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**The Malaysian Timber Certification Scheme (MTCS) and Its
Implementation Arrangement**



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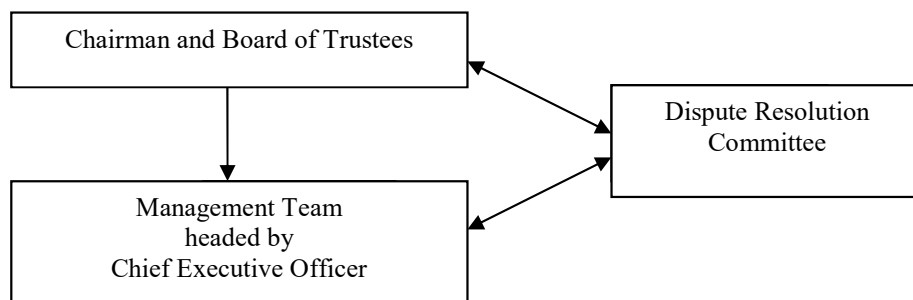
1. Scope

- 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 national governing body (NGB). 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. Sabah, Sarawak and Peninsular Malaysia.
- 1.2 This document sets out the key components, requirements, and implementation arrangement of 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 assist in ensuring the sustainable management of Malaysia's forest resources as well as to meet the market demand for certified timber products.
- 2.2 The overall organisation chart of the MTCC is as 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 (DRC) is the independent committee established by the Board of Trustees to deal with disputes which are submitted to MTCC for investigation and resolution.

Figure 1: Organisation Chart of MTCC



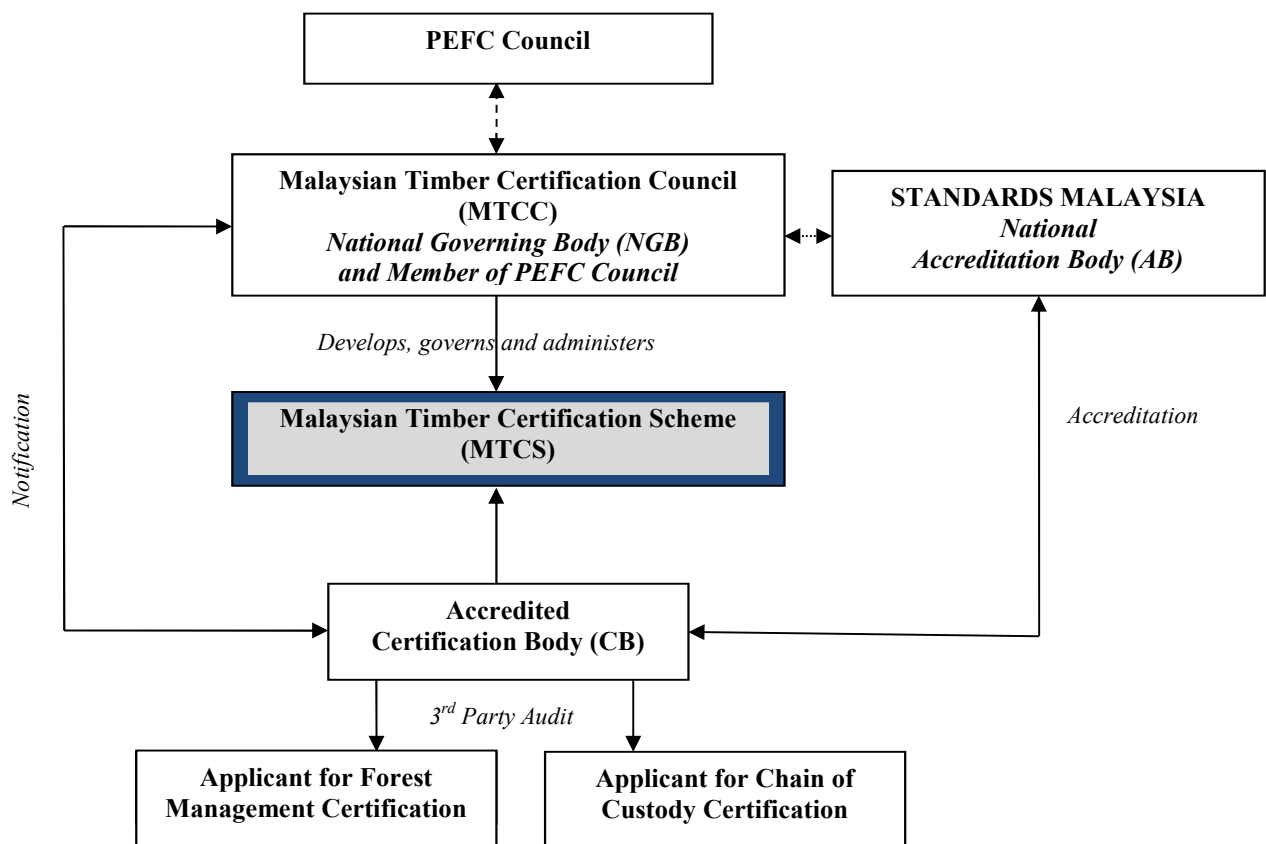
3. Institutional Arrangement for the MTCS

- 3.1 **Figure 2** shows the institutional arrangement for the MTCS in which MTCC plays the role of the 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 the 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 to develop, govern and administer the MTCS;
 - (ii) notification of accredited 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; and
 - (v) establishment and implementation of the procedure for the investigation and resolution of disputes related to its role as the NGB.

Figure 2: Institutional Arrangement for the MTCS



Accreditation Body

- 3.4 As the AB, STANDARDS MALAYSIA is responsible for the following:
- (i) accrediting CBs to the requirements of MS ISO/IEC 17021:2011 or ISO/IEC 17065:2012/ PEFC ST 2003:2012 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 certification and/or chain of custody certification; and
 - (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 and 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 or entity to be certified [i.e. Forest Management Unit (FMU), Forest Plantation Management Unit (FPMU) or timber company].
- 3.6 The CB is responsible for the following:
- (i) receiving and processing applications for forest management certification and chain of custody certification;
 - (ii) carrying out independent audits and making the certification decision;
 - (iii) issuing, suspending and withdrawing the certificates for forest management and/or chain of custody, and notifying MTCC thereof; this includes changes concerning the 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 pertaining to the certification activities and decision; and
 - (vi) collecting the annual PEFC notification fee for every forest management and chain of custody certificate issued and paying to MTCC the amount due when invoiced by MTCC. The amount of the fee is specified in NCB 5/2014 document entitled *Procedure for PEFC Notification of Certification Bodies Operating Forest Management System or Chain of Custody*
- 3.7 The CB shall have a good understanding of the MTCS in general. An accredited CB for forest management and/or chain of custody certification shall fulfil the following requirements:
- (i) The CB for **forest management certification** shall fulfil requirements defined in:
 - a) MS ISO/IEC 17021:2011 (*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) ISO/IEC 17065:2012 – *Conformity Assessment Requirements for Bodies Certifying Products, Processes and Services*;
 - b) PEFC ST 2003:2012, *Requirements for Certification Bodies operating Certification against the PEFC International Chain of Custody Standard*; and
 - c) 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 a good understanding of 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 a good understanding of the standard for chain of custody certification used in the MTCS.
- 3.8 The compliance of the CB within Malaysia with the above requirements shall be verified by an accreditation carried out by STANDARDS MALAYSIA.

- 3.9 In the case of chain of custody certification, a CB which is located outside of Malaysia can also carry out chain of custody certification under the MTCS by possessing a valid accreditation certificate issued by accreditation bodies that are signatories of the Multilateral Recognition Arrangement (MLA) for product certification of IAF or IAF's Regional Accreditation Groups such as European co-operation for Accreditation (EA), Interamerican Accreditation Cooperation (IAAC), Pacific Accreditation Cooperation (PAC) and Southern African Development Community in Accreditation (SADCA).

Auditors

- 3.10 The CB has the responsibility to use competent auditors that have suitable academic qualification and adequate technical know-how on the certification process and issues related to forest management or chain of custody certification, respectively.
- 3.11 For forest management certification, the auditors shall fulfil the requirements as defined in Part II of MS ISO/IEC 17021:2011.
- 3.12 For chain of custody, the auditors shall fulfil the general criteria for quality and environmental management systems auditors as defined in ISO 19011:2011 (*Guidelines for auditing management systems*).
- 3.13 The auditors under the CBs in Malaysia 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. The compliance of the auditors with the above requirements shall be verified during the accreditation carried out by STANDARDS MALAYSIA.
- 3.14 In the case of the auditors under the CBs which are located outside of Malaysia, any additional qualification requirements for the auditors carrying out chain of custody audits shall be defined by their respective accreditation body.

Applicants for Certification

- 3.15 For the **certification of natural forests**, the applicants shall be the managers of FMUs which comprise permanent forests or community forests in Malaysia.
- 3.16 For the **certification of forest plantations**, the applicants shall be the managers of FPMUs, which may be located in the permanent forests, state land or alienated land in Malaysia.
- 3.17 The managers of the FMUs/FPMUs shall comply with the certification requirements and are also responsible for ensuring that the activities and operations of the contractors in the FMUs/FPMUs meet the certification criteria.
- 3.18 For **chain of custody certification**, the applicants shall be the companies which manufacture, supply and/or export timber products, as well as companies which import and carry out further processing, using raw materials which originate from the FMUs/FPMUs certified under the MTCS, and/or imported PEFC-certified raw materials.
- 3.19 The managers of the companies shall comply with the certification requirements and are also responsible for ensuring that the activities and operations of the contractors in the companies meet the certification criteria.

4. Standard Setting Process

- 4.1 The document SSP 3/2014 entitled *Rules on Standard Setting Process for Development of Timber Certification Standards* sets out the rules used by MTCC in playing its role as the

standardizing body in supporting and coordinating the standard setting process to develop or review the certification standards.

- 4.2 The standard setting process shall be independent from the certification or accreditation processes, and shall be conducted through a multi-stakeholder process.

5. Certification Standards

- 5.1 The standard used for the certification of **natural forests** is the *Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest)* [MC&I(Natural Forest)] or its replacement.
- 5.2 For **forest plantations**, the standard used is the *Malaysian Criteria and Indicators for Forest Management Certification (Forest Plantations)* [MC&I(Forest Plantations)] or its replacement.
- 5.3 The MTCS allows for group forest management certification, under which a number of owners or managers of natural forests or forest plantations, and the entity representing them in certification, can become certified under one certificate. The requirements for group forest management certification shall be as specified in the document GFMC 2/2014 entitled *Group Forest Management Certification - Requirements*.
- 5.4 For **forest based products**, the chain of custody standard used is the PEFC International Standard, PEFC ST 2002:2013, *Chain of Custody of Forest Based Products – Requirements* or its replacement.
- 5.5 Chain of custody certification can be implemented as individual or multi-site certification. Multi-site certification approach also covers the certification of groups of small independent enterprises.
- 5.6 The certification standards shall be periodically reviewed in the light of new scientific knowledge and practical experience in order to ensure continuous improvement. The standards shall be reviewed at intervals that do not exceed a five-year period.

6. Certification Procedures

- 6.1 For forest management certification, the manager of an FMU or FPMU will need to apply to an accredited CB for the CB to conduct an audit of the FMU/FPMU to ascertain its compliance with the requirements of the certification standard. The written audit report [for initial (stage 2) audit or recertification audit] will be subjected to comments by the applicant and a peer review process. If no major nonconformities are issued by the CB, the FMU/FPMU will be eligible for the award of the certificate for compliance with the respective standard or in the case of a recertification audit, the renewal of the certificate.
- 6.2 Similarly, for chain of custody certification, a timber product manufacturer, supplier or exporter in Malaysia will need to apply to an accredited CB for the CB to conduct an audit of the company to ascertain its compliance with the requirements of the certification standard. The written audit report will be subjected to comments by the applicant. If no major nonconformities are issued by the CB in the written audit report, the company will be eligible for the award of the certificate for compliance with the standard.
- 6.3 The CB shall have established internal procedures for auditing and certification against the standards used in the MTCS. It should also make publicly accessible, or provide upon request, information describing the auditing and certification processes for granting, maintaining, extending, renewing, reducing, suspending or withdrawing certification.

- 6.4 The audit 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 and auditing procedures shall fulfil the requirements defined in the following documents:
- MS ISO/IEC 17021:2011 (for forest management certification)
 - ISO/IEC 17065:2012 (for chain of custody certification)
 - PEFC ST 2003:2012 (for chain of custody certification)
- 6.6 The CB in Malaysia shall also have to fulfil additional specific requirements for certification procedures over and above the ones listed above, as defined by STANDARDS MALAYSIA and MTCC, if any. The compliance of the CB's procedures with the above requirements shall be verified by an accreditation carried out by STANDARDS MALAYSIA.
- 6.7 The audit evidence to determine the conformity with the forest certification standard shall include relevant information from external parties (e.g. government agencies, community groups, environmental and social non-governmental organisations, etc.) as appropriate.
- 6.8 The decision on certification shall be made by a representative of the CB who did not participate in the audit. The decision shall be based on the written audit report.
- 6.9 For forest management certification, a summary of the audit report, including a summary of findings on the auditee's conformity with the forest certification standard, written by the CB, shall be made available to the public in a timely manner by the CB. The summary shall include a map of appropriate scale showing the location and external boundary of the certified forest area.
- 6.10 The CB shall inform MTCC about all the certificates that it has issued, and changes concerning the validity and scope of these certificates.
- 6.11 In the case of group forest management certification or multi-site chain of custody certification, the CB shall provide MTCC with a list of all sites covered by the group forest management certification or multi-site chain of custody certification.
- 6.12 For forest management certification, the maximum period for the surveillance audit is one year and for the recertification audit is three (3) years.
- 6.13 For chain of custody certification, the maximum period for the surveillance audit is one year and for the recertification audit is five (5) years.

7. Accreditation Procedures

- 7.1 The CB in Malaysia carrying out certification shall be accredited by STANDARDS MALAYSIA, which is a member of the International Accreditation Forum (IAF). STANDARDS MALAYSIA is required to comply 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 the accreditation number and name of the AB shall accompany any certificate issued by the accredited CB under the MTCS.
- 7.2 The CB carrying out forest management certification shall be accredited based on MS ISO/IEC 17021:2011 and shall be covered by the accreditation scope, which specifies the standard(s) used in the MTCS.

- 7.3 The CB carrying out chain of custody certification shall be accredited based on ISO/IEC 17065:2012 and PEFC ST 2003:2012, and shall be covered by the accreditation scope, which specifies the standard used in the MTCS.

8. Notification of Certification Bodies

- 8.1 MTCC only recognises certificates issued by accredited CBs within the scope of the CB's accreditation (accredited certification). For this purpose, CBs carrying out certification shall be notified by MTCC.
- 8.2 The notification procedure is specified in the document NCB 5/2014 entitled *Procedure for PEFC Notification of Certification Bodies Operating Forest Management System or Chain of Custody Certification*.

9. Use of Logo by Certificate Holders

The document LG 7/2015 entitled *Issuance of PEFC Logo Usage Licenses by MTCC* sets out the rules and guidelines for the use of the PEFC Logo and its related claims by holders of certificates issued by accredited CBs that are PEFC notified by MTCC.

10. Dispute Resolution Procedures

- 10.1 In order to deal with disputes which may arise in connection with its role as the NGB of the MTCS, MTCC has set out the *Dispute Resolution Procedures* (document DRP 3/2015).
- 10.2 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 implementation of the MTCS; and
 - (ii) disputes not involving MTCC.
- 10.3 The disputes involving MTCC would be activities related to the notification of the accredited CBs and the issuance of the logo usage licences for the PEFC Logo to the holders of certificates issued by these CBs, and MTCC's role in supporting and coordinating the standard setting process.
- 10.4 In addition, such disputes may involve other aspects of the MTCS which do not come under the purview of the accredited CB or the AB, and thus may need to be referred to the MTCC for a resolution.
- 10.5 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.

11. 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 certification and re-certification. For certificate issued before the end of the transition period, the changes will have to be implemented by the time of the next surveillance audit of the certificate holder.