



# ANNUAL REPORT 2000



**mtcc** MALAYSIAN TIMBER CERTIFICATION COUNCIL



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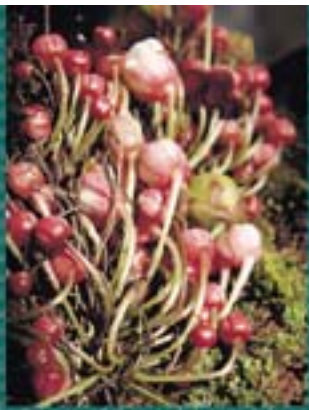
# Corporate Profile

The Malaysian Timber Certification Council (MTCC), formerly known as the National Timber Certification Council, Malaysia (NTCC), is an independent non-profit organisation created in October 1998 to establish and operate a voluntary national timber certification scheme in Malaysia. It started its operations in January 1999.

Incorporated under the Companies Act 1965 as a company limited by guarantee, MTCC is governed by a Board of Trustees comprising representatives from the timber industry, non-governmental organisations, academic and research institutions, and government agencies.

MTCC's main activities are to:

- Serve as a forum for consultation among all stakeholders in Malaysia on the establishment and operation of a timber certification scheme
- Cooperate and liaise with the appropriate standards setting body in formulating standards related to timber certification and keeping them under review periodically
- Formulate procedures and guidelines for assessment of forest management and chain-of-custody
- Implement a system to monitor the operation of the certification scheme, including appeals procedures and rules for the issuance of certificates
- Coordinate with national, regional and international bodies related to certification to facilitate cooperation and mutual recognition arrangements
- Conduct programmes to promote and publicise the timber certification scheme, both internationally and locally



# Board of Trustees

The Board of Trustees is the governing body which decides the overall policy and direction in carrying out MTCC's activities. In addition to the Chairman, the eight other members comprise two representatives each from the private sector (timber industry associations), non-governmental organisations (NGOs), academic and research institutions, and government agencies.

The members of the Board of Trustees in 2000 were:

## CHAIRMAN

Dato' Dr. Freezailah bin Che Yeom

## MEMBERS

Dato' Cheah Kong Wai

Mr. Ng Kam Chiu

Ms. Chan Lai Har

Dato' Dr. Abdul Razak bin Mohd. Ali

Associate Prof. Dr. Rusli bin Mohd.

Mr. Henry Ng Kok Guan

Mr. Barney Chan

Mr. Sanar Kumaran

Mr. Balu Perumal

Mr. Chen Hin Keong

## ORGANISATION

Ministry of Science, Technology and the Environment (MOSTE)  
(up to 23 May 2000)

Ministry of Science, Technology and the Environment (MOSTE)  
(with effect from 17 July 2000)

Ministry of Primary Industries (MPI)

Forest Research Institute Malaysia (FRIM)

Universiti Putra Malaysia (UPM)

Timber Exporters' Association of Malaysia (TEAM)

Sarawak Timber Association (STA)

WWF Malaysia (up to 16 July 2000)

WWF Malaysia (with effect from 17 July 2000)

Malaysian Nature Society (MNS)



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Seated (left to right): Dato' Dr. Abdul Razak bin Mohd. Ali, Chan Lai Har,  
Dato' Dr. Freezailah bin Che Yeom, Ng Kam Chiu, Balu Perumal  
Standing (left to right): Barney Chan, Henry Ng Kok Guan,  
Chen Hin Keong  
Not in the picture: Associate Prof. Dr. Rusli bin Mohd.



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## Investment Committee

The Investment Committee was established by the Board of Trustees in 1999 with the main objective of overseeing the overall implementation of MTCC's investment policy, particularly in the management of the Endowment Fund. In addition to the formulation of policies and procedures related to the objectives of the establishment of the Fund, the Committee is also responsible for the selection and appointment of the professional Fund Managers, as well as determining the amount to be allocated to the appointed Fund Managers. The Committee reports periodically to the Board regarding its activities, and is also responsible for ensuring that all audited annual statements and reports are duly submitted to the Ministry of Primary Industries and the Ministry of Finance.

The members of the Investment Committee are:

Dato' Dr. Freezailah bin Che Yeom (*Chairman*)

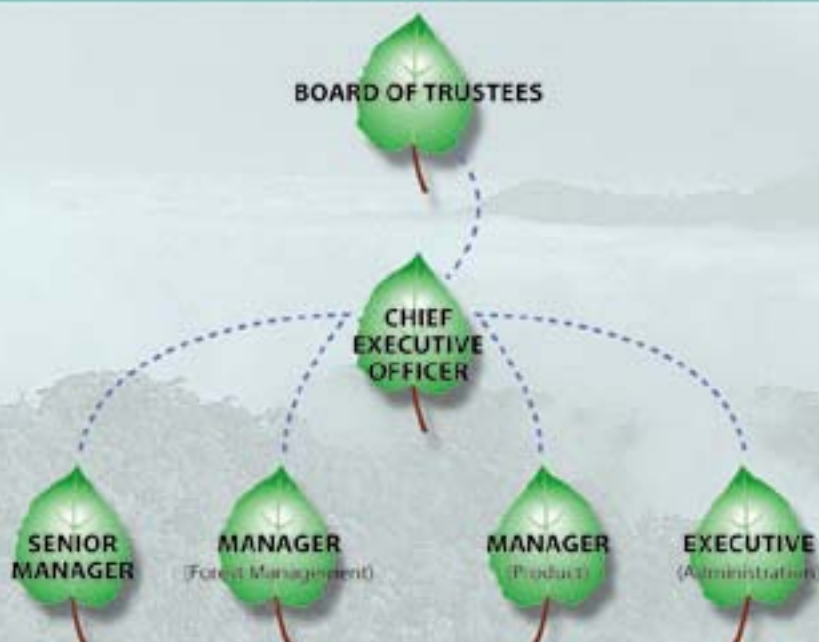
Ms. Chan Lai Har (*representing the Ministry of Primary Industries*)

Mr. Mustaffar bin Taib (*representing the Ministry of Finance*)

Mr. Chew Lye Teng



# Organisation Structure



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## MANAGEMENT TEAM

- Mr. Chew Lye Teng  
– *Chief Executive Officer*
- Mr. Harnarinder Singh  
– *Senior Manager (w.e.f. 1 September 2000)*
- Mr. Ismail bin Ibrahim  
– *Manager (Product)*
- Mr. Lim Teck WYn  
– *Manager (Forest Management) (up to 23 July 2000)*
- Ms. Noor Eshah bt Yat  
– *Executive (Administration) (w.e.f. 17 April 2000)*



Left to right: Harnarinder Singh, Noor Eshah bt Yat, Chew Lye Teng, Ismail Ibrahim

## IN-HOUSE INVESTMENT COMMITTEE

The In-House Investment Committee was established in 1999 with the main objective of monitoring the implementation of decisions of the Investment Committee, as well as to formulate recommendations for the consideration of the Investment Committee. This Committee reports periodically to the Investment Committee.

The members of the In-House Investment Committee are:

- Mr. Chew Lye Teng (*Chairman*)
- Mr. Harnarinder Singh (w.e.f. 1 September 2000)
- Mr. Ismail bin Ibrahim
- Mr. Lim Teck WYn (up to 23 July 2000)
- Ms. Noor Eshah bt Yat (w.e.f. 17 April 2000) (*Secretary*)



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## Chairman's Statement



I am pleased to present the Malaysian Timber Certification Council's Annual Report and the Audited Accounts for the financial year ending 31 December 2000.

In 2000, MTCC endeavoured to sustain the momentum of its efforts to establish and operate the national timber certification scheme in an expeditious manner, while at the same time recognising the need for the key activities to be conducted in a transparent and consultative manner, with the full participation of all stakeholders. Equally important was the need to ensure that the standards and assessment procedures formulated are credible and can withstand the scrutiny of stakeholders and the international market. The need to satisfy these crucial requirements and for due process to take place affected MTCC's progress towards establishing the scheme. Nevertheless I am of the view that such a process is unavoidable and must not be short-circuited so as not to compromise the establishment of a credible scheme which takes into account local conditions.



As part of the process to evaluate and strengthen the standard for forest management certification adopted by MTCC, that is, the *Malaysian Criteria, Indicators, Activities and Standards of Performance (MC&I) for Forest Management Certification*, I would like to highlight in particular developments related to the collaborative efforts between MTCC and the Forest Stewardship Council (FSC), and the Malaysia-The Netherlands cooperation programme.

The MTCC-FSC collaboration took a big step forward in 2000 with the convening of the Workshop on Forest Certification. The importance placed on this event was reflected by the high-level FSC delegation led by Mr. Mauricio Castro, FSC Chairman and Dr. Maharaj Muthoo, the incoming Executive Director, as well as the attendance of 188 participants representing 86 organisations in Malaysia. It is heartening to note that the Workshop unanimously agreed to give a mandate for MTCC to continue with its collaboration with FSC, and to establish a multi-stakeholder National Steering Committee (NSC) to examine the terms and conditions for further FSC-MTCC collaboration. I am convinced that the key objective of this collaboration, the endorsement of the Malaysian standard for forest management certification by the FSC, will be vital in ensuring the acceptance of MTCC-certified forest products in the international market.

Progress was also made towards the implementation of a MTCC-FSC joint study by two independent consultants to compare the *MC&I for Forest Management Certification* with the FSC Principles and Criteria, including compliance with the FSC process requirements in formulating the *MC&I for Forest Management*



## Chairman's Statement



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*Certification.* The outcome of this joint study will be keenly awaited as it will serve as an important input to the deliberations of the NSC.

The year 2000 also saw the assessment of the States of Pahang, Selangor and Terengganu under the Malaysia-The Netherlands cooperation programme using a mutually agreed standard based on the *MC&I for Forest Management Certification*. Although the results of the assessment were not formally announced by the year's end, I strongly believe that valuable lessons have been learnt and that the managers of the forest management units concerned are making concerted efforts to address the shortcomings which have been highlighted so as to fully comply with the agreed standard. For MTCC, the assessments have provided another source of useful feedback on the application of the *MC&I for Forest Management Certification* in the field.

A lot of hard work and even tougher discussions lie ahead before the certification scheme can be put in place by MTCC, and this will certainly require the fullest cooperation and understanding from various stakeholders. MTCC will therefore strive to work closely with all stakeholders to forge a win-win partnership among them so as to establish a scheme that will promote environmentally responsible, socially beneficial and economically viable management of our forests. Indeed, the enthusiasm and active participation by all stakeholders in the work and activities of the MTCC during the year under review is most encouraging.

I would like to thank all stakeholder organisations which have participated actively in MTCC's activities to provide valuable support and feedback and look forward to continue working with them as we move ahead to establish the scheme.

A number of organisations have provided financial assistance to enable MTCC to carry out some of the activities in 2000 and I wish to record our grateful appreciation for their generosity, including WWF Malaysia, the German Agency for Technical Cooperation (GTZ), Tropical Forest Trust and FSC. Special mention should also be made for the commitment and foresight shown by the Ministry of Primary Industries in establishing an Endowment Fund, through an allocation from the Timber Export Levy Fund, to finance the independent assessment of the States in Peninsular Malaysia on a regular basis for the purpose of forest management certification.

Last but not least, my gratitude also goes to the Board of Trustees for their continued support and guidance, and to the management team and the staff, ably led by Mr. Chew Lye Teng, for their dedication and commitment in implementing MTCC's activities.

**DATO' DR. FREEZAILAH BIN CHE YEOM**

Chairman

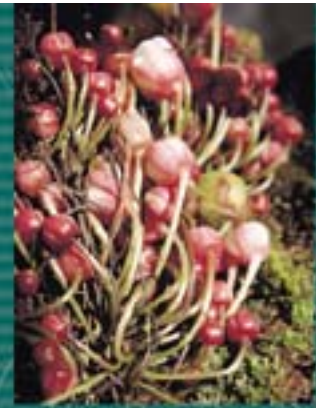
3 July 2001



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## Review of Operations



MTCC's programme in the year 2000 was focused on follow-up and complementary activities to the formulation of the standard for forest management certification, the *MC&I for Forest Management Certification*. In order to ensure consistency in assessment results by auditors in using this standard, work was initiated on a document entitled *Assessment Procedures in Using the MC&I for Forest Management Certification*. MTCC received valuable assistance from an expert group, comprising representatives of research and academic institutions, NGOs, forestry departments and timber trade associations, in preparing this document.

The *Assessment Procedures* were subsequently field-tested, together with the *MC&I for Forest Management Certification*, in the state of Johor by an independent assessor. Representatives from stakeholders also participated in the field test, which has provided useful feedback regarding the practical application of both the *Assessment Procedures* and the *MC&I for Forest Management Certification* under field conditions.

Work on formulating the requirements for chain-of-custody certification under the MTCC scheme as well as the assessment procedures was initiated in January with a meeting among relevant stakeholders. The meeting discussed existing procedures and documentation which could be used to track the movement of certified materials for the purpose of chain-of-custody certification. The set of draft guidelines which was produced following this meeting was subsequently revised to take into account developments in other certification schemes, resulting in a document entitled *Requirements and Assessment Procedures for Chain-of-Certification Rev. 3 (RAP/COC)*. As a further measure, a project was initiated in October to review the document following field studies and trial assessments in selected timber processing mills in Sabah, Sarawak and Peninsular Malaysia, as well as to prepare a training programme based on the revised document. On the completion of this project in early 2001, briefings will be held on the revised *RAP/COC* document, to be followed by training programmes for potential auditors and interested timber product manufacturers.

Work was also initiated on the identification and registration of suitable companies and organisations as independent assessors, and of qualified individuals to serve as peer reviewers in the certification scheme. MTCC has so far been able to train 12 Malaysian professionals to be auditors in forest management certification teams through an *Assessor Training Programme on Forest Certification for Southeast Asian Countries* that was jointly organised with the SmartWood Programme in March.





## Review of Operations



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The terms and conditions for registration of independent assessors were approved in early 2000, and further reviewed in October based on feedback received. Criteria for the registration of peer reviewers were approved in April and circulated widely to inform and invite qualified individuals to serve as peer reviewers.

The year 2000 saw increasing interest in timber or forest certification throughout the world, and the number of certification schemes continued to increase. Of particular significance was the establishment and operation of the Pan European Forest Certification (PEFC) scheme which is supported by 15 European countries. The FSC scheme remained as the only international certification scheme in operation, while 24 national schemes, including MTCC, were reported to be either operational or in the process of being established.

Another important international development was the interest among the governing bodies of various certification schemes and other stakeholders to establish a framework for the mutual recognition of schemes. This reflects the concern that without mutual recognition, the proliferation of certification schemes and related trademarks could lead to misinformation and confusion in the market place.

MTCC has supported this initiative by participating in two seminars on the requirements for institutional arrangements for mutual recognition, since the establishment of such a framework will be very helpful to national schemes, such as the MTCC scheme, to gain recognition from the international market.

The cooperation between MTCC and FSC was further enhanced through two activities: (i) a joint study by two independent consultants to compare the *MC&I for Forest Management Certification* and the FSC Principles and Criteria, and (ii) a Workshop on Forest Certification to initiate discussions leading to the formation of a Working Group to formulate an FSC-compatible Malaysian standard for forest management certification.

Preparations for the joint study were finalised and the study is scheduled to be carried out in early 2001. The Workshop was well-attended by representatives from the economic, social and environmental interest groups, research and academic institutions, and government agencies. We were heartened that FSC was represented by a high-level delegation led by Mr. Mauricio Castro, Chairman of the FSC Board, and Dr. Maharaj Muthoo, the incoming Executive Director. MTCC is pleased with the mandate given by the Workshop participants for MTCC to continue its collaboration with FSC, and to form a multi-stakeholder National Steering Committee to examine the terms and conditions for such further collaboration.

MTCC, as the Malaysian focal point, continued to coordinate activities related to the Malaysia-The Netherlands cooperation programme in timber certification. Following further discussions with the Keurhout Foundation, the standard to be used in the assessment of the States of Pahang, Selangor and Terengganu was agreed, and the assessments were carried out from June to August.



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## Review of Operations



The independent assessor, SGS (Malaysia) Sdn. Bhd. ("SGS"), issued major Corrective Action Requests (CARs) to the States concerned to achieve compliance with requirements in the standard before a certificate can be issued. However it was unfortunate that all the three assessment reports could not be finalised and forwarded to the Keurhout Foundation for review and acceptance by 31 December. Therefore the States involved were not able to qualify for a certificate from SGS. This development, together with the termination of the existing 'Declarations' by the Keurhout Foundation on 31 December, meant that products processed from logs from these three States would no longer be received as 'audited' materials after that date. Nevertheless MTCC and SGS managed to obtain the Foundation's agreement to allow a grace period up to 28 February 2001 for existing stocks and work-in-progress, manufactured from 'audited' materials received up to 31 December, to be accepted as 'Declaration' timber.

MTCC continued to give attention to publicity and promotion programmes to increase the level of awareness among the stakeholders regarding certification, as well as to make its certification scheme well-known in the local and international markets. This was achieved through briefing and dialogue sessions, participation in local and international seminars, fairs and exhibitions, and through the distribution of its corporate brochure. In March, MTCC launched its web site to provide an additional channel for publicity and promotion.

In summary, MTCC's activities in 2000 have been generally aimed at consolidating and building upon the work carried out in 1999 to ensure the establishment of a credible and internationally-accepted certification scheme. Activities such as the field-test in Johor, the assessment of the three States under the Malaysia-The Netherlands cooperation programme and the MTCC-FSC joint study particularly reflect this emphasis.

MTCC's experience over the past two years has clearly shown that the key activities involved in establishing and operating the certification scheme need to be participatory and transparent in order to arrive at outcomes which will be acceptable to the stakeholders. In this respect, MTCC has benefited from its interactions with representatives of the stakeholders in implementing these activities. I would like to thank the many organisations which have participated in and supported MTCC's activities to provide feedback and constructive criticism.

I would like to thank the Chairman and members of the Board of Trustees for the continued support and encouragement given to the MTCC management in carrying out our activities. Last but not least, I would also like to express my sincere gratitude to my team of managers and supporting staff for their contributions towards our activities and achievements in 2000.

**CHEW LYET TENG**  
Chief Executive Officer  
3 July 2001



# Major Activities



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## Forest Management Certification

Following the formulation and adoption of the *MC&I for Forest Management Certification* in October 1999 as the national standard for forest management certification, MTCC finalised in May a set of *Assessment Procedures in Using the MC&I for Forest Management Certification* to guide auditors in carrying out assessments. These *Assessment Procedures* were finalised through a number of meetings involving representatives from stakeholders such as the timber trade associations, Forestry Departments of Sabah, Sarawak and Peninsular Malaysia, Malaysian Timber Council (MTC), Malaysian Timber Industry Board (MTIB), Forest Research Institute Malaysia (FRIM), Universiti Putra Malaysia (UPM), WWF Malaysia and Malaysian Nature Society (MNS).

In August, the *Assessment Procedures* were field-tested together with the *MC&I for Forest Management Certification* in the State of Johor by an independent assessor company, SGS, together with the participation of representatives of various stakeholders. The results of this field test by the independent assessor indicated that the *Assessment Procedures* and the *MC&I for Forest Management Certification* will need to be revised.



Field-testing of *Assessment Procedures* and *MC&I for Forest Management Certification* in Johor

The *Assessment Procedures* were also used in the field assessments carried out by course participants in the *Training Course on Forest and Environmental Audit* organised by the Institute of Foresters, Malaysia (IRIM) and the Forestry Department Peninsular Malaysia in November 2000.

## Chain-of-Custody Certification

MTCC began its preparation work on the guidelines for chain-of-custody certification in the early part of the year. A preliminary meeting organised on 9-10 January in Kuching, with the assistance of the Sarawak Timber Association (STA), was attended by representatives from the timber trade associations and Forestry Departments of Sabah, Sarawak and Peninsular Malaysia, MTC, MTIB and the Sarawak Timber Industry Development Corporation (STIDC). During this meeting, presentations were made to share information regarding the existing procedures and documentation systems that could be used for the purpose of chain-of-custody certification. The implementation problems and possible solutions to overcome these problems were also discussed.



Participants at the preliminary meeting on guidelines for chain-of-custody certification in Kuching



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A draft set of *Guidelines for Chain-of-Custody Certification* was prepared taking into consideration the outcome of the meeting. References were made to existing documents such as the *Malaysian Timber Certification Manual, Part II: Guidelines for Implementation of Chain-of-Custody for Certification* dated 31 March 1997 prepared by SGS under the Malaysia–The Netherlands Pilot Study on Timber Certification, and the *SmartWood Chain-of-Custody Assessment Guidelines* dated 9 September 1999.

In May, the guidelines were reviewed in the light of developments pertaining to percentage-based claims in other certification schemes, particularly the FSC and PEFC schemes. The document was also renamed as *Requirements and Assessment Procedures for Chain-of-Custody Certification (RAP/COC)* in order to reflect its purpose and contents.



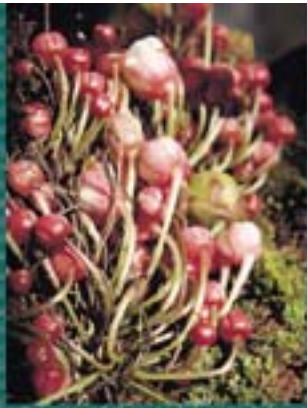
Further discussions to review the *Guidelines for Chain-of-Custody Certification*

It was decided that the revised document should be subjected to comments by stakeholders and for this purpose a meeting was convened on 7 July. More organisations were invited to this meeting, which included the timber trade associations and Forestry Departments of Sabah, Sarawak and Peninsular Malaysia, MTC, MTIB, FRIM, UPM, STIDC, WWF Malaysia and MNS. The document was revised to incorporate the comments received and the resulting document was entitled *Requirements and Assessment Procedures for Chain-of-Custody Certification Rev.2* and dated 10 July 2000.

In the second half of July, MTCC organised briefing and dialogue sessions with timber product manufacturers and exporters as well as with potential independent assessors in Sarawak (13 July), Sabah (14 July) and Peninsular Malaysia (20 July). Invitations were also extended to the regional NGOs to attend these briefings. The main purpose of these briefings was to explain and discuss the contents of the latest document and to obtain feedback.

The document was subsequently further revised to incorporate the latest ideas from other schemes, notably the FSC policy on percentage based claims, where they were found to be suitable and relevant to local conditions. The resulting document is entitled *Requirements and Assessment Procedures for Chain-of-Custody Certification Rev.3* and dated 4 October 2000.

In October, a project funded by GTZ was initiated to further revise the document. Under this project, the following activities were conducted: (i) field study and research involving on-site visits to wood processing facilities and company/organisation offices to obtain information on existing systems and documentation for establishment of the chain-of-custody for the major timber products; (ii) review and redrafting of the existing RAP/COC based on the analysis of the field study and through trial chain-of-custody assessments to test the



## Major Activities



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system; and (iii) preparation of a training manual and training programme for potential auditors and/or interested clients. The project is expected to be completed in early 2001.

### Registration of Independent Assessors and Peer Reviewers

Under the certification scheme, MTCC will register appropriate companies or organisations as independent assessors to carry out assessments for forest management as well as chain-of-custody certification. Based on such an assessment report and the peer review (in the case of forest management certification), MTCC will decide on whether an application merits the award of a certificate.

In 2000, work was initiated on the identification, training and registration of suitable companies and organisations as independent assessors, and on the registration of qualified individuals to serve as peer reviewers in the certification scheme.

In March, MTCC and the SmartWood Programme jointly organised an *Assessor Training Programme on Forest Certification for Southeast Asian Countries* in Kuala Berang, Terengganu, with financial assistance from GTZ. The main objective of this programme was to train professionals from potential assessor companies or organisations to be auditors in forest management certification teams. A total of 22 participants were involved, of which 12 participants were from Malaysia, 6 from Indonesia and 4 from Vietnam.

The terms and conditions for registration of independent assessors were approved in January, following which invitations to apply for registration were extended to potential assessor companies and organisations. These terms and conditions, which place emphasis on the expertise and independence of the assessor companies or organisations and their auditors, were further reviewed in October.



*Assessor Training Programme on Forest Certification for Southeast Asian Countries, Terengganu*



*Top & bottom: Trial assessment during Assessor Training Programme on Forest Certification for Southeast Asian Countries, Terengganu*





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## Major Activities

The criteria for the registration of peer reviewers were approved in April. These criteria were circulated among organisations and institutions involved in the national consultation on the *MC&I for Forest Management Certification* since they represent potential sources of qualified individuals who could be interested to serve as peer reviewers. These institutions and organisations, particularly the research institutions and universities, were in turn requested to circulate the information to interested individuals.

## International Developments in Timber Certification

The year 2000 saw increasing interest in timber or forest certification throughout the world, and the number of such certification schemes continued to increase. As at 31 December, the following certification schemes were reported to be either operational or in the process of being established:

### International Scheme

Forest Stewardship Council (FSC)

### Regional Scheme

Pan European Forest Certification (PEFC) Council

### National Schemes

1. Associacao Brasileira de Normas Tecnicas (ABNT)
2. Bolivian Council for Voluntary Forest Certification
3. CEF (Certification Espanola Forestal)
4. Consuelho Da Fileira Florestal Portuguesa
5. Council of the National Certification Centre - Czech Republic
6. Finnish Forest Certification Council
7. Foundation of the Peoples of the South Pacific, Papua New Guinea
8. Ghana Forest Management Systems Project
9. Indonesian Ecolabelling Institute (LEI)
10. Living Forests, Norway
11. LRF Skogsagarna, Sweden
12. Malaysian Timber Certification Council (MTCC)
13. PEFC Austria
14. PEFC Denmark
15. PEFC France
16. PEFC Germany
17. PEFC Council of Latvia
18. PEFC Switzerland and HWK-Zertifizierungsstelle
19. Sociedad para el Manego Forestal Sustainable, A.C. (Mexico)
20. Standards Council of Canada
21. Sustainable Forestry Initiative (SFI), American Forest and Paper Association



## Major Activities



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22. Swedish FSC Council
23. UK Woodland Assurance Scheme Steering Group
24. Woodnet asbl (Belgium)

### Cooperation with Other Certification Schemes

#### MTCC-FSC Collaboration

The cooperation programme with the FSC which was initiated in 1999 was continued and further strengthened in 2000. Resulting from follow-up discussions, MTCC and FSC agreed to carry out the following activities:

- To jointly fund a study to compare the *MC&I for Forest Management Certification* and the FSC Principles and Criteria, to be carried out by two independent consultants. The comparison will also examine the process followed in formulating the *MC&I for Forest Management Certification*, taking into account the FSC process requirements. Based on the study, the consultants will recommend appropriate amendments to the *MC&I for Forest Management Certification* considered necessary to make it compatible with the FSC Principles and Criteria;
- Formation of a Working Group to formulate an FSC-compatible *MC&I for Forest Management Certification*, with the recommendations of the consultants as one of the inputs; and
- The FSC-compatible *MC&I for Forest Management Certification* will be submitted by the Working Group to FSC for endorsement.

The joint study is scheduled to be carried out in early 2001. FSC and MTCC will each fund the cost of one consultant.

To initiate work towards the formation of the Working Group, MTCC and FSC, together with the Tropical Forest Trust (TFT), WWF Malaysia and GTZ, jointly organised a Workshop on Forest Certification on 6-7 December in Kuala Lumpur. The main aim of the Workshop was to provide information on the MTCC and FSC certification schemes as well as to explain the purpose and requirements to be satisfied in forming the Working Group.



Dato' Dr. Freezailah addressing the FSC-MTCC Workshop on Forest Certification. Others in the picture (left to right): Balu Perumal, Dr. Stephen Howard, Mauricio Castro and Dr. Maharaj Muthoo



Mauricio Castro speaking at the FSC-MTCC Workshop. Others in the picture (left to right): Balu Perumal, Dr. Stephen Howard, Dato' Dr. Freezailah, Dr. Maharaj Muthoo, Rolf Krezdorn and Chew Lye Teng



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## Major Activities



FSC was represented at the Workshop by a high-level delegation led by Mr. Mauricio Castro, Chairman of the FSC Board of Directors, Dr. Maharaj Muthoo, the incoming FSC Executive Director, Mr. S. T. Mok, FSC Board Member and Mr. Hank Cauley, Executive Director of FSC-USA. Also present was Dr. Stephen Howard, the Head of WWF's Global Forests and Trade Initiative, who is also the Chairman of TFT.



Jannie Lasimbang (PACOS Trust) expressing her views at the FSC-MTCC Workshop



Aimi Lee Abdullah (MTC) stressing a point to Workshop participants

The Workshop was attended by 188 participants from 86 organisations, representing the economic, social and environmental interest groups, research and academic institutions, and government agencies.

Based on the discussions, the Workshop participants agreed on the following:

- to give a mandate for MTCC to continue with its collaboration with the FSC, under terms and conditions to be agreed upon;
- to form a National Steering Committee to examine the terms and conditions for further FSC-MTCC collaboration;
- the facilitator of each of the four stakeholder groups will consult their respective groups to nominate 6 persons to form the National Steering Committee; and
- MTCC will subsequently consult with the FSC on the terms and conditions for further collaboration based on the recommendations of the National Steering Committee.

### Malaysia-The Netherlands Cooperation in Timber Certification

As a follow up to the decisions reached by a Malaysian delegation and the Keurhout Foundation in December 1999, further discussions took place between the Keurhout Foundation and MTCC on the assessments to be carried out under the cooperation programme. It was agreed that the assessment of the States of Pahang, Selangor and Terengganu would be carried out using a document entitled *Malaysian Criteria, Indicators, Activities and Standards of Performance (MC&I) for Forest Management Certification (Forest Management Unit Level), Peninsular Malaysia (Malaysia-The Netherlands Ad-hoc Working Group)* and dated 23 December 1999. The independent assessor, SGS, was also instructed to refer to the document entitled *Guiding notes for assessing the standards of performance for forest management certification, Peninsular Malaysia* in carrying out these assessments.

The assessment of Pahang by SGS was conducted on 26 June to 6 July. The State of Selangor was assessed on 10 to 14 July and 25 July, followed by Terengganu from 30 July to 9 August.

Based on the assessment, SGS issued major Corrective Action Requests (CARs) to the States concerned (three for Pahang, three for Terengganu and one for Selangor) to achieve compliance with specific requirements



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in the standard before a certificate can be issued. The States concerned were required to take the necessary corrective actions before SGS can carry out follow-up assessments to consider whether they could 'close-out' the major CARs concerned.

A surveillance audit to close out the major CAR for Selangor was carried out by SGS on 2, 3 and 7 November. The Department's comments on the SGS report were received on 22 December, following which SGS submitted the audit report for peer review. The report is expected to be forwarded to the Keurhout Foundation for its review and acceptance in early 2001.

As for Pahang, SGS carried out the surveillance audit to close out the major CARs on 28-30 November, following which it requested the Pahang State Forestry Department to forward closing reports for a number of terminated logging licence areas that were visited during the surveillance audit. Upon receiving the closing reports, SGS has scheduled another visit to Pahang in January 2001 to verify these reports.

A visit to close out the major CARs in Terengganu was scheduled on 20-23 November. However, the visit had to be postponed due to adverse weather conditions that made field work not possible, and was rescheduled to be carried out in early 2001.

Therefore, by 31 December, all the three States involved were not able to qualify for a certificate from SGS. With the termination of the existing 'Declarations' by the Keurhout Foundation on 31 December, this meant that products processed from logs from these three States would no longer be received as 'audited' materials after that date.

Nevertheless, MTCC and SGS managed to obtain the agreement of the Keurhout Foundation to allow a grace period for existing stocks and work-in-progress manufactured from 'audited' materials received by the mills up to 31 December to be accepted as 'Declaration' timber in the Netherland. The Keurhout Foundation agreed to allow up to 31 January 2001 for existing stocks to be exported. For materials which have to be kiln dried in Malaysia, the grace period was up to 28 February 2001.



*Discussion with trade associations and SGS regarding export of 'audited' material after 31 December*

As of 31 December, a total of 47 timber manufacturing/exporting companies have obtained chain-of-custody certificates to certify that they were using logs from the three States involved in this programme to manufacture timber products such as sawn and dressed timber.



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## Major Activities

Exports of timber products to The Netherlands under this programme in 2000 totalled 30,676 m<sup>3</sup>. Since the first shipment under this programme which started in late 1996, cumulative exports until 31 December totalled 90,313 m<sup>3</sup>.

### Mutual Recognition

An important international development in timber or forest certification in 2000 was the interest among the governing bodies of various certification schemes and other interested parties to establish a framework for the mutual or multilateral recognition of credible certification schemes. The initiative towards mutual recognition have been led by organisations such as the PEFC Council, the International Forest Industry Roundtable (IFIR, which is a grouping of national associations for the forest, pulp and paper industries) and the Confederation of European Paper Industries (CEPI).

IFIR in particular has made progress in putting together the core components of an international framework for mutual recognition of certification schemes, and in promoting the framework at various international fora. IFIR is concerned that without mutual recognition, the current proliferation of certification systems and related trademarks will lead to misinformation and confusion in the market place, as well as additional costs as businesses attempt to meet the requirements of multiple systems.

If such an international framework can be established, it will be very helpful to national schemes from producer countries, such as the MTCC scheme, to gain recognition from the international market. MTCC has therefore supported these efforts towards the mutual recognition of certification schemes, and participated in two

seminars held in 2000 to exchange views on the requirements and options for mechanisms or institutional arrangements for mutual recognition.

### Publicity and Promotion

MTCC continued to give attention to publicity and promotion programmes to increase the level of awareness among interested parties regarding certification, as well as to make its proposed certification scheme well-known in the local as well as the international market.

MTCC's corporate brochure was revised and distributed during fairs and exhibitions in which it participated, such as the Malaysian International Furniture Fair 2000 (in March), World Forestry Exhibition 2000 (August) and Malaysian Timber Marketing Convention 2000 (September).

At the international level, MTC provided assistance in distributing the brochures in exhibitions in which MTC participated, such as the 44<sup>th</sup> Annual International Convention of the International Wood



Visitors to MTCC's booth during the Malaysian International Furniture Fair 2000



MTCC participates in exhibition during the Malaysian Timber Marketing Convention 2000



## Major Activities



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Products Association (IWPA) in Tucson, Arizona (April), Home Brazil 2000, Sao Paulo (June), INTERBUILD 2000, Melbourne (July) and National Building Products Exposition, Chicago (August).

The brochures were also distributed during international seminars and workshops in which MTCC was a participant, such as the Technical Seminar on Mutual Recognition (in Brussels), UNDP PROFOR Guyana Forest Certification Workshop (Georgetown, Guyana), Second International Seminar on the Mutual Recognition of Credible Forest Certification Systems (Brussels), as well as the 28<sup>th</sup> and 29<sup>th</sup> Sessions of the International Tropical Timber Council (ITTC) (Lima and Yokohama respectively). MTCC also took part in the WWF Millennium Forests For Life Conference in London where discussions were held with a number of NGOs regarding MTCC's certification scheme.

In March, MTCC launched its web site at <http://www.mtcc.com.my> to provide an additional channel to publicise MTCC and its activities as well as on the progress of timber certification in Malaysia. As at 31 December, there have been a total of 3,721 visitors to the homepage.

To provide information on developments related to its activities, MTCC made a presentation at the Malaysian Timber Marketing Convention 2000 and conducted a number of briefing sessions to local timber trade associations and companies (in February, March, July and September).

In addition to the participation of both the MTCC Chairman and Chief Executive Officer during one of the panel sessions, the Malaysian Timber Marketing Convention 2000 also provided an excellent opportunity for MTCC's representatives to interact with many key players in certification such as Dr. Alan Knight, Head of Sustainability at B&Q Plc., a member of the WWF 95+ Group in the United Kingdom, Mr. C.W.F. Bosdijk, Managing Director of the Keurhout Foundation and Dr. Dradjad Wibowo, Executive Director of the Indonesian Ecolabelling Institute (LEI).

In conjunction with the FSC-MTCC Workshop on Forest Certification, both pre and post-Workshop press releases were made to the local mass media.



*Dato' Dr. Freezailah and Chew Lye Teng as panel members during the Malaysian Timber Marketing Convention 2000*



*Dato' Dr. Freezailah and Chew Lye Teng in discussion with Dr. Alan Knight (B&Q Plc) (top) and Dr. Dradjad Wibowo (LEI) (bottom)*





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## Significant Events

### MTCC organised the following events in 2000:

Events	Date	Venue
Meeting on Chain of Custody for the Purpose of Timber Certification and Guidelines for Chain of Custody Certification	19 - 20 January	Kuching
MTCC/SmartWood Programme/GTZ Assessor Training Programme on Forest Certification for Southeast Asian Countries	20 - 24 March	Kuala Berang, Terengganu
Briefing on <i>Requirements and Assessment Procedures for Chain of Custody Certification</i>	13 July 14 July 20 July	Kuching Kota Kinabalu Kuala Lumpur
Field Testing of the <i>Assessment Procedures in Using the MC&amp;I for Forest Management Certification</i> and the <i>MC&amp;I for Forest Management Certification</i>	14 - 18 August	Johor
FSC-MTCC Workshop on Forest Certification	6 - 7 December	Kuala Lumpur

### MTCC held discussions with the following visitors in 2000:

Visitors	Date
Dr. Manoel Sobral Filho, Executive Director, International Tropical Timber Organization, Yokohama	29 February
Mr. Alain Paul, FSC Germany	13 April
Mr. Hanfried Lauterbach, Timber Expert, Hamburg, Germany	13 April
Dr. Ir. Herbert Diemont, Wageningen University and Research Centre, The Netherlands	27 July
Mr. C.W.F. Bosdjik, Managing Director, Keurhout Foundation, The Netherlands	27 September
Mr. Stefan Schardt, Managing Director, Initiative for the Promotion of Sustainable Forest Management, Germany (ifw)	27 September
Dr. Alan Knight, Head of Sustainability, B&Q Plc., United Kingdom	28 September
Dr. Dradjad Wibowo, Executive Director, Indonesian Ecolabelling Institute (LEI)	28 September
Mr. Mauricio Castro, Chairman, FSC Board of Directors, Oaxaca, Mexico	6 - 8 December
Dr. Maharaj Muthoo, Incoming FSC Executive Director, Oaxaca, Mexico	6 - 8 December



## Significant Events



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**MTCC participated in the following events in 2000:**

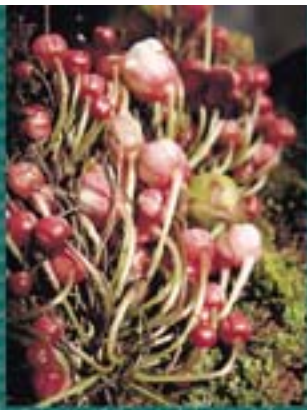
International Conferences and Meetings	Date	Venue
Workshop to Train Trainers on the Use of the Manual for the Application of ITTO Criteria and Indicators for Sustainable Forest Management of Natural Tropical Forests	3 - 7 April	Kuala Lumpur
Third ASEAN Experts Meeting on Regional Criteria & Indicators for Sustainable Forest Management	8 - 10 May	Ho Chi Minh City, Vietnam
28th Session of the International Tropical Timber Council	24 - 30 May	Lima, Peru
WWF Millennium Forests for Life Conference	6 - 7 June	London, United Kingdom
Technical Seminar on Mutual Recognition	26 - 27 June	Brussels, Belgium
UNDP PROFOR Guyana Forest Certification Workshop	10 - 13 July	Georgetown, Guyana
XXI IUFRO World Congress 2000 - Pre-Congress Workshop: Sustainable Forest Management and Criteria & Indicators	1 - 4 August	Kepong, Selangor
XXI IUFRO World Congress 2000	7 - 12 August	Kuala Lumpur
Malaysian Timber Marketing Convention 2000	28 - 29 September	Kuala Lumpur
29th Session of the International Tropical Timber Council	30 October - 4 November	Yokohama, Japan
Fifth Meeting of the Malaysia-The Netherlands Joint Working Group	8 - 10 November	Kuala Lumpur
Second International Seminar on the Mutual Recognition of Credible Forest Certification Systems	28 - 29 November	Brussels, Belgium

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## Significant Events

Local Conferences and Meetings	Date	Venue
Agenda 21 Mini Workshop concerning Networking for Environmental NGOs in Malaysia and Denmark	12 February	Petaling Jaya
Timber Industry Consultative Forum	17 February	Kuala Lumpur
Briefing on MTCC Activities to Three-Layer Parquet Flooring Club Meeting, Casco Adhesives Sdn. Bhd.	14 March	Sepang, Selangor
Malaysian-Danish Environmental NGO Workshop	5 - 8 May	Fraser's Hill
World Forestry Day Celebrations	22 June	Penang
MTC Marketing Seminar 2000: "Timber Markets and Forest Resources in the 21st Century"	27 June	Kuala Lumpur
Malaysian Timber Organisation: 10th Executive Committee Meeting and 8th Annual General Meeting	12 July	Kuching
Briefing on MTCC Activities to Annual Flooring Distributors Meeting, Syarikat Malaysia Wood Industries Sdn. Bhd.	19 September	Pedu, Kedah
National Seminar on Alternatives to Rubberwood	26 September	Kepong, Selangor
IRIM - Forestry Department Peninsular Malaysia "Training Course on Forest and Environmental Audit"	14 - 18 November	Kuala Lumpur
<i>Seminar Mengenai Tahap Pelaksanaan MC&amp;I Bagi Jabatan Perhutanan Negeri-Negeri dan Swasta</i> - Wilayah Timur - Wilayah Barat	13 November 20 November	Kuantan Ipoh

Fairs and Exhibitions	Date	Venue
Malaysian International Furniture Fair 2000	7 - 11 March	Kuala Lumpur
World Forestry Exhibition 2000	7 - 10 August	Kuala Lumpur
Malaysian Timber Marketing Convention 2000	28 - 29 September	Kuala Lumpur



# Financial Statements



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## BALANCE SHEET AS AT 31 DECEMBER 2000

	2000 (RM)	1999 (RM)
ENDOWMENT FUND	25,000,000	9,000,000
ACCUMULATED FUND	955,598	1,062,484
	<u>25,955,598</u>	<u>10,062,484</u>
	=====	=====
Represented by:		
PROPERTY, PLANT & EQUIPMENT	230,167	264,842
CURRENT ASSETS		
Sundry receivable and deposits	169,813	23,363
Fixed deposits with licensed banks	25,419,702	9,750,999
Cash and bank balances	151,964	37,686
	<u>25,741,479</u>	<u>9,812,048</u>
Less:		
CURRENT LIABILITIES		
Sundry payables and accruals	16,048	14,406
NET CURRENT ASSETS	<u>25,725,431</u>	<u>9,797,642</u>
	<u>25,955,598</u>	<u>10,062,484</u>
	=====	=====



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## Financial Statements



### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 (RM)	1999 (RM)
Revenue	-	-
Cost of sales	-	-
	-----	-----
Gross surplus	-	-
Other operating income	827,958	190,474
Administrative and general expenses	(934,844)	(727,990)
	-----	-----
Deficit from operations	(106,886)	(537,516)
Launching grant	-	1,600,000
	-----	-----
<b>Net (deficit)/Surplus for the year</b>	<b>(106,886)</b>	<b>1,062,484</b>
	=====	=====



#### **MALAYSIAN TIMBER CERTIFICATION COUNCIL**

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