

<i>Normative Document</i>		
The Malaysian Timber Certification Scheme (MTCS) and Its Implementation Arrangement	19 May 2009	MTCS 1/2009

THE MALAYSIAN TIMBER CERTIFICATION SCHEME (MTCS) AND ITS IMPLEMENTATION ARRANGEMENT

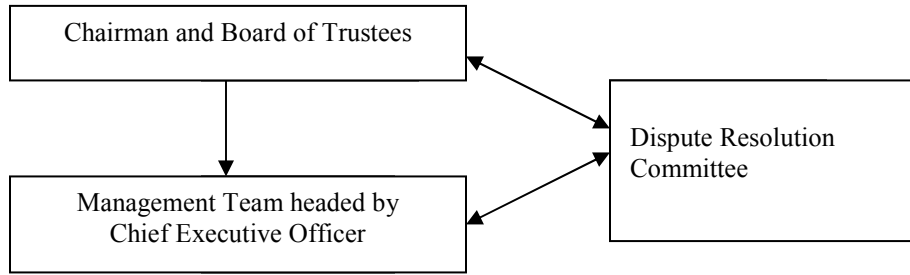
1. Introduction

- 1.1 The Malaysian Timber Certification Scheme (MTCS) is the national timber certification scheme in Malaysia and is operated by the Malaysian Timber Certification Council (MTCC) as the governing body. MTCC is an independent organisation which was established in October 1998 as a company limited by guarantee, and started its operations in January 1999. The MTCS is a voluntary scheme which operates throughout the three regions in Malaysia, i.e. Peninsular Malaysia, Sarawak and Sabah.
- 1.2 This document sets out the requirements of the MTCS and its implementation arrangement. It also guides the standard setting process for the MTCS.

2. Background

- 2.1 MTCC was established following discussions among government departments, forestry and timber agencies, timber trade associations, environmental non-governmental organisations, academic/research institutions and the national standards organisation on the need to establish a national timber certification scheme, so as to ensure the sustainable management of Malaysia's forest resources as well as to meet the market demand for certified timber products.
- 2.2 The organisation chart of the MTCC is shown in **Figure 1**. The Board of Trustees, comprising the Chairman and ten members, decides the overall policy and direction in carrying out MTCC's activities. The members are representatives from the timber industry, non-governmental organisations (social and environmental interests), academic and research and development institutions, and government agencies.
- 2.3 The Dispute Resolution Committee is the independent committee established by the Board of Trustees to deal with disputes which are submitted to MTCC for investigation and resolution.
- 2.4 The MTCS has been in operation since October 2001. Prior to 1 July 2008, in addition to being the governing body, the MTCC also processed applications for both forest management and chain-of custody certification, arranged for third party assessments to be carried out by registered independent assessors, and was responsible for the issuance, suspension and withdrawal of certificates.

Figure 1: Organisation Chart of MTCC



- 2.5 MTCC became a member of the Programme for the Endorsement of Forest Certification schemes (PEFC) in November 2002. Following this step, beginning on 1 July 2008 a new institutional arrangement for the MTCS which is in line with the PEFC Council's requirements was implemented.
- 2.6 With regard to the standard used for forest management certification, MTCC has adopted a phased approach, due to the greater challenges encountered in managing the complex tropical forests in Malaysia. Under this phased approach, the forest management standard used in the initial phase of the MTCS, entitled the *Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification* [referred to as the *MC&I(2001)*], is based on the 1998 ITTO *Criteria and Indicators for Sustainable Management of Natural Tropical Forests*.
- 2.7 In 2001, the process to revise the standard for forest management certification was initiated. This process is described in more detail in **Appendix Ia**. The revision process, which was carried out through multi-stakeholder consultations, resulted in a new standard, entitled the *Malaysian Criteria and Indicators for Forest Management Certification* [referred to as the *MC&I(2002)*], which is based on the template of the Principles and Criteria (P&C) of the Forest Stewardship Council (FSC). Beginning in late 2005, MTCC started assessing the Forest Management Units (FMUs) using the *MC&I(2002)*.

3. Institutional Arrangement for MTCS

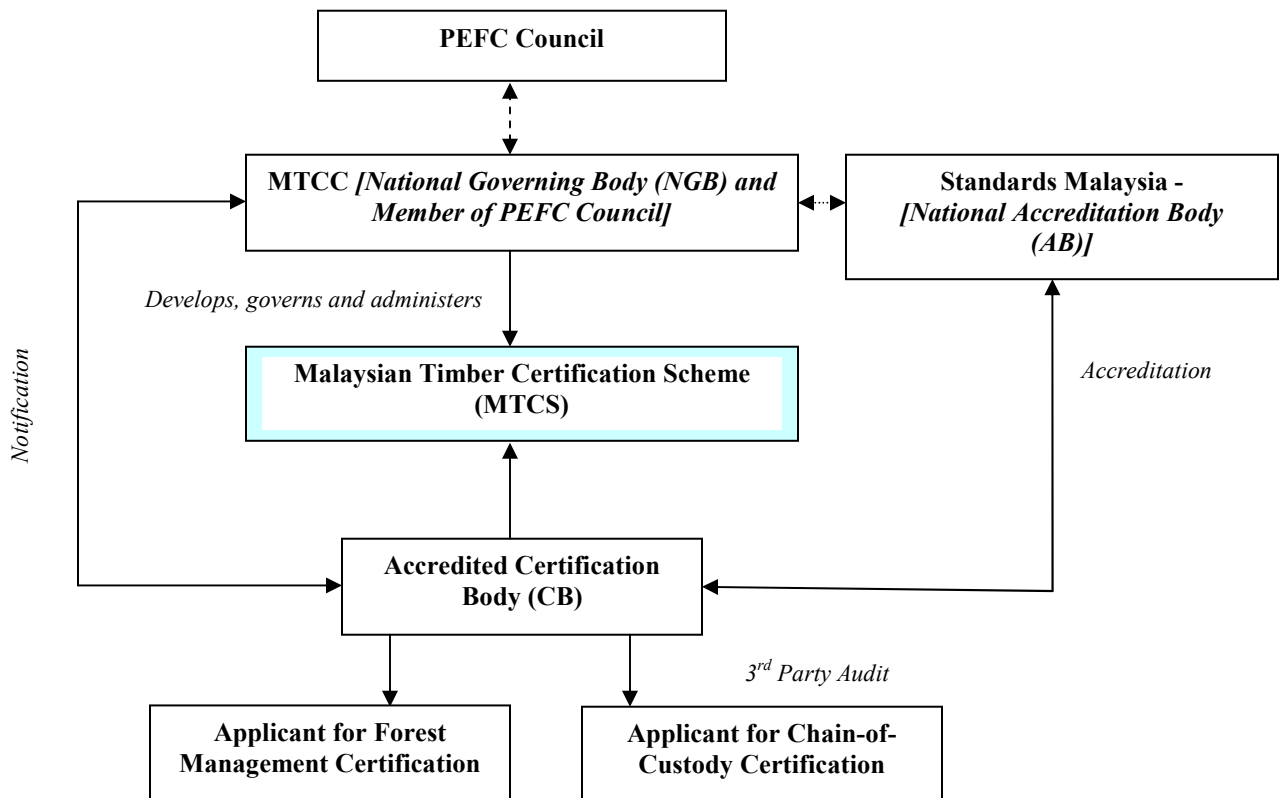
- 3.1 **Figure 2** shows the institutional arrangement for the MTCS in which MTCC plays the role of the National Governing Body (NGB), with the Department of Standards Malaysia (Standards Malaysia), the national accreditation body, as the Accreditation Body (AB) which accredits qualified companies or organisations as Certification Bodies (CBs) under the MTCS.
- 3.2 Under this institutional arrangement, the certification and accreditation procedures and requirements are based on PEFC Technical Document Annex 6 *Certification and Accreditation Procedures*.

National Governing Body

3.3 As the NGB, MTCC is responsible for the following:

- (i) Overall responsibility for the MTCS
- (ii) Notification of CBs
- (iii) Issuance of logo usage licences to certificate holders for the use of the MTCC and PEFC logos
- (iv) Supporting and coordinating the standard setting process
- (v) Establishment of procedure for the investigation and resolution of disputes related to its role as the NGB

Figure 2: Institutional Arrangement for MTCS



Accreditation Body

- 3.4 As the AB, Standards Malaysia is responsible for the following:
- (i) Accrediting CBs to the requirements of ISO/IEC 17021:2006 or MS ISO/IEC Guide 65:2000 and specifying other requirements for CBs
 - (ii) Ensuring that the auditors of the accredited CBs satisfy the requirements of the MTCS with regard to their knowledge and experience related to forest management and/or chain-of-custody certification
 - (iii) Establishing procedures to deal with complaints and appeals regarding the accreditation decision

Certification Body

- 3.5 Forest management certification and chain-of-custody certification under the MTCS shall be carried out by impartial, competent, independent third parties (CBs) that cannot be involved in consultancy, or in the standard setting process as governing or decision making bodies, or in forest management, and are independent of the certified entity (i.e. FMU or timber company).
- 3.6 The CB is responsible for the following:
- (i) Receiving and processing applications for forest management and chain-of-custody certification
 - (ii) Carrying out independent audits and making the certification decision
 - (iii) Issuance, suspension and withdrawal of certificates for forest management and/or chain-of-custody, and notifying MTCC thereof; this includes changes concerning validity and scope of these certificates
 - (iv) Controlling the use of the certificates for forest management and/or chain-of-custody and the use of the MTCC and PEFC logos
 - (v) Establishing procedures to deal with appeals, complaints and disputes regarding the certification decision
- 3.7 The CB shall have a good understanding of the MTCS in general. A CB considered competent by MTCC to carry out assessments for forest management and/or chain of custody certification shall fulfil the following qualifications:-
- (i) The CB for **forest management certification** shall fulfil requirements defined in:
 - a) ISO/IEC 17021:2006 (*Conformity Assessment - Requirements for bodies providing audit and certification of management systems*); and
 - b) Other requirements for CBs defined by Standards Malaysia.
 - (ii) The CB for **chain-of-custody certification** shall fulfil requirements defined in:
 - a) MS ISO/IEC Guide 65:2000 (*General Requirements for Bodies Operating Product Certification Systems*); and
 - b) Other requirements for CBs defined by Standards Malaysia.
 - (iii) The CB carrying out forest management certification shall have the technical competence in forest management, on its economic, social and environmental impacts, and on the standard for forest management certification used in the MTCS.

- (iv) The CB carrying out chain-of-custody certification shall have the technical competence in forest-based product procurement and processing, material flows in different stages of processing and trading, and on the standard for chain-of-custody certification used in the MTCS.
- 3.8 The compliance of the CB with the above requirements shall be verified by an accreditation carried out by Standards Malaysia.

Auditors

- 3.9 The CB has the responsibility to use competent auditors that have adequate technical know-how on the certification process and issues related to forest management or chain-of-custody certification, respectively.
- 3.10 The auditors shall fulfil general criteria for quality and environmental management systems auditors as defined in ISO 19011:2002 (*Guidelines for Quality and/or Environmental Management System Auditing*).
- 3.11 The auditors shall also have to fulfil the additional qualification requirements for auditors carrying out forest management or chain of custody audits as defined by Standards Malaysia.
- 3.12 The compliance of the auditors with the above requirements shall be verified by an accreditation carried out by Standards Malaysia.

Applicants for Forest Management Certification and Chain-of-Custody Certification

- 3.13 For **forest management certification**, the applicants shall be the forest managers who manage FMUs which comprise permanent reserved forests in Malaysia. In the case of Peninsular Malaysia, the forest managers are the respective State Forestry Departments, while in Sarawak and Sabah, the forest managers are the companies which have been given the licence to manage these permanent reserved forests by the Sarawak Forest Department and the Sabah Forestry Department, respectively.
- 3.14 The forest managers in the certified FMUs shall comply with the certification requirements. The forest managers are also responsible for ensuring that the activities and operations of the contractors in the certified area meet the forest management criteria.
- 3.15 For **chain-of-custody certification**, the applicants shall be the companies which manufacture and/or export timber products, as well as companies which import and carry out further processing, using the raw materials which originate from the MTCS-certified FMUs.

4. Standard Setting Process

- 4.1 The document SSP 1/2009 entitled *Rules on Standard Setting Process for Development of Timber Certification Standards (Appendix I)* sets out the rules used by MTCC in playing its role in supporting and coordinating the standard setting process to develop or review certification standards for forest management or chain-of-custody. These rules are a further elaboration of the rules followed during the standard setting process for the

development of the forest plantation standard, *MC&I*(Forest Plantations), which was initiated in February 2006 and coordinated by MTCC.

- 4.2 Since beginning its operations in 1999, MTCC has supported and facilitated the standard setting processes in developing the standards used in the MTCS. The standard setting processes, which takes place independently from the certification and accreditation processes, were conducted through multi-stakeholder consultations involving various stakeholder groups which have an interest in, and are affected, by the management of the forests in Malaysia. More detailed information on the standard setting process involved in the development of the forest management standard for natural forests [*MC&I*(2002)] are given in **Appendix Ia**.

5. **Certification Standards**

Forest Management Certification

- 5.1 The standard used in the MTCS for forest management certification is the *MC&I*(2002) (**Appendix II**). The level of implementation of the *MC&I*(2002) is currently confined to the certification of individual FMUs.

Chain-of-Custody Certification

- 5.2 For PEFC endorsement, the chain of custody standard used in the MTCS is the PEFC Technical Document Annex 4: *Chain of Custody of Forest Based Products - Requirements* (**Appendix III**) used together with the document SO 1/2008 entitled *Specification for the Origin for the Purposes of the MTCC Label and Declarations* (**Appendix IIIa**) developed by MTCC.
- 5.3 The current standard i.e. *Requirements for Chain-of-Custody Certification (RCOC)* (**Appendix IV**) will no longer be used once the MTCS has been endorsed by the PEFC Council.

6. **Certification Procedures**

- 6.1 For forest management certification, a manager of an FMU will need to apply to an accredited CB for the CB to conduct an assessment of the FMU to ascertain its compliance with the requirements of the *MC&I*(2002). The written assessment report will be subjected to comments by the applicant and a peer review process. If no Major Corrective Action Requests (CARs) are issued by the CB, the FMU will be eligible for the award of the forest management certificate for compliance with the *MC&I*(2002).
- 6.2 Similarly, for chain-of-custody certification, a timber product manufacturer or exporter in Malaysia will need to apply to an accredited CB for the CB to conduct an assessment of the company to ascertain its compliance with PEFC Annex 4 together with SO 1/2008. In the case of an overseas-based company importing MTCS-certified timber products, the company will need an accredited CB to conduct an assessment of the company to ascertain its compliance with the requirements of PEFC Annex 4 together with SO 1/2008. If no Major CARs are issued by the CB in the written assessment report, the company will be eligible for the award of the chain-of-custody certificate for compliance with the specified standard.

- 6.3 The CB shall have established internal procedures for forest management certification and chain of custody certification against the standards used in the MTCS.
- 6.4 The assessment carried out by the CB will involve a document review, communication or consultation with stakeholders (where necessary) and a visit to the field or site.
- 6.5 The applied certification procedures shall fulfil or be compatible with the requirements defined in the following documents:-

Forest Management Certification

ISO/IEC 17021:2006

Chain-of-Custody Certification

MS ISO/IEC Guide 65:2000

- 6.6 The applied auditing procedures shall fulfil or be compatible with the requirements of the ISO/IEC 19011:2002.
- 6.7 The decision on certification is made by a representative of the CB who did not participate in the audit. The decision shall be based on the written assessment report.
- 6.8 The maximum period for surveillance audits is one year and the maximum period for the re-assessment audit is three years for both forest management and chain-of-custody certification.
- 6.9 The audit evidence to determine the conformity with the forest management standard shall include relevant information from external parties (e.g. government agencies, community groups, environmental and social non-governmental organisations, etc.) as appropriate.
- 6.10 A summary of the assessment report, including a summary of findings on the auditee's conformity with the forest management standard, written by the CB, shall be made available to the public by the CB.
- 6.11 The CB shall also have to fulfil the additional specific requirements for certification procedures (for forest management certification and chain of custody certification) over and above the ones listed above, as defined by Standards Malaysia and/or MTCC, if any.
- 6.12 The compliance of the CB's procedures with the above requirements shall be verified by an accreditation carried out by Standards Malaysia.

7. **Accreditation Procedures**

- 7.1 The CBs carrying out forest management and/or chain-of-custody certification shall be accredited by Standards Malaysia, which is the national accreditation body and a member of the International Accreditation Forum (IAF). Standards Malaysia complies with the procedures described in ISO/IEC 17011:2004 *Conformity assessment - General requirements for accreditation bodies accrediting conformity assessment bodies*. The accredited certificate shall bear the accreditation symbol of Standards Malaysia. Information on accreditation including accreditation number and name of the AB shall accompany any certificate issued by the CB under the MTCS.
- 7.2 For the purposes of chain of custody certification against PEFC Annex 4 together with SO 1/2008 conducted on overseas-based companies, MTCC recognises accreditations issued by accreditation bodies which are members of the IAF or an IAF Regional Group in accordance with the PEFC Council requirements for accreditation. The accredited certificates shall include the accreditation symbol of the relevant accreditation body.
- 7.3 The CB shall undertake forest management and/or chain-of-custody certification as accredited certifications.
- 7.4 The CB carrying out forest management certification against the *MC&I(2002)* shall be accredited based on ISO/IEC 17021 and shall be covered by the accreditation scope, which specifies the standard used in the MTCS.
- 7.5 The CB carrying out chain-of-custody certification against PEFC Annex 4 together with SO 1/2008 shall be accredited based on MS ISO/IEC Guide 65 and shall be covered by the accreditation scope, which specifies the standard used in the MTCS.

8. **Transition Period for Accredited Certification**

MTCC recognises a transitional period until 31 December 2009 for the transition from non-accredited certifications to accredited certifications by the CBs.

9. **Notification of Certification Bodies**

- 9.1 MTCC only recognizes forest management and chain-of-custody certificates issued by accredited and PEFC-notified CBs within the scope of the CB's accreditation (accredited certification). For this purpose, CBs carrying out forest management certification against the *MC&I(2002)*, or chain-of-custody certification against PEFC Annex 4 together with SO 1/2008, shall be notified by the MTCC.
- 9.2 The notification procedure is specified in document NCB 1/2009 entitled *Procedure for PEFC Notification of Certification Bodies Operating Forest Management System and/or Chain of Custody Certification (Appendix V)*.

10. Implementation of Changes to MTCS

Periodic changes to specific aspects of the MTCS may be necessary in line with the need for continuous improvement. When such changes are made to the MTCS, a transition period, not exceeding 12 months, will be allowed for all new certifications and re-certifications. For certificates issued before the end of the transition period, the changes have to be implemented by the time of their next surveillance visits.

11. Dispute Resolution Procedures

- 11.1 In order to deal with disputes which arise in connection with its role as the NGB of the MTCS, MTCC has established the *Dispute Resolution Procedures* (document DRP 1/2009) (**Appendix VI**).
- 11.2 The types of disputes that can be submitted to the MTCC include:
 - (i) disputes involving MTCC as a result of decisions and/or activities of the MTCC as the NGB which has overall responsibility for the MTCS implementation; and
 - (ii) disputes not involving MTCC.
- 11.3 The disputes involving MTCC would be activities related to the notification of the accredited CBs and the issuance of logo usage licences for the MTCC logo (and the PEFC logo upon the endorsement of the MTCS by the PEFC Council) to the holders of certificates issued by these CBs, and MTCC's role in supporting and coordinating the standard-setting process.
- 11.4 In addition, such disputes may involve other aspects of the MTCS which do not come under the purview of the accredited CB or AB, and thus may need to be referred to the MTCC for a resolution.
- 11.5 Disputes relating to the decisions and activities of a certified entity, an accredited CB or an AB shall be dealt with by the dispute resolution procedures of the relevant accredited CB, AB, or by the IAF, respectively.

12. Use of Logo by Certificate Holders

- 12.1 The document LG 1/2009 entitled *Logo Use Rules Manual* (**Appendix VII**) sets out the rules for the use of the PEFC logo and its related claims by holders of certificates issued by accredited and PEFC-notified Certification Bodies. The *Logo Use Rules Manual* is based on PEFC Technical Document Annex 5 *PEFC Logo Use Rules* and Guideline GL 1/2006 *Issuance of PEFC Logo Usage Licenses by the PEFC Council*.
- 12.2 **Although the MTCS has been endorsed by the PEFC Council with effect from 1 May 2009, only companies which have been awarded certificates by accredited and PEFC-notified CBs are eligible to sign the *Logo Usage Licence* with MTCC for the use of the PEFC logo and its related claims.**