

# Appendix 1c. Review of the Malaysian Timber Certification Council forest certification scheme

This appendix contains the full results of the review of MTCC forest certification scheme against the UK Government criteria.

## Executive Summary

Date of Current Assessment: May 2006 (published December 2006)

Anticipated Date of Next Assessment: May 2008

### Current Status

Meets requirements for legality.

Does not meet requirements for sustainability.

### Changes from last assessment

All MTCC certified products meet the requirements for legality. Previously only 100% certified raw products met the requirements.

## Source Documents

*NB: This assessment was based on the Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I) 2001. Though MTCC have a new set of standards (MC&I 2002), this was not assessed as current certification of forest management is still based on the MC&I 2001.*

Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I). Malaysian Timber Certification Council, 4 October 2001.

Procedures in MTCC Timber Certification Scheme. Malaysian Timber Certification Council, 16 December 2004.

Assessment Procedures in Using the MC&I (Peninsular Malaysia). MTCC, 10 November 2006.

Requirements for Chain-of-Custody Certification (RCOC), Malaysian Timber Certification Council, 26 August 2004.

Assessment Procedures in using the Requirements for Chain-of-Custody Certification (AP/COC), 10 November 2006.

# 1. Forest Standards

## 1.1. Content of standards for legal compliance

Criteria	Findings	Score	L <sup>1</sup>	S
1.1.1 The standard requires that the forest owner/manager holds legal use rights to the forest	Adequately addressed  <i>MC&amp;I</i> , sections 2.1 (records of gazettement) and 6.7 (tenure and user rights).  The <i>Assessment Procedures</i> also reference the National Land Code 1965.	2	✓	
1.1.2 The standard requires compliance from both the forest management organisation and any contractors with local and national legal requirements including those relevant to: <ul style="list-style-type: none"> <li>• Forest management</li> <li>• Environment</li> <li>• Labour and welfare</li> <li>• Health &amp; safety</li> <li>• Other parties' tenure and use rights</li> </ul>	Adequately addressed  <i>MC&amp;I</i> , sections 1.1, 3.3, 3.6, 3.7, 4.2, 4.3, 5.2, 5.4, 5.5, 5.6, 6.3, 6.7, 6.8 where specific legal requirements and codes are referenced.  There is no general requirement for legal compliance or implementation, and some relevant environmental legislation for Peninsular Malaysia is not referenced in the <i>MC&amp;I</i> , such as the Environmental Quality Act 1974 and the Protection of Wildlife Act 1972. However, the relevant legislation that is not referenced in the <i>MC&amp;I</i> is now included in the <i>Assessment Procedures</i> .	2	✓	
1.1.3 The standard requires payment of all relevant royalties and taxes	Adequately addressed.  The legal requirements relating to the payment of royalties and taxes are specifically listed in the <i>MC&amp;I</i> , section 1.1 (legal framework).	2	✓	
1.1.4 The standard requires compliance with the requirements of CITES.	Partially addressed.  Implicit in the content of <i>MC&amp;I</i> , sections 1.1 (legal framework) and 4.2 (protected species). Malaysia is a signatory to CITES, but has not yet fully incorporated all CITES requirements into national law.	1	✓	

<sup>1</sup> L: required to meet requirements for legal, S: required to meet requirements for sustainable variant

## 1.2. Content of standards for sustainable variant

Criteria	Findings	Score	L	S
1.2.1 Certification standards must be consistent with a widely accepted set of international principles and criteria defining sustainable or responsible forest management at the forest management unit level.	Adequately addressed  <i>MC&amp;I</i> (2001) are based on ITTO Criteria and Indicators, 1998.	2		✓
1.2.2 The standard must be performance-based.	Adequately addressed.  <i>MC&amp;I</i> contains many performance elements throughout the standard.	2		✓
1.2.3 The standard must ensure that harm to ecosystems is minimised. In order to do this the standard must include requirements for:  a. Appropriate assessment of impacts and planning to minimise impacts;  b. Protection of soil, water and biodiversity;  c. Controlled and appropriate use of chemicals and use of Integrated Pest Management wherever possible.  d. Proper disposal of wastes to minimise any negative impacts.	a. Partially addressed - <i>MC&amp;I</i> contains no explicit reference to overall assessment of environmental impacts.  b. Adequately addressed - <i>MC&amp;I</i> requirements to minimise impacts on soil, water and biodiversity (see also criterion 1.2.6), in sections 3.7, 4.2, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6.  c. Adequately addressed - The use and control of chemicals is addressed by guidelines referenced in the <i>MC&amp;I</i> (section 3.6).  d. Adequately addressed - Implicit within the general requirements for legal compliance listed in section 1.1 of the <i>MC&amp;I</i> .	1		✓

Criteria	Findings	Score	L	S
<p>1.2.4 The standard must seek to ensure that productivity of the forest is maintained. In order to do this the standard must include requirements for:</p> <p>a. Management planning and implementation of management activities to avoid significant negative impacts on forest productivity.</p> <p>b. Monitoring which is adequate to check compliance with all requirements, together with review and feedback into planning.</p> <p>c. Operations and operational procedures which minimise impacts on the range of forest resources and services.</p> <p>d. Adequate training of all personnel, both employees and contractors.</p> <p>e. Harvest levels that do not exceed the long-term production capacity of the forest, based on adequate inventory and growth and yield data.</p>	<p>a. Adequately addressed - Addressed by <i>MC&amp;I</i> requirements for yield forecasting, sustained yield, management planning and relevant record keeping, in sections 3.1, 3.2, 3.3, 3.4, 3.5.</p> <p>b. Partially addressed - <i>MC&amp;I</i> contains requirements on use of harvesting records (section 3.5) and biomonitoring (section 4.3). However, the standard does not address monitoring in a broader sense.</p> <p>c. Adequately addressed - Addressed by <i>MC&amp;I</i> requirements for best practice procedures to minimise impacts, in sections 3.6, 3.7, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6.</p> <p>d. Partially addressed - <i>MC&amp;I</i> includes requirements relating to health and safety training (section 6.3), but not relating to environmental impacts or any other issues.</p> <p>e. Adequately addressed - <i>MC&amp;I</i> requirements for yield forecasting, sustained yield, management planning and relevant record keeping, in sections 3.1, 3.2, 3.3, 3.4, 3.5.</p>	1		✓

Criteria	Findings	Score	L	S
<p>1.2.5 The standard must seek to ensure that forest ecosystem health and vitality is maintained. In order to do this the standard must include requirements for:</p> <p>a. Management planning which aims to maintain or increase the health and vitality of forest ecosystems</p> <p>b. Management of natural processes, fires, pests and diseases.</p> <p>c. Adequate protection of the forest from unauthorised activities such as illegal logging, mining and encroachment.</p>	<p>a. Adequately addressed - <i>MC&amp;I</i> requirements relating to maintenance of ecosystem processes, in terms of sustained yield &amp; ecosystem functioning (section 3.1), natural regeneration (section 3.6) and biodiversity management (section 4.2).</p> <p>b. Adequately addressed - <i>MC&amp;I</i> does not include specific references to fire, pests and diseases, apart from the general requirements for legal compliance. This is considered adequate in the context of natural forest management in Malaysia.</p> <p>c. Partially addressed - <i>MC&amp;I</i> requirements concerning protection from unauthorised activities are limited to the legal framework (section 1.1) and boundary marking (section 2.2).</p>	1		✓
<p>1.2.6 The standard must seek to ensure that biodiversity is maintained. In order to do this the standard must include requirements for:</p> <p>a. Implementation of safeguards to protect rare, threatened and endangered species.</p> <p>b. The conservation/set-aside of key ecosystems or habitats in their natural state.</p> <p>c. The protection of features and species of outstanding or exceptional value.</p>	<p>a. Adequately addressed - <i>MC&amp;I</i> requirements address identification and management of rare, threatened and endangered species (sections 4.1 and 4.2).</p> <p>b. Adequately addressed - <i>MC&amp;I</i> requirements for conservation of key habitats and protection of features of exceptional value (section 4.2).</p> <p>c. Adequately addressed - <i>MC&amp;I</i> requirements for conservation of key habitats and protection of features of exceptional value (section 4.2).</p>	2		✓

### 1.3. Standard-setting process

Criteria	Findings	Score	L	S
<p>1.3.1 The standard-setting process must be consistent with the requirements of <i>ISO Guide 59: Code of Good Practice for Standardisation</i> or the <i>ISEAL Code of Good Practice for Setting Social and</i></p>	<p>Partially addressed</p> <p>The <i>MC&amp;I</i> (2001) standard setting process was coordinated by MTCC. (The process for the revised <i>MC&amp;I</i> has been led by the National Steering Committee [NSC], with MTCC acting as the secretariat).</p> <p>The standard setting procedure has addressed</p>	1		✓

<i>Environmental Standards</i> or equivalent.	some Guide 59 requirements relating to participation, coordination and information. However, there is an absence of documented standard-setting procedures.			
1.3.2 The standard-setting process must seek to ensure balanced representation and input from the economic, environmental and social interest categories.	Partially addressed  The <i>MC&amp;I</i> (2001) process attempted to be broad-based in terms of participation, by inviting a wide range of stakeholders to consultation events. MTCC state that ‘the standard was adopted by consensus at the National Level Consultation held in October 1999 which was attended by 119 participants’.  This approach, consisting of invitations to consultation meetings, did provide access to the range of stakeholder groups in the economic, environmental and social interest categories.	1		✓
1.3.3 The standard-setting and decision-making process adopted must seek to ensure: <ul style="list-style-type: none"> <li>• No single interest can dominate the process;</li> <li>• No decision can be made in the absence of agreement from the majority of an interest category.</li> </ul>	Inadequately addressed  The <i>MC&amp;I</i> (2001) standard setting process was coordinated by MTCC, and involved consultation with a broad range of organisations.  Although the standard was adopted by consensus, the decision-making process did not have any clear procedures or safeguards relating to the influence of different interest categories. The process was not designed to ensure that decisions could not be made in the absence of agreement from the majority of an interest category.  (The NSC structure as a multi-stakeholder entity consisting of representatives of the main interest categories will address this requirement, with the objective of achieving consensus-based decisions with agreement from each interest category).	0		✓

## 2. Certification

Criteria	Findings	Score	L	S
2.1 Certification must be undertaken by a body whose organisation, systems and procedures conform to applicable ISO guidance, or publicly available equivalent.	Partially addressed  MTCC acts as the certification body, by processing applications, appointing MTCC-registered independent assessors to undertake the assessments, and making certification decisions based on the report of the assessors.  <i>The Procedures in MTCC Timber Certification</i>	1	✓	✓

Criteria	Findings	Score	L	S
	<p><i>Scheme (2004)</i> provide limited compliance with ISO Guides or equivalent, as they cover the activities of the MTCC (receipt of applications, registration of assessors, appointment of assessors for conduct assessments, peer reviews, certification decision-making). In addition, the <i>MTCC Assessment Procedures</i> cover all stages of the assessment process for forest certification, as undertaken by the approved assessor.</p> <p>Together, conformity with these documents partially addresses the requirements of relevant ISO Guides.</p> <p>Although some MTCC independent assessors are certification bodies that are internationally accredited for management systems certification, there are a number of others for which this safeguard does not apply. In June 2006 MTCC stated that all assessors will have to be accredited as conforming to applicable ISO Guides by 1 April 2007.</p>			
<p>2.2 Certification is undertaken by a-body which is accredited to evaluate against forest management standards.</p>	<p>Partially addressed</p> <p>Certification is currently performed by MTCC (see criterion 2.1), but this is currently unaccredited.</p> <p>However, this is partially offset by the fact that MTCC forest certification assessments have to date been undertaken by certification bodies (SGS and SIRIM QAS) that are internationally accredited for management systems certification, and are involved in operating an FSC-accredited forest certification programme.</p> <p>MTCC is currently taking steps to streamline its responsibilities so as to take on the role of a National Governing Body (NGB). Under this proposed arrangement, the independent assessors will be the certification bodies (CBs), and these CBs will have to be accredited to the Department of Standards Malaysia (DSM), which is the national accreditation body. The target date announced by MTCC in June 2006 for implementation of the new institutional arrangements is 1 April 2008.</p>	1	✓	✓
<p>2.3 The requirements for</p>	<p>Adequately addressed</p>	2	✓	✓

Criteria	Findings	Score	L	S
certification audits must include assessment of systems and documentation together with verification of outcomes in the forest adequate to ensure that both system and performance requirements in the standard are being met.	The <i>MTCC Assessment Procedures</i> cover all stages of the assessment process for forest certification, as undertaken by the approved assessor. The procedures require that the process includes document review, assessment of systems and field verification (section 2.2).			
2.4 The certification audit must include sufficient consultation with external stakeholders to ensure that all relevant issues are identified relating to compliance with the requirements of the standard.	<p>Partially addressed</p> <p>The <i>MTCC Assessment Procedures</i> cover all stages of the assessment process for forest certification, as undertaken by the approved assessor. This includes stakeholder consultation (section 2.2.4), which states:</p> <p><i>“The Main Assessment Itinerary must also include time for consultation with interested parties in that FMU, including, as appropriate:-</i></p> <ul style="list-style-type: none"> <li><i>i. Environmental and Social Organisations.</i></li> <li><i>ii. Local Communities.</i></li> <li><i>iii. Local and National Government Officials.</i></li> <li><i>iv. Forestry Departments.</i></li> <li><i>v. Educational and Research Bodies.</i></li> <li><i>vi. Workers Unions and Trade Representatives.”</i> <p>This does not specifically require that stakeholder consultation must be designed to ensure the identification of all relevant issues.</p> </li></ul>	1		✓
2.5 A summary of the results of the certification audit (excluding confidential information) must be publicly available to interested parties.	<p>Adequately addressed</p> <p>The <i>MTCC Assessment Procedures</i> cover all stages of the assessment process for forest certification, as undertaken by the approved assessor. The procedures require that a summary of information relating to a certified forest area is made publicly available (section 4.5). This is repeated (section 2.6.6) in the <i>Procedures in MTCC Timber Certification Scheme (2004)</i> document.</p> <p>These requirements have been interpreted to date in the form of a public summary of the certification report for each MTCC-certified</p>	2		✓

Criteria	Findings	Score	L	S
	forest management unit, which is available on the MTCC website.			
2.6 There is an accessible and functioning mechanism for dealing with complaints and disputes which is open to any interested party.	<p>Partially addressed.</p> <p>The <i>Procedures in MTCC Timber Certification Scheme (2004)</i> do include provision for appeals against certification decisions (section 2.8).</p> <p>In addition, the <i>MTCC Assessment Procedures</i> include provision for investigating complaints from interested parties during surveillance audits (section 5.3).</p> <p>However, a formal mechanism to fully address the requirement for dealing with complaints and disputes is not included in MTCC systems.</p>	1	✓	✓

### 3. Accreditation

Criteria	Findings	Score	L	S
3.1 Accreditation must be undertaken by a national or international body whose organisation, systems and procedures are consistent with ISO 17011:2004 <i>Conformity assessment -- General requirements for accreditation bodies accrediting conformity assessment bodies</i> or equivalent.	<p>Partially addressed</p> <p>There is currently no accreditation for the MTCC certification process, although this will be implemented in the future (see criterion 2.2). The target date announced by MTCC in June 2006 for implementation of the new institutional arrangements is 1 April 2008.</p> <p>However, the requirement is partially addressed at the present time by the fact that all MTCC forest certification assessments have to date been undertaken by certification bodies (SGS and SIRIM QAS) that are internationally accredited for management systems certification (see criterion 2.2), by accreditation bodies that are ISO 17011: 2004 compliant.</p>	1	✓	✓

### 4. Chain of custody

Criteria	Findings	Score	L	S
4.1 Assessment of chain of custody must be undertaken by a certification body	<p>Partially addressed.</p> <p>MTCC acts as the certification body. The <i>Procedures in MTCC Timber Certification</i></p>	1	✓	✓

Criteria	Findings	Score	L	S
<p>operating in accordance with ISO Guide 65 or equivalent and accredited by an accreditation body operating in accordance with ISO 17011 or equivalent.</p>	<p><i>Scheme (2004)</i> for certification, together with the <i>MTCC requirements for chain of custody (RCOC, 2004)</i> and the <i>MTCC Assessment Procedures for Chain of Custody (AP/COC, 2006)</i> provide partial compliance with ISO Guides or equivalent.</p> <p>The AP/COC document (2006) has requirements relating to the assessment procedures (section 2, certification decision making (section 3), the monitoring of compliance (section 4), extension of scope (section 5) and re-assessment (section 6). However, these systems also include significant weaknesses, such as the training requirement for COC lead auditors which only require 2 previous audit experiences using ISO standards (<i>Procedures in MTCC Timber Certification Scheme (2004)</i>, Annex 4).</p> <p>There is currently no accreditation for the MTCC certification process (see criteria 2.2 and 3.1). However, the requirement for accreditation is partially addressed by the fact that 77 out of a total of 87 MTCC COC certificates awarded to date have been undertaken by certification bodies (SGS, Smartwood and SIRIM QAS) that are internationally accredited for management systems certification (see criterion 2.2), by accreditation bodies that are ISO 17011 compliant.</p> <p>Although some MTCC independent assessors are certification bodies that are internationally accredited for management systems certification, there are a number of others for which this safeguard does not apply. In June 2006 MTCC stated that all assessors will have to be accredited as conforming to applicable ISO Guides by 1 April 2007.</p>			
<p>4.2 There must be a certified chain of custody in place from the forest of origin to the final certified product which provides a link between the certified material in the product or product line and certified forests .</p>	<p>Partially addressed.</p> <p><i>RCOC (26 August 2004)</i>, section 1.1 <i>'Each processing facility along the chain, as well as importers and traders who break up packages/parcels/crates/containers and resell goods in different forms/units from what was purchased, must obtain a chain-of-custody certificate until the wood product reaches the final consumer'</i>.</p> <p>Section 2 Systems For Chain-of-Custody details</p>	1	✓	✓

Criteria	Findings	Score	L	S
	<p><i>'Chain-of- custody procedures must be implemented at all key points where the product undergoes transfer of title or is affected significantly by manufacture'.</i></p> <p>However, in practice, chain of custody certification is not applied between the FMU and the first processing stage. "Transfer of title" may be involved, such that a harvesting company with concession rights takes ownership of logs before then selling them on to a primary processor.</p> <p>The MTCC system relies on covering the chain of custody between the FMU and the first processing stage through obligations on the assessors at each of those points.</p> <p>The <i>Assessment Procedures</i> now require the forest assessor to carry out these checks for the forest checking stations relevant to the randomly selected logging areas that are being audited. The <i>Assessment Procedures for COC</i> require the COC assessor to visit randomly selected checking stations to check removal pass records and the origin of the relevant logs. This combination provides adequate scrutiny of the government 'removal pass' system and forest checking stations.</p>			
<p>4.3 If mixing of certified and uncertified material in a product or product line is allowed, the uncertified material must be covered by a verifiable system which is designed to ensure that it is from legal sources.</p>	<p>Adequately addressed.</p> <p><i>RCOC</i> does permit mixing with uncertified material (section 2.2), Section 3.4.5 of the <i>RCOC</i> now requires that non-certified material to be from non "controversial sources" as defined by MTCC, which explicitly states illegality.</p> <p>The <i>RCOC</i> includes the minimum requirement of a signed self-declaration to prove that non-certified sources are not coming from '<i>controversial sources</i>' (see section 3.4.5 of the <i>RCOC</i>). This is echoed in section 3.4.5 of the <i>Assessment Procedures in using the RCOC (AP/COC, 2006)</i> which states as means of assessing compliance '<i>when the product contains non-certified wood, at least a signed self-declaration from suppliers that the non-certified raw material or product do not contain raw material from controversial sources</i>'.</p> <p><i>AP/COC</i> section 3.5.1.3 requires that the assessor check the availability of records of</p>	2	✓	

Criteria	Findings	Score	L	S
	Removal Passes or equivalent documentation for incoming uncertified wood materials (Removal Passes for Malaysian materials and equivalent documentation for imported materials, if they are used). The assessor has to verify the records of uncertified wood materials against physical stocks found in the company's premises.			
4.4 If mixing of certified and uncertified material in a product or product line is allowed and the proportion of uncertified material can exceed 30%, then the uncertified material must be covered by a verifiable system which ensures that it is from sustainable forest sources where the requirements for sustainability set out in criteria 1.2.3 – 1.2.6 above are being met.	<p>Inadequately addressed</p> <p>There is no requirement for a system to ensure that the forests of origin of all uncertified material meet the variant specification requirements for sustainable timber.</p> <p><i>RCOC</i> permits the use of more than 30% of non-certified materials for chip and fibre products as well as for assembled products containing both solid and chip and fibre parts (section 2.2.1 and 3.5.3.5), but does not ensure compliance with the requirements for sustainability set out in criteria 1.2.3-1.2.6.</p>	0		✓
4.5 There is a clearly defined mechanism for controlling all claims made about the certified nature of products which ensures that claims are clear and accurate and that action is taken to prevent any false or misleading claims.	<p>Adequately addressed</p> <p><i>Procedures in MTCC Timber Certification Scheme (2004) Annex 11</i></p>	2	✓	✓

Criteria	Findings	Score	L	S
<p>4.6 If recycled material is used there must be a verifiable system in place which is designed to ensure that recycled material is from the following categories:</p> <ul style="list-style-type: none"> <li>• Pre-consumer recycled wood and wood fibre or industrial by-products but excluding sawmill co-products</li> <li>• Post-consumer recycled wood and wood fibre</li> <li>• Drift wood</li> </ul>	<p><i>RCOC</i> does not include any provision for recycled material. The MTCC scheme documentation does not make any reference to recycled material, due to the fact that the use of recycled material in Malaysia is still insignificant. This criterion is not considered applicable.</p>	N/a	✓	✓