

Sabah TLAS Audit Report Principles 5 & 6

Organisation	Kawati Sdn. Bhd. (301282-D)	Reference #	GFSSBH 004-546a
Contact Person	Kiing Teck Ngie (Director)	Audit Date	06/09/2023
Office Address	2 nd Floor, Lot No. 6, Block 16, Mile 4, Bandar Indah, 90000 Sandakan, Sabah, Malaysia.	Date close out	10/11/2023
Mill Address	Warehouse: CL 075336515 Off KM 16.4, Jalan Sungai Batang, 90000, Sandakan, Sabah, Malaysia.	Telephone	+6089 615 254
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		Approved By	Dr. Kevin Grace

Statements

Audit Statement #	NC: Non-compliance – Criteria 5.2 and 5.3 (Outstanding)		
Issuance Date	Not applicable	Expiration Date	Not applicable

Assessment Details

Company Type	Importer
Scope of Assessment	Sabah TLAS P5-6: FDS(SS)(I)041/2019
Product Group	Sawn timber
Source of Material	Sabah, Malaysia.
Species	<i>Shorea spp.</i> (Red seraya, Red meranti), <i>Koompassia excelsa</i> (Tapang), OT (Other timber)
Lead Assessor	Sandra George
Assessor(s)	Tommy Olui
FDS Staff	Ramlan Atak (PPD Sandakan)

*Ref.#: JPHTN/SFM800-1/7/2/0(JILID.6)98 dated 20/09/2023 – Kawati requested cancellation of the Sabah TLAS P5-6 audit assessment and SFD approved the Sabah TLAS P5-6 cancellation.

Terms of Assessment

The scope of the evaluation is to verify compliance of Kawati 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 GFS.

Background Information:

Kawati Sdn. Bhd. (Kawati) is registered in Kota Kinabalu, Malaysia, with registration # 301282-D. Kawati purchased sawn timber only for the local markets.

The previous assessment was conducted in November 2022 that resulted in 4 gap(s) and 1 observation(s) (Report #: GFSSBH 004-404a).

Associated Organizations & Subcontractors:

Kawati has a same director as Matowin Sdn. Bhd. (Matowin) and Kawati leased the warehouse to Matowin and Matowin provides manpower to Kawati.

Description of the Supply Chain:

From September 2022 to August 2023, Kawati purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk*
Majestic Goldtree Sdn. Bhd.	JP(T)SR004/18(B01)	Sawn timber	Serudong	GFS 245 WTP (20/08/2024)	Low
Sungai Silinponpon (Blockboard) Sdn. Bhd. (Majestic Goldtree Sdn. Bhd.)	JP(T)TW002/19(X69)	Sawn timber	Tawau	GFS 134 WTP (23/01/2024)	Low
Pemborong PKS	JP(T)LD003/08(M01)	Sawn timber	Lahad Datu	GFS 156 WTP (02/10/2023)	Low
Syarikat A. Wood (Fais Trading)	JP(K)RN001/2020(X49)	Sawn timber	Ranau	Non-Compliance	High
Aturmaju (Sabah) Holding Sdn. Bhd.	JP(T)KA001/00(X33)R	Sawn timber	Kalabakan	Non-Compliance	High
LK Trading	626194	Sawn timber	Kota Kinabalu	-	High
CYM Contractor	A 304536	Sawn timber	Sandakan	-	High
KK Resources Sdn. Bhd.	0731816-W	Sawn timber	Kota Kinabalu	-	High

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

Summary Results:

(Major gap = 2, Minor gap = 0, Observation = 0)

November 2023: (Major gap = 2, Minor gap = 0, Observation = 0)

GAPs: Year 2023					
GAP #	Type	Checklist	Status	Description	
002/2021	Major	5.3.2 5.3.7 5.3.8	Outstanding	<p>September 2021: No evidence of training on safety and fire was conducted by the subcontractor.</p> <p>September 2022: The company did not conduct safety and fire training to workers in the warehouse. Fire extinguishers were expired since 2019.</p> <p>September 2023: There is no evidence that Kawati conducted safety and fire training for workers in the warehouse.</p> <p>November 2023: No action taken by Kawati to conduct safety and fire training for workers.</p>	
001/2022	Major	5.2.7	Outstanding	<p>September 2022: The company did not identify the batch number or TLAS status on finished products as per the Chain of Custody procedures.</p>	

				<p>November 2022: The company has not taken action to identify batch # and Sabah TLAS status on finished products as per the COC procedure.</p> <p>September 2023: No identification of batch # and Sabah TLAS status on finished goods in accordance with the COC procedures.</p> <p>November 2023: No evidence that Kawati has identified batch # and Sabah TLAS status on finished goods as per the COC procedure.</p>
002/2022	minor	6.3.2 6.3.3	Closed	<p>September 2022: The company did not consistently maintain removal passes for imported consignments.</p> <p>September 2023: Kawati has no import consignments from September 2022 to August 2023.</p>

*Major = Non-Compliance

Observations: Year 2023

Obs #	Checklist	Description
001-2022 Addressed	5.2.2	<p>September 2022: The SFD did not consistently stamp removal passes as “used.”</p> <p>September 2023: All removal passes were stamped as “used” by the SFD.</p>

Highlights of Close-Out Visit (if applicable)

Date: 10 November 2023

Major Gap **001/2022** and **002/2021** shall be addressed within 2 months by November 2023. The Major Gaps remain outstanding since no action taken by Kawati to conduct safety and fire training for workers or identification of batch # and Sabah TLAS status on finished goods as per the COC procedure.

Recommendations

Kawati Sdn. Bhd. has not demonstrated compliance with the Sabah Principles 5-6 for Chain of Custody as non-compliance was identified under Criteria 5.2 & 5.3 and is NOT recommended 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 **November 2023**.

Gap 001/2022 (Major) Outstanding – Checklist 5.2.7: Kawati shall identify finished products with batch # and status in accordance with the COC procedures.

Gap 002/2021 (Major) Outstanding – Checklist 5.3.2, 5.3.7, 5.3.8: Kawati shall conduct safety and fire training annually for warehouse workers.

Ref.#: JPHTN/SFM800-1/7/2/0(JILID.6)98 dated 20/09/2023 – Kawati requested cancellation for the Sabah TLAS P5-6 audit assessment and SFD approved the Sabah TLAS P5-6 cancellation. Thus, no Sabah TLAS P5-6 audit in 2024.

End of Summary Report