perapat Hutan, <i>Azadirachta excelsa</i> (Sentang). |
| Lead Assessor | Mohd Akram Mansur |
| Assessor(s) | Lai Jia Woei |
| FDS Staff | Mohd Azhar Ismail (PPM Merotai) |

Terms of Assessment

The scope of the evaluation is to verify compliance of the **Fook Ngiap Sawmill Sdn. Bhd. (Sukses Jadi 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. 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 of knowledge of GFS.

Background Information:

Fook Ngiap Sawmill Sdn. Bhd. (Fook Ngiap Sawmill) mill license is leased to Sukses Jadi Sdn. Bhd. (Sukses Jadi) to produce veneer and sawn timber. The company produces and trades rotary veneer for export to South Korea, India, Taiwan, Japan and also for local market. Fook Ngiap Sawmill also rents to Majestic Goldtree Sdn. Bhd. (1181263-K). Majestic Goldtree Sdn. Bhd. (Majestic Goldtree) is applying for mill contractor license under FDS. Sukses Jadi provides sawmilling service to Majestic Goldtree.

The previous assessment was conducted in July 2018 that resulted in 2 gap(s) and 1 observation(s) (report #: G162-442).

Associated Organizations & Subcontractors:

Sukses Jadi does not engage other companies as their subcontractors to provide or manufacture products.

Description of the Supply Chain:

From June 2018 to May 2019, Fook Ngiap purchased raw materials from the suppliers as below:

| Supplier | License | Raw Material | Location | FDS TLAS-CC (Expiry Date) | GFS Audit Statement # (Expiry Date) |
|-------------------------------------------------|------------------------------------------|-----------------|--------------|----------------------------------|-------------------------------------|
| Zillion Fortune Sdn. Bhd. | SFMLA 04/2014: TWU 02/15 | Round logs | Serudong | FDS (SLS) 011/2018 (31/03/2019)* | GFS 095 LVS (31/03/2020) |
| Salarong b Gawar dan 3 Peserta | FIIB: JPHTN/FRM 700-2/4/1/342/21 | Round logs | Nabawan | - | - |
| Timberwell Berhad | SFMLA 06/97: KDT 06/18 | Round logs | Kota Marudu | FDS(SLS)019/2018 (30/04/2019)* | GFS 002 LVS (31/05/2020) |
| KTS Plantation Sdn. Bhd. | JP(SLK)125/93(CO): SDK 01/18, SDK 17/18) | Round logs | Sandakan | FDS(SLS)001/2018 (31/01/2019)* | GFS 012 LVS (31/03/2020) |
| Gilbert Mundah dan 3 Peserta | FIIB: JPHTN/FRM 700-2/4/1/533/4 | Round logs | Nabawan | - | - |
| Rakyat Berjaya Sdn. Bhd. (Kinetic Journey S.B.) | SFMLA 09/97: SDK 04/18 | Round logs | Sandakan | Non Compliance | Non Compliance |
| Rakyat Berjaya Sdn. Bhd. (Priseland S.B.) | SFMLA 09/97: TWU 03/08, TWU 02/17 | Round logs | Kinabatangan | - | - |
| Rakyat Berjaya Sdn. Bhd. (Expo Utama Sdn. Bhd.) | SFMLA 09/97: TWU 17/11 | Round logs | Kalabakan | Non Compliance | Non Compliance |
| Kinawal Bte Ansagor | FIIB: JPHTN/FRM 700-2/4/1/342/36 | Round logs | Nabawan | - | - |
| Felda (FGV) | FIIA: JPHTN/KKH 700-3/3/3/JILID.24(63) | Plantation logs | Tawau | - | - |
| Bensin Majau | FIIB: JPHTN/FRM 700-2/4/1/603/4 | Round logs | Nabawan | - | - |
| Keris Bin Sangau | FIIB: JPHTN/FRM 700-2/4/1/616/2 | Round logs | Nabawan | - | - |
| Gawar Bin Siba dan 1 Peserta | FIIB: JPHTN/FRM 700-2/4/1/642/6 | Round logs | Nabawan | - | - |
| Brilliant Junction Sdn. Bhd. | FIIB: JPHTN/FRM 700-2/4/1/542(9)30 | Round logs | Nabawan | - | - |

Note: * FDS to update their website.

Summary Results:

(Major gap = 0, Minor gap = 6, Observation = 0)

| GAPs: | | | | |
|--------------|-------------|------------------|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GAP # | Type | Checklist | Status | Description |
| 005/2018 | Minor | 5.1.2 | Closed | <p>July 2018: The total volume of log supplied stated in Appendix 1&3 for August, October & November 2017 did not match with the total volume of arrivals recorded in the arrival book and removal passes.</p> <p>July 2019: Volumes of log received stated in Appendix 1&3 from Jan 2018 through May 2019 were observed to correspond with the total volume of arrival recorded in arrival book and removal passes.</p> |
| 006/2018 | Minor | 5.2.2 | Outstanding | <p>July 2018: 10 out of 27 batches of logs from licensees listed with Sabah TLAS certificates were not stamped as Sabah TLAS Compliant on the removal pass.</p> <p>July 2019: The removal pass for two batches of raw material received from suppliers that had been verified as Sabah TLAS Compliant [Timberwell Berhad (July 2018) and KTS Plantation Sdn. Bhd. (June 2018)] was observed not being stamped with Sabah TLAS Compliant. Both removal passes were issued at Seguntor Jetty where the logs from the licensed area were transferred to Seguntor Jetty to transport all logs by barge.</p> |
| 007/2019 | Minor | 5.2.4 | New | <p>July 2019: The CoC procedure identifies arrival of logs and sawn timber as a batch unit but does not clearly define the batch unit number allocated to raw material is continued through processing to finished products for veneer and sawn timber and mouldings. No reference for allocation of Sabah TLAS raw material into a batch production unit or identification of work in progress (WIP) through various finished products to the batch unit and Sabah TLAS status.</p> |
| 008/2019 | Minor | 5.2.5 | New | <p>July 2019:</p> <ul style="list-style-type: none"> • Inconsistency of labeling batch number on WIP materials and finished products. • No identification of Sabah TLAS on WIP sampled at the sawmill. • Issuance of batch number not consistent with the company CoC manual. |
| 009/2019 | Minor | 5.3.1 | New | <p>July 2019: 5 out of 8 workers were not covered under insurance or SOCSO as required and one worker did not have a COI.</p> |
| 010/2019 | Minor | 5.3.2 | New | <p>July 2019: Sukses Jadi maintains PPE distribution record issued to workers. However, based on interviews with mill workers, the majority of the workers</p> |

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| | | | | informed that the company did not provide PPE. |
| 011/2019 | Minor | 5.3.3 5.3.6 | New | July 2019: DOSH inspection book was not available in the mill during the assessment to evaluate compliance with DOSH inspections. |

*Major = Non-Compliance

| Obs # | Checklist | Description |
|-----------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 001-2018 Addressed | 5.2.3 | <p>July 2018: Observation 001-2018 Fook Ngiap does not identify the Sabah TLAS status in the arrival logbook.</p> <p>July 2019: Observation 001-2018 (Addressed) Sabah TLAS status was identified in the log arrival book for Sabah TLAS verified material received by Fook Ngiap Sawmill.</p> |

| Highlights of Close-Out Visit (if applicable) | Date - |
|-----------------------------------------------|--------|
| Not Applicable | |

| Recommendations |
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| <p>Fook Ngiap Sawmill Sdn. Bhd. (Sukses Jadi Sdn. Bhd.) has demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody and is recommended to receive a GFS Audit Statement and STCC from FDS.</p> <p>Minor 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 006/2018 (Minor) Outstanding – Checklist 5.2.2: Forestry Department of Sabah shall ensure removal passes from Sabah TLAS verified suppliers are stamped with Sabah TLAS Compliant.</p> <p>Gap 007/2019 (Minor) – Checklist 5.2.4: The company shall update the CoC manual to identify batch production unit for Sabah TLAS production along with reference for allocation of Sabah TLAS logs into a batch production unit or identification of work in progress (WIP) through finished products.</p> <p>Gap 008/2019 (Minor) – Checklist 5.2.5: Ensure all WIPs and finished products were labeled with batch number for traceability. Identification of Sabah TLAS material shall be included in each production batch and issuance batch number shall consistent with the company CoC manual.</p> <p>Gap 009/2019 (Minor) – Checklist 5.3.1: The company shall provide all foreign workers with Foreign Worker Compensation scheme or covered under SOCSO starting 2019.</p> <p>Gap 010/2019 (Minor) – Checklist 5.3.2: The company shall provide sufficient PPE based on the job scope. Records of PPE distribution shall be maintained by the company.</p> <p>Gap 011/2019 (Minor) – Checklist 5.3.3: The DOSH inspection book shall be maintained at the mill.</p> <p>The next surveillance visit is scheduled in May 2020.</p> |

End of Summary Report