

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Kerah Dinamik Sdn. Bhd. (7430008-V)	<b>Reference #</b>	GFSSBH 004-133
<b>Contact Person</b>	Ms. Voo Bau Ling (Account supervisor)	<b>Assessment Date</b>	10 December 2019
<b>Office Address</b>	P.O. Box A495, 89357 Inanam, Sabah.	<b>Date close out</b>	-
<b>Mill Address</b>	4.5KM, Jalan Kionsom, Inanam, Sabah.	<b>Telephone</b>	+6088 430 834
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		<b>Approved By</b>	Dr. Kevin T. Grace

Statements			
Audit Statement #	NA: Non-Compliance - Criteria 5.2 & 5.3		
Issuance Date	NA	Expiration Date	NA

Assessment Details	
Company Type	Sawmill for Plantation Logs
Scope of Assessment	Sabah TLAS P5 – 6: JP(K)KK003/16(B04)
Product Group	Rough sawn timber
Source of Material	Sabah, Malaysia.
Species	<i>Acacia</i> spp. (Acacia)
Lead Assessor	Priera Bagang
Assessor(s)	Siti Radiah Mohammad, Lai Jia Woei, Michelle Boyou
FDS Staff	Justin Lohuji (MCEE Kota Kinabalu), RH Jamain Othman (KPPM Kota Kinabalu), RH Jasni Rafiee (PPM Kota Kinabalu), PH Sharifudin Affendy (PPM Kota Kinabalu)

Terms of Assessment
The scope of the evaluation is to verify compliance of the Kerah Dinamik 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:**

Kerah Dinamik Sdn. Bhd. (Kerah Dinamik) registered with Companies Commission of Malaysia (SSM) in Sabah with a registration number 7430008-V. The company purchases plantation logs locally and produces rough sawn timber mainly for the local market.

The previous assessment was conducted in December 2018 that resulted in 4 gap(s) and 0 observation(s) (report #: G162-508a).

**Associated Organizations & Subcontractors:**

Kerah Dinamik does not engage a subcontractor to provide or manufacture products. However, the company is associated with Tropical Wood Plantation Sdn. Bhd. located in Pitas and Yoong Yap Enterprise Sdn. Bhd. situated in Kota Kinabalu that supports in the company's management system.

**Description of the Supply Chain:**

From December 2018 to November 2019, Kerah Dinamik purchased raw materials from the suppliers as below:

Suppliers	Licenses	Raw Material	Locations	FDS TLAS-CC (Validity)	GFS Audit Statement # (Validity)
KM Hybrid Plantation Sdn. Bhd.	SFM/LA 01/04 KGU 21/05	Acacia logs	Sook	Non-compliance	Non-compliance
Kilang Papan Tropical Wood Plantation Sdn. Bhd.	JP(D)PS 001/19 (B01)	Sawn timber	Pitas	Non-compliance	Non-compliance
Bidasari Sdn. Bhd.	JP(K)KK 003/18 (X04)	Sawn timber	Kota Kinabalu	FDS(SCS)022/2019 (30/04/2020)	GFS 035a WTP (30/04/2020)
Dayang Maziyyah Engoong	JPHTN/FRM 700- 3/3/4/Jld.2/38	Acacia logs	Kota Marudu	-	-
Sinopial @ Ndly bt Magirap	JPHTN/KM:800- 4/2/3/Jld.12/9	Acacia logs	Kota Marudu	-	-

**Summary Results:**

(Major gap = 4, Minor gap = 0, Observation = 2)

<b>GAPs:</b>					
GAP #	Type	Checklist	Status	Description	
001/2018	Minor	5.2.4	<b>Raised to Major</b>	<p><b>December 2018:</b> The CoC procedure lacks several key elements as follows:</p> <ul style="list-style-type: none"> <li>- Lack of identification of logs as Sabah TLAS during receiving and in Log Arrival Book.</li> <li>- Lack of defining and identification of a batch production unit for Sabah TLAS production along with all work in progress (WIP) and finished goods.</li> <li>- Lack of identification of Sabah TLAS status and batch number on sales and transport documents.</li> </ul> <p><b>December 2019:</b> No action was taken by the company to implement a Chain of Custody system to identify and control Sabah TLAS material and production.</p>	
002/2018	<b>Major</b>	5.2.5 5.2.7	<b>Outstanding</b>	<p><b>April 2019:</b> The company has yet to implement a Chain of Custody system based on the closeout visit by</p>	

				FLEGT Unit of SFM Division on 11 <sup>th</sup> April 2019 (Ref.#: JPHTN/SFM(FLEGT)800-1/7/9/2(80) dated on 14 <sup>th</sup> May 2019).  <b>December 2019:</b> No identification of batch unit number or Sabah TLAS status on WIP and Finished Products.
003/2018	Major	5.3.2 5.3.7 5.3.8	Outstanding	<b>April 2019:</b> No safety and fire prevention training records based on the closeout visit by FLEGT Unit of SFM Division on 11 <sup>th</sup> April 2019 (Ref.#: JPHTN/SFM(FLEGT)800-1/7/9/2(80) dated on 14 <sup>th</sup> May 2019).  <b>December 2019:</b> Kerah Dinamik has yet to provide safety and fire prevention training to the workers as the mill is not actively operating.
004/2018	Minor	5.3.4	Raised to Major	<b>December 2018:</b> No evidence that JKPP Form 8 for 2017 submitted to the Department of Occupational Safety & Health (DOSH).  <b>December 2019:</b> No evidence that Kerah Dinamik submitted the JKPP 8 Form to the Department of Occupational Safety & Health (DOSH) since 2017.

\*Major = Non-Compliance

Obs #	Checklist	Description
001-2019	5.1.2 5.2.3	<b>December 2019:</b> The company did not record the volume for logs arrival in December 2018 and May 2019 in the Log Arrival Book and their mill's monthly log arrival.
002-2019	5.3.8	<b>December 2019:</b> Six fire extinguishers observed with sufficient pressure but have passed the validity date of 6 December 2019.

Highlights of Close-Out Visit (if applicable)	Date -
Major Gaps shall be addressed within 2 months by February 2020.	

Recommendations
<p><b>Kerah Dinamik Sdn. Bhd.</b> has not demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody as non-compliance was identified in Criteria 5.2 and 5.3 and is NOT eligible to receive a GFS Audit Statement and STCC from FDS.</p> <p>The Major Gap shall be addressed within two months by <b>February 2020</b>.</p> <p><b>Gap 001/2018 (Raised to Major) – Checklist 5.2.4:</b> To revise the COC manual to include key elements in regards to identification of Sabah TLAS material and production through finished products and sales.</p> <p><b>Gap 002/2018 (Major) Outstanding – Checklist 5.2.5, 5.2.7:</b> The company shall implement CoC procedures in respect to Sabah TLAS requirements and traceability of material through the production process to finished goods.</p> <p><b>Gap 003/2018 (Major) Outstanding – Checklist 5.3.2, 5.3.7, 5.3.8:</b> The company shall conduct safety &amp; health and fire prevention training at least once a year.</p> <p><b>Gap 004/2018 (Raised to Major) – Checklist 5.3.4:</b> To submit the JKPP Form 8 to DOSH annually before 31<sup>st</sup> January.</p> <p>Gap(s)/Observation(s) identified in this assessment should be addressed before the next surveillance visit.</p>

Actions required to close the gap(s)/observation(s) include:

**Observation 001-2019 – Checklist 5.1.2, 5.2.3:** Maintain the record for the arrival of raw material in the mill.

**Observation 002-2019 – Checklist 5.3.8:** Ensure all fire extinguishers in the mill are service annually.

The next surveillance visit is scheduled for October 2020.

**End of Summary Report**