

Sabah TLAS Audit Report Principles 5 & 6

Organisation	Tenant: Megah Jadi Sdn. Bhd. 201201036480 (1020962-K) Landlord/Owner: Sherwood Timber Processing Sdn. Bhd. 198901000016 (177322-D)	Reference #	GFSSBH 004-709
Contact Person	Lam Kwee Loong (Director/COC MR) Josiefe Rayray (COC Doc. Controller)	Audit Date Date close out	21/05/2024
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Statements

Statement of Compliance	GFS 209 WTP		
Issuance Date	27 May 2024	Expiration Date	26 May 2025

Assessment Details

Company Type	Sawmill, Exporter
Scope of Assessment	Sabah TLAS P5-6: FDS(TW)(E)056/2019, FDS(TW)(S)056/2019(MT), KON(TTW)003/19(KK)
Product Group	Sawn timber
Source of Material	Sabah, Malaysia.
Species	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarp spp.</i> (Keruing), <i>Koompassia malaccensis</i> (Impas), <i>Shorea inappendiculata</i> (Selangan batu), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Melapi), <i>Heritiera simplicifolia</i> (Kembang), <i>Scaphium spp.</i> (Kembang semangkuk), <i>Sapotaceae spp.</i> (Nyatoh), <i>Shorea pauciflora</i> (Oba suluk), <i>Octomeles sumatrana</i> (Binuang), <i>Annonaceae spp.</i> (Karai), <i>Sindora beccariana</i> (Sepetir), Lauraceae (Medang), <i>Planchonia valida</i> (Putat), Lithocarpus & Quercus (Mempening), <i>Cotylelobium spp.</i> (Resak batu), <i>Pentace spp.</i> (Takalis), <i>Hopea sangal</i> (Gagil), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Dyera spp.</i> (Jelutong), <i>Dialium indum</i> (KerANJI), <i>Castanopsis motleyana</i> (Berangan), <i>Eusideroxylon zwageri</i> (Belian), Other timber (OT).
Lead Assessor	Vanessa Abin
Assessor(s)	Brandon James, Glory Linggou
SFD Staff	Mazlan B. Embun (PPD Tawau)

Terms of Assessment

The scope of the evaluation is to verify compliance with Megah 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. 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:

Megah Jadi Sdn. Bhd. (Megah Jadi) is, on from 15/10/2012, incorporated under Companies Act 2016 in Tawau, Malaysia, with registration #: 201201036480 (1020962-K). Megah Jadi (Tenant) has a 3-year tenancy agreement effective 16/05/2022 with Sherwood Timber Processing (Landlord/Owner), subject to the term conditions and regulations. The Tenant is allowed to use part of their sawmill facilities to produce sawn timber and employ its own workers to operate the sawmill.

Megah Jadi purchases round logs and produces sawn timber and exports them to Sarawak, Japan, Taiwan, Peninsular Malaysia and South Korea.

Associated Organizations & Subcontractors:

Megah Jadi engages Arus Borneo Sdn. Bhd. as its agent to handle documentation for export activities.

Description of the Supply Chain:

From April 2023 to April 2024, Megah Jadi purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	GFS WTP # STCC #	Overall Risk *
Bornion Timber Sdn. Bhd	SFMLA 03/978 KGU.11/20	Round logs	Sook	GFS 054 LVS (06/08/2024)	Low
Pesona Majukaya Sdn. Bhd.	SFMLA 01/2018	Round logs	Serudong	GFS 163 LVS (02/07/2024)	Low
Top Quantum Sdn. Bhd.	SFMLA 01/2019	Round logs	Serudong	GFS 071 LVS (18/06/2024)	Low
Sapulut Forest Development Sdn. Bhd.	SFMLA 04/97	Round logs	Tibow	GFS 025 LVS (09/07/2024)	Low

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

Summary Results:

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

GAPs: Year 2024				
GAP #	Type	Checklist	Status	Description
001/2024	minor	5.2.1, 6.1.1, 6.1.2, 6.1.3, 6.1.4	New	May 2024: The current system for purchasing from Sabah TLAS suppliers is not according to the COC procedure.
002/2024	minor	5.3.2	New	May 2024: Workers working under Megah Jadi are not registered under COI.
003/2024	minor	5.3.6	New	May 2024: Megah Jadi has not conducted work safety training for workers.

*Major = Non-Compliance

Observations: Year 2024		
Obs #	Checklist	Description
001-2024	5.1.4	May 2024: Megah Jadi did not have a clear appointed key personnel in their organization structure.
002-2024	5.3.1	May 2024: System for employment and contracting labor based on the Sabah Labor Ordinance is inadequately defined to ensure compliance.
003-2024	5.3.7	May 2024: There are no records of PPE distribution for workers.

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

Recommendations

Megah Jadi 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.

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 001/2024 (minor) – Checklist 5.2.1, 6.1.1, 6.1.2, 6.1.3, 6.1.4: Purchasing from Sabah TLAS suppliers shall be based on a Purchase Order and reference to Sabah TLAS status according to the COC procedure.

Gap 002/2024 (minor) – Checklist 5.3.2: Megah Jadi shall ensure all workers are registered under COI.

Gap 003/2024 (minor) – Checklist 5.3.6: Megah Jadi shall conduct work safety training for workers annually.

Observation 001-2024 – Checklist 5.1.4: Megah Jadi shall have a clear appointed key personnel in their organization structure/chart.

Observation 002-2024 – Checklist 5.3.1: Megah Jadi shall have a procedure regarding employment and contracting labor based on the Sabah Labor Ordinance.

Observation 003-2024 – Checklist 5.3.7: Megah Jadi shall maintain records of PPE distribution for workers.

The next surveillance visit is scheduled for May 2025.

End of Summary Report