

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Sulabayan Mukzai (Sole proprietorship)	<b>Reference #</b>	GFSSBH 004-608a
<b>Contact Person</b>	Nurhidaya Kamaruddin (Clerk)	<b>Audit Date</b>	25/01/2024
<b>Office Address</b>	Peti Surat 1201, 91037 Tawau, Sabah, Malaysia.	<b>Date close out</b>	28/03/2024
<b>Mill Address</b>	Batu 5, Apas Tiku, Jalan Kinabutan, Tawau, Sabah, Malaysia.	<b>Telephone</b>	+6016 832 3928
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

<b>Audit Statement #</b>	NC: Non-Compliance – Criterion 5.3 (Outstanding)		
<b>Issuance Date</b>	Not applicable	<b>Expiration Date</b>	Not applicable

### Assessment Details

<b>Company Type</b>	Sawmill & Moulding
<b>Scope of Assessment</b>	Sabah TLAS P5-6: JP(T)TW003/09(X04), KON(TTW)017/09(KK)
<b>Product Group</b>	Sawn timber
<b>Source of Material</b>	Sabah, Malaysia.
<b>Species</b>	<i>Eusideroxylon zwageri</i> (Belian)
<b>Lead Assessor</b>	Glory Linggou, Vanessa Abin (Acting Lead)
<b>Assessor(s)</b>	Tommy Olui
<b>FDS Staff</b>	Mazlan E. (PPD Tawau)

### Terms of Assessment

The scope of the evaluation is to verify compliance of Sulabayan Mukzai 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 GFS.

**Background Information:**

Sulabayan Mukzai is a sole proprietor; thus, it does not require registration under the Companies Commission of Malaysia (SSM). Currently, Sulabayan Mukzai focuses on sawn timber production for the local market.

The previous assessment was conducted in February 2023 that resulted in 4 gap(s) and 1 observation(s) (Report #: GFSSBH 004-461a).

**Associated Organizations & Subcontractors:**

Sulabayan Mukzai does not engage any other subcontractors to provide or manufacture products.

**Description of the Supply Chain:**

From December 2022 to December 2023, Sulabayan Mukzai purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk *
Benta Wawasan Sdn. Bhd. (Kingwood Timber)	Form IIB: JPHTN/FRM700-2/1/15/JILID.2/17	Round log	Kalabakan	-	High

Note: \*GFS risk evaluation is based on the risk matrix for Sabah TLAS (VL) materials & products.

**Summary Results:**

(Major gap = 1, Minor gap = 3, Observation = 1)

March 2024: (Major gap = 1, minor gap = 3, Observation = 1)

GAPs: Year 2024					
GAP #	Type	Checklist	Status	Description	
002/2022	minor	5.1.2	Closed	<p><b>February 2022:</b> Incorrect recording of carry forward stock for September 2021 and input for March 2021. The recovery rate for Appendix 1 production is constant at 38%. Discrepancies in total volume of log supply reported in Appendix 1 (603.38 m<sup>3</sup>) and log arrival book (463.06 m<sup>3</sup>) against the removal pass (502.52 m<sup>3</sup>). No evidence that heavy machinery used within the mill was registered with SFD.</p> <p><b>February 2023:</b> Discrepancy in total volume of log supply reported in Appendix 1 (189.50 m<sup>3</sup>) against the total volume of log supply in log arrival book and removal pass (203.24 m<sup>3</sup>).</p> <p><b>January 2024:</b> The volume of log supply reported in Appendix 1 and the log arrival book was correct for removal passes received.</p>	
005/2022	Major	5.3.1 5.3.5	Outstanding	<p><b>February 2022:</b> No evidence of valid work permits for foreign workers and covered under SOCSO.</p> <p><b>April 2022:</b> Based on the company, the foreign workers resigned in December 2021. However, there is no evidence of termination or resignation letter to show that the foreign workers have left the company.</p> <p><b>February 2023:</b> Sulabayan Mukzai did not take action to register and make contributions to SOCSO for all workers as required.</p>	

				<p><b>April 2023:</b> Sulabayan Mukzai has yet to register and make contributions for their workers under SOCSO.</p> <p><b>January 2024:</b> Sulabayan Mukzai did not take action to register workers under SOCSO and there is no evidence of a valid labour license, COI, passport and work permit for workers.</p> <p><b>March 2024:</b> Sulabayan Mukzai did not take action to register workers under SOCSO and there is no evidence of a valid labour license, COI, passport and work permit for workers.</p>
006/2022	minor	5.3.2 5.3.7	Outstanding	<p><b>February 2022:</b> No evidence of safety and fire training were conducted by the company.</p> <p><b>February 2023:</b> The training was limited to fire safety and did not include work safety for material handling and mill production.</p> <p><b>January 2024:</b> No evidence of work safety training and record of fire training was incomplete.</p>
001/2023	minor	5.2.5 5.2.7	Outstanding	<p><b>February 2023:</b> Batch # and Sabah TLAS status were not physically identified on WIP during the processing as per the CoC procedure.</p> <p><b>January 2024:</b> Sulabayan Mukzai did not physically identify Batch # and Sabah TLAS status on WIP and finished goods as per the COC procedure.</p>
001/2024	minor	5.1.1	New	<p><b>January 2024:</b> The mill and contractor licenses were not renewed.</p>

\*Major = Non-Compliance

#### Observations: Year 2024

Obs #	Checklist	Description
001-2024	5.1.2	<p><b>January 2024:</b> Sawn timber stock records do not reflect October to December 2023 production records.</p>

#### Highlights of Close-Out Visit (if applicable)

**Date: 28 March 2024**

Major Gap **005/2022** shall be addressed within two months by March 2024. The Major gap remains outstanding since Sulabayan Mukzai did not take action to register for the JTK license, COI and SOCSO for workers. Workers have no valid passport and work permit.

#### Recommendations

**Sulabayan Mukzai** has not demonstrated compliance with the Sabah Principles 5-6 for Chain of Custody as non-compliance was identified in Criterion 5.3 and is NOT eligible to receive a GFS Statement of Compliance or Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.

The Major Gap shall be addressed within two months by **March 2024**.

**Gap 005/2022 (Major) Outstanding – Checklist 5.3.1, 5.3.5:** Sulabayan Mukzai shall have a valid JTK license, COI, register workers under SOCSO and foreign workers shall have a valid passport and work permit.

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 006/2022 (minor) Outstanding – Checklist 5.3.2, 5.3.7:** Sulabayan Mukzai shall conduct work

safety training annually and include attendance records as part of training records.

**Gap 001/2023 (minor) Outstanding - Checklist 5.2.5, 5.2.7:** Sulabayan Mukzai shall physically identify batch number and Sabah TLAS status on WIP and finished goods. The batch number shall be in accordance with the COC procedure.

**Gap 001/2024 (minor) – Checklist 5.1.1:** Sulabayan Mukzai shall renew the mill and contractor licenses 3 months before the expiry date.

**Observation 001-2024 - Checklist 5.1.2:** Records of sawn timber should reflect production records.

The next surveillance visit is scheduled for February 2025.

**End of Summary Report**