

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	HNK Timber (Sabah) Sdn. Bhd. 198501010272 (142724-T)	<b>Reference #</b>	GFSSBH 004-750
<b>Contact Person</b>	Ms. Ong Huey Chi (Manager)	<b>Audit Date</b>	18/11/2024
<b>Office Address</b>	2A-13-19, Lot 19, 13 <sup>th</sup> Floor, Wisma Merdeka Phase II, Jalan Tun Razak, 88000 Kota Kinabalu, Sabah, Malaysia.	<b>Date close out</b>	-
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

Statement of Compliance	GFS 196 WTP		
Issuance Date	25 November 2024	Expiration Date	24 November 2025

### Assessment Details

Company Type	Exporter
Scope of Assessment	Sabah TLAS P5-6: FDS(KK)(E)022/2019
Product Group	Sawn timber
Source of Material	Sabah, Malaysia
Species	Shorea spp. (Red seraya), Shorea inappendiculate (Selangan batu)
Lead Assessor	Glory Linggou
Assessor(s)	Evelyn Chong
SFD Staff	-

### Terms of Assessment

The scope of the evaluation is to verify compliance with HNK Timber (Sabah) 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 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 knowledge of GFS.

**Background Information:**

HNK Timber (Sabah) Sdn. Bhd. [HNK Timber (Sabah)] is, on and from 26/07/1985, incorporated under Companies Act 2016, and is registered in Johor, Malaysia, with registration #: 198501010272 (142724-T). HNK Timber (Sabah) purchases sawn timber and exports them to Mauritius.

**Associated Organizations & Subcontractors:**

HNK Timber (Sabah) does not engage subcontractor to produce, manufacture products or provide manpower. The sawn timber directly shipped from the supplier to Carl Ronnow Logistics Sdn. Bhd. for KD services and storage, which solely on a payment basis.

**Description of the Supply Chain:**

From July 2023 to October 2024, HNK Timber (Sabah) purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk *
Fajar Constructions Materials Sdn. Bhd.	201201007682 (981202-D)	Sawn timber	Beaufort	GFS 266 WTP (03/03/2025)	Low

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

**Summary Results:**

(Major gap = 0, Minor gap = 0, Observation = 3)

GAPs: Year 2024				
GAP #	Type	Checklist	Status	Description
-	-	-	-	-

\*Major = Non-Compliance

Observations: Year 2024		
Obs #	Checklist	Description
001-2024	5.1.6, 6.4.2	<b>November 2024:</b> The current COC procedure does not define the retention periods for records relevant to the COC system.
002-2024	5.2.4	<b>November 2024:</b> Removal passes were not stamped as "Used" by SFD.
003-2024	5.3.1, 5.3.2	<b>November 2024:</b> No employment agreement for workers.

Highlights of Close-Out Visit (if applicable)	Date: -
Not applicable.	

Recommendations
<p>HNK Timber (Sabah) Sdn. Bhd. has demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody and is recommended to receive a GFS Statement of Compliance and Sabah Timber Legality Assurance System Compliance Certificate (TLAS-CC) from SFD.</p> <p>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><b>Observation 001-2024 – Checklist 5.1.6, 6.4.2:</b> HNK Timber (Sabah) shall define the retention periods for records relevant to the COC system.</p> <p><b>Observation 002-2024 – Checklist 5.2.4:</b> SFD shall ensure all removal passes are stamped as "Used."</p> <p><b>Observation 003-2024 – Checklist 5.3.1, 5.3.2:</b> HNK Timber (Sabah) shall provide workers with an employment agreement.</p> <p>The next surveillance visit is scheduled for November 2025.</p>

**End of Summary Report**