

## Sabah TLAS Audit Report Principles 5 & 6

<b>Organisation</b>	Selera Indah Sdn. Bhd. (172601-X)	<b>Reference #</b>	GFSSBH 004-048
<b>Contact Person</b>	Sim Si Jet (Manager)	<b>Assessment Date</b>	23/05/2019
<b>Office Address</b>	Shed No.8, Hap Seng Timber Complex, Jln Tg. Batu Laut, 91000 Tawau, Sabah, Malaysia.	<b>Date close out</b>	-
<b>Mill Address</b>	Shed No.8, Hap Seng Timber Complex, Jln Tg. Batu Laut, 91000 Tawau, Sabah, Malaysia.	<b>Telephone</b>	+6089 777 609
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		<b>Approved By</b>	Dr. Kevin Grace

### Statements

<b>Audit Statement #</b>	NA: Non Conformance – Checklist 5.2.5 and 5.2.7		
<b>Issuance Date</b>	NA	<b>Expiration Date</b>	NA

### Assessment Details

<b>Company Type</b>	Sawmill
<b>Scope of Assessment</b>	Selera Indah Sdn. Bhd.
<b>Product Group</b>	Moulding / Finger joint and Laminated Products
<b>Source of Material</b>	Sabah, Malaysia.
<b>Species</b>	<i>Drybalanops spp.</i> (Kapur), <i>Dipterocarpus spp.</i> (Keruing), <i>Koompassia malaccensis</i> (Impas), <i>Parashorea spp.</i> (White seraya), <i>Shorea spp.</i> (Red seraya, Yellow seraya, Selangan batu), <i>Lithocarpus &amp; Quercus</i> (Mempening), <i>Tristaniopsis merguensis</i> (Pelawan-pelawan), <i>Dialium indum</i> (KerANJI) and other species
<b>Lead Assessor</b>	Lai Jia Woei
<b>Assessor(s)</b>	Walter Marcus
<b>FDS Staff</b>	PH Faizan Mohamad (PPM Tanjung / Apas Balung), PH Ambrose James Gipilon (PPM Tanjung / Apas Balung)

### Terms of Assessment

The scope of the evaluation is to verify compliance of the Selera Indah 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:**

Selera Indah Sdn. Bhd. (Selera Indah) is registered in Tawau, Malaysia with registration # 172601-X. The company produces and trades sawn timber, moulding, finger joint and laminated products are exported to New Zealand, Korea, Mauritius and Japan.

The previous assessment was conducted in May 2018 that resulted in 1 gap(s) and 2 observation(s) (report #: G162-420a).

**Associated Organizations & Subcontractors:**

Selera Indah sent the purchased logs to Hap Seng Property Investment Sdn. Bhd. (Sawmill A) for sawmilling services.

**Description of the Supply Chain:**

From April 2018 to April 2019, Selera Indah purchased raw materials from the suppliers as below:

Supplier	License	Raw Material	Location	FDS TLAS-CC (Expiry Date)	GFS Audit Statement # (Expiry Date)
Gold Rank Sdn. Bhd.	JP(T)TW001/10(X04)	Sawn timber	Tawau	FDS(SCS)006/2019 (31/03/2020)	GFS 010 WTP (31/03/2020)
Fook Ngiap Sawmill Sdn. Bhd. (Majestic Goldtree Sdn. Bhd.)	JP(T)TW002/00(X17)R	Sawn timber	Tawau	**	**
Fook Ngiap Sawmill Sdn. Bhd. (Sukses Jadi Sdn. Bhd.)	JP(T)TW002/00(X17)R	Sawn timber	Tawau	FDS(SCS)072/2018 (05/07/2019)	GFS 115 WTP (05/07/2019)
Mau Seng Timber Sdn. Bhd.	JP(K)KK001/17(X42)	Sawn timber	Kota Kinabalu	FDS(SCS)063/2018 (30/04/2019)*	GFS 028 WTP (30/04/2020)
Makeson Sdn. Bhd. (Borneo Benar Sdn. Bhd.)	FDS(KK)(E)028/2018	Sawn timber, timber off cut	Kota Kinabalu	FDS(SCS)120/2018 (31/12/2019)	GFS 197 WTP (31/12/2019)
Hap Seng Property Investment Sdn. Bhd. (Gmelina Jaya Sdn. Bhd.)	JP(T)TW002/05(B01)	Sawn timber, timber off cut	Tawau	FDS(SCS)066/2018 (30/06/2019)	GFS 116 WTP (30/06/2019)
Irama Ramai Sdn. Bhd.	JP(N)KG001/12(X04)	Sawn timber	Keningau	FDS(SCS)003/2019 (31/03/2020)	GFS 110 WTP (31/03/2020)
Sherwood Timber Processing Sdn. Bhd. (Megah Jadi Sdn. Bhd.)	JP(T)TW004/00(X02)R	Sawn timber	Tawau	Non Compliance	Non Compliance
Unikarya Trading Sdn. Bhd.	JP(T)TW003/15(X04)	Sawn timber	Tawau	FDS(SCS)068/2018 (30/06/2019)	GFS 190 WTP (30/06/2019)
Tawau Kilning & Moulding Sdn. Bhd.	JP(T)TW001/14(X04)	Sawn timber	Tawau	FDS(SCS)008/2018 (31/01/2019)*	GFS 036 WTP (30/04/2020)
Mastergroup Enterprise Sdn. Bhd. (Wellcasa Sdn. Bhd.)	JP(T)TW001/00(X37)R	Sawn timber	Tawau	**	**
Aturmaju (Sabah) Holding Sdn. Bhd.	JP(T)KA001/00(X33)R	Sawn timber	Kalabakan	**	**

Note: \* Pending an update at FDS website.

\*\* FDS to schedule Sabah TLAS monitoring assessment.

**Summary Results:**

(Major gap = 2, Minor gap = 1, Observation = 2)

<b>GAPs:</b>				
<b>GAP #</b>	<b>Type</b>	<b>Checklist</b>	<b>Status</b>	<b>Description</b>
011/2018	Minor	5.3.8	Closed	<p><b>May 2018:</b> Emergency Action Plan has yet to be prepared. Furthermore, no fire training was conducted in 2017.</p> <p><b>May 2019:</b> Emergency Action Plan was prepared and available during the assessment. Escape routes and locations of fire extinguisher are clearly identified in the plan and in the mill. First Aid and Fire Fighting Talk were conducted by the Public Defense Tawau Club and attended by 15 participants from Selera Indah dated 28/05/2018.</p>
012/2019	Minor	5.2.4	New	The CoC procedure lacks description for purchasing Sabah TLAS raw material and production of Sabah TLAS products.
013/2019	<b>Major</b>	5.2.5	New	Raw material (sawn timber) at receiving and WIP were inconsistently identified using stack cards by monthly arrival batch number and Sabah TLAS status in accordance with the COC procedure.
014/2019	<b>Major</b>	5.2.7	New	Finished products were identified with a batch number, however, traceability was inadequate to production documents and observed inconsistency in batch numbers between production and finished products. The company is not operating in accordance with procedures on the batch production and Sabah TLAS status.

\*Major = Non-Compliance

<b>Obs #</b>	<b>Checklist</b>	<b>Description</b>
002-2017 Addressed	5.3.3 5.3.6	<p><b>May 2018:</b> DOSH has not confirmed the licensee's registration. The company has submitted letter of enquiry regarding the registration status, however still pending for feedback from DOSH.</p> <p><b>May 2019:</b> Selera Indah submitted an application to DOSH through online system (MyKKP) (Ref. #: SB 105/19/00267).</p>
001-2018	5.2.3	<p><b>May 2018:</b> Sabah TLAS status was not identified in the sawn timber arrival book for material received at Selera Indah except from Hap Seng Property Investment Sdn. Bhd. (Sawmill A).</p> <p><b>May 2019:</b> "Sabah TLAS Compliant" stamping is only applicable to logs sourced from Sabah TLAS verified licensed areas. The requirement is not applicable to the mill's semi-finished goods / wood product (Refer to FD 36/2016 dated 29<sup>th</sup> December 2016). However, the company has yet to define Sabah TLAS raw material purchased from Sabah TLAS certified companies.</p>
001-2019	5.1.2	The volume of sawn timber supply reported in Appendix 7 for April 2018 and December 2018 were inconsistent due to incorrect calculation.

Highlights of Close-Out Visit (if applicable)	Date
The Major Gaps shall be addressed within two months by <b>July 2019</b> .	

Recommendations
<p><b>Selera Indah Sdn. Bhd.</b> has not demonstrated compliance with the Sabah Standard Principles 5-6 for Chain of Custody as non-compliance was identified in Checklist 5.2.5 &amp; 5.2.7 and is NOT eligible to receive a GFS Audit Statement and STCC from FDS.</p> <p>Two Major Gaps shall be addressed within two months by <b>July 2019</b>.</p> <p><b>Gap 013/2019 (Major) – Checklist 5.2.5:</b> All raw materials received and WIP materials in the mill shall be consistently identified with the production batch unit number.</p> <p><b>Gap 014/2019 (Major) – Checklist 5.2.7:</b> Selera Indah shall ensure finished products and productions shall be identified and traceable in accordance with the CoC procedures for Sabah TLAS raw material and products.</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) includes:</p> <p><b>Gap 012/2019 (Minor) – Checklist 5.2.4:</b> The CoC procedure needs to include a description for purchasing Sabah TLAS raw material.</p> <p><b>Observation 001-2018 – Checklist 5.2.3:</b> Selera Indah should identify Sabah TLAS status of sawn timber purchased from Sabah TLAS Certified suppliers in accordance with procedures.</p> <p><b>Observation 001-2019 – Checklist 5.1.2:</b> The amendments of Appendix 7 for the month of April 2018 and December 2018 should be submitted to FDS.</p> <p>The next surveillance visit is scheduled in March 2020.</p>

**End of Summary Report**