

# 2002 ANNUAL REPORT




**mtcc** MALAYSIAN TIMBER CERTIFICATION COUNCIL



# Contents

	Page
VISION AND MISSION	2
CORPORATE PROFILE	3
BOARD OF TRUSTEES	4
• Certification Committee	5
• Investment Committee	5
ORGANISATION STRUCTURE	6
• Management Team	6
• In-House Investment Committee	6
CHAIRMAN'S STATEMENT	7
REVIEW OF OPERATIONS	9
OPERATIONS	11
• Official Launching of MTCC Timber Certification Scheme	11
• Forest Management Certification	13
• Chain-of-Custody Certification	14
• Registration of Independent Assessors and Peer Reviewers	16
• Training	16
• Export of MTCC-Certified Timber Products	16
PROMOTION	17
• Malaysian Timber Certification Mission to Europe	17
• Malaysian Timber Council Regional Marketing Committee Market Visit to Australia	19
• Publicity	20
• Participation in Conferences/Seminars/Workshops/Courses/Meetings	21
• Presentations/Briefing Sessions	22
REVIEW OF INTERNATIONAL DEVELOPMENTS IN TIMBER CERTIFICATION	23
COOPERATION	25
• Mutual Recognition	25
• Malaysia-The Netherlands Cooperation in Timber Certification	25
• MTCC-FSC Cooperation	26
• MTCC-PEFCC Cooperation	28
• Pan ASEAN Timber Certification Scheme	29
SIGNIFICANT EVENTS	30
FINANCIAL STATEMENTS	35



## VISION

To be recognised as the leading  
timber certification organisation  
for tropical forests

## MISSION

To establish and operate a  
credible and internationally  
recognised national timber  
certification scheme towards  
promoting sustainable forest  
management in Malaysia



**T**he Malaysian Timber Certification Council (MTCC) is an independent organisation established in October 1998 to develop and operate a voluntary national timber certification scheme in Malaysia. Incorporated under the Companies Act 1965 as a company limited by guarantee, MTCC is governed by a Board of Trustees and started its operation in January 1999.

Timber certification was conceived as a market-linked tool to promote and encourage sustainable forest management as well as to provide an assurance to buyers that the timber products they buy come from sustainably managed forests.

In performing this role, 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
- Process applications for timber certification, exercise control over assessments of forest management and chain-of-custody in the applicant enterprises, and make decisions regarding the applications for certification
- 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, surveillance mechanism for periodic review of compliance by certified enterprises, and rules for the use and issuance of certificates
- Coordinate with national, regional and international bodies related to timber 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, comprising the Chairman and eight other members, is the governing body which decides the overall policy and direction in carrying out MTCC's activities. In addition to the Chairman, the members comprise two representatives each from academic and research institutions, the timber industry, non-governmental organisations (NGOs) and government agencies.

The members of the Board of Trustees in 2002 were:-

## Chairman

Dato' Dr. Freezailah bin Che Yeom

## Member

Dato' Leong Ah Hin @ Leong Swee Kong

Ms. Chan Lai Har

Tuan Haji Mohd. Yusoff bin Haji Mydin

Dato' Dr. Abdul Razak bin Mohd. Ali

Prof. Dato' Dr. Nik Muhamad bin Ab. Majid

Mr. Goh Chee Yew

Datuk Leo Chai

Mr. Hiew Wai Phang

Tuan Haji Jamaluddin bin Mohd. Isa

## Organisation

Ministry of Science, Technology and the Environment

Ministry of Primary Industries (up to 16 July 2002)

Ministry of Primary Industries (w.e.f. 16 July 2002)

Forest Research Institute Malaysia

Universiti Putra Malaysia

Malaysian Wood Industries Association

Sarawak Timber Association

WWF Malaysia (up to 15 April 2002)

Malay Forest Officers Union, West Malaysia

The Board of Trustees met four times in 2002 as follows:-

Fourteenth Meeting - 17 January

Fifteenth Meeting - 18 April

Sixteenth Meeting - 23 July

Seventeenth Meeting - 17 October

Due to differences of views with the other members of the Board on the forest management standard to be used in the first phase of the MTCC certification scheme, WWF Malaysia decided to withdraw from the Board through a letter dated 30 January 2002. However throughout 2002, WWF Malaysia was actively involved in the various regional and national consultations which were coordinated by MTCC.



*Sixteenth Meeting of Board of Trustees*



*Left to right: Datuk Leo Chai, Tuan Hj. Jamaluddin bin Mohd Isa, Dato' Dr Abdul Razak bin Mohd Ali, Dato' Dr Freezailah bin Che Yeom, Tuan Hj. Mohd. Yusoff bin Hj. Mydin, Dato' Leong Ah Hin, En. Goh Chee Yew*  
*Absent: Prof. Dato' Dr. Nik Muhamad bin Ab. Majid*



## CERTIFICATION COMMITTEE

**A** Certification Committee has been established by the Board of Trustees to carry out the following functions: (i) to decide on the registration and deregistration of independent assessors; (ii) to decide on applications for forest management and chain-of-custody certification based on assessment reports submitted by independent assessors; and (iii) to consider applications for registration as peer reviewers.

The members of the Certification Committee in 2002 were:-

### Member

Ms. Chan Lai Har

Tuan Haji Mohd. Yusoff bin Haji Mydin

Dato' Dr. Abdul Razak bin Mohd. Ali

Tuan Haji Jamaluddin bin Mohd. Isa

Mr. Goh Chee Yew

### Organisation

Ministry of Primary Industries  
(up to 16 July 2002)

Ministry of Primary Industries  
(w.e.f. 16 July 2002)

Forest Research Institute Malaysia

Malay Forest Officers Union, West Malaysia

Malaysian Wood Industries Association

The Certification Committee met two times in 2002 as follows:-

Second Meeting - 2 April

Third Meeting - 29 August

## INVESTMENT COMMITTEE

**T**he Investment Committee has been established by the Board of Trustees 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 on matters 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 in 2002 were:

### Chairman

Dato' Dr. Freezailah bin Che Yeom

### Member

Ms. Chan Lai Har

Tuan Haji Mohd. Yusoff bin Haji Mydin

Mr. Mustafar bin Taib

Mr. Chew Lye Teng

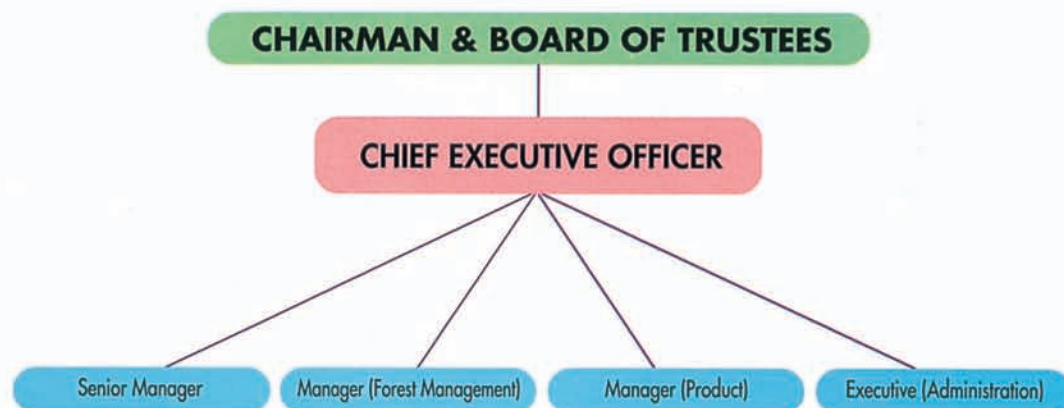
### Organisation

Ministry of Primary Industries  
(up to 16 July 2002)

Ministry of Primary Industries  
(w.e.f. 16 July 2002)

Ministry of Finance

Malaysian Timber Certification Council



## Management Team

- Mr. Chew Lye Teng – Chief Executive Officer
- Mr. Harnarinder Singh – Senior Manager
- Mr. Ismail bin Ibrahim – Manager (Product)
- Mr. Yong Teng Koon – Manager (Forest Management)
- Ms. Noor Eshah binti Yat – Executive (Administration)

## In-House Investment Committee

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

The members of the In-House Investment Committee in 2002 were:

- Mr. Chew Lye Teng (Chairman)
- Mr. Harnarinder Singh
- Mr. Ismail bin Ibrahim
- Ms. Noor Eshah binti Yat (Secretary)



*Standing left to right:*  
Ismail bin Ibrahim, Yong Teng Koon

*Sitting left to right:*  
Harnarinder Singh, Chew Lye Teng,  
Noor Eshah bt Yat



I am pleased to present the Malaysian Timber Certification Council's Annual Report and the Audited Accounts for the financial year ending 31 December 2002.

2002, the fourth year in the growth and development of the MTCC, had been eventful with major milestones in the implementation of timber certification in Malaysia. The year started with the official launching of the MTCC Timber Certification Scheme by the Honourable Minister of Primary Industries, Y.B. Dato' Seri Dr. Lim Keng Yaik on 31 January – two and a half years after MTCC commenced operational activities. The ceremony witnessed the presentation of the *Certificate for Forest Management* to the pioneer batch of successful Forest Management Units (FMUs) namely Pahang, Selangor and Terengganu. Sixteen timber product manufacturers and exporters received the *Certificate for Chain-of-Custody* during the same ceremony. By the end of the year, a total of 732 m<sup>3</sup> of certified sawn timber bearing the MTCC logo was exported to The Netherlands.

The successful launching of the MTCC Certification Scheme is attributable to the collaborative efforts of all stakeholders, particularly our forest managers and the industry who had to bear the brunt of complying with the standards specified in the Malaysian Criteria and Indicators (MC&I). It is therefore with much pleasure that I gratefully acknowledge their commitment and dedication. Also, the MTCC owes much to all members of its Board of Trustees. During the year, two Trustees, Ms. Chan Lai Har from the Ministry of Primary Industries and Mr. Hiew Wai Phang from WWF Malaysia, left the Board. In thanking them for their invaluable contributions, I hasten to take this opportunity to wish them well in their future endeavours.

The MC&I currently used is based on the 1998 International Tropical Timber Organization (ITTO) *Criteria and Indicators for Sustainable Management of Natural Tropical Forests* which had been internationally negotiated and accepted by the entire ITTO membership which represents almost all the tropical forests and internationally traded tropical timber in the world. The MC&I thus contains the key elements of sustainable management of tropical forests embracing economic, social, environmental and conservational dimensions. Also, it is emphasised that assessment of forest management is undertaken by third party auditors in an independent and transparent manner meeting internationally accepted norms. A new forest management standard which is technically compatible with the Principles and Criteria (P&C) of the Forest Stewardship Council (FSC) was unanimously adopted at a National-level Consultation held in Kuala Lumpur on 28 to 30 October. The National-level Consultation was widely attended by 113 participants. During its next phase, MTCC plans to use this new standard for forest management certification which marks a significant step in the MTCC-FSC cooperation.

Being a relatively young organization, MTCC continued to vigorously pursue cooperation with other certification bodies and initiatives to develop synergy and promote its wider acceptance in international markets, including through mutual recognition. Cooperation with the Keurhout Foundation under the Malaysia-The Netherlands cooperation programme, which was initiated even before MTCC came into being, was continued.



## Chairman's Statement



The National-level Consultation indicated earlier unanimously adopted a revised *MC&I* technically compatible with the FSC P&C within the framework of the MTCC-FSC cooperation. This process was facilitated by the multi-stakeholder National Steering Committee (NSC). The next stage of this cooperation will be the formation of a National Working Group (NWG) that will further strengthen the process to seek FSC endorsement.

At its General Assembly held on 22 November, the Pan European Forest Certification Council (PEFCC) formally accepted MTCC as a member paving the way for MTCC to seek recognition by the PEFCC. In addition, through MTCC, Malaysia became the lead country to develop a Pan ASEAN Timber Certification Scheme which will seek to meet the minimum requirements of the key markets such as the European Union (EU). Towards this objective, informal consultations were held with the EU Commissioner for Trade, His Excellency Mr. Pascal Lamy.

Although MTCC encountered difficulties with some NGOs, it achieved considerable progress during the year under review. Timber certification for the complex tropical forests cannot be achieved overnight. It must be an evolving process and upgraded from time to time depending on progress and developments.

The support from industry is noteworthy and greater understanding and appreciation of the difficulties involved by all stakeholders will go a long way to meet the objectives of MTCC, which in the final analysis, is the sustainable management and development of our rich and diverse tropical forests, which we all seek to achieve.



DATO' DR. FREEZAILAH BIN CHE YEOM

Chairman

18 September 2003

The year 2002 started auspiciously for MTCC with the official launching of its timber certification scheme by the Minister of Primary Industries, Y.B. Dato' Seri Dr. Lim Keng Yaik on 31 January in a ceremony which was well-attended by representatives of the various stakeholder groups and invited guests. The pioneer group of recipients of the MTCC certificates – three FMUs for the *Certificate for Forest Management* and 16 timber product manufacturers and exporters for the *Certificate for Chain-of-Custody*, received their certificates from the Minister.

Nevertheless, the challenges faced in marketing MTCC-certified timber products is reflected in the fact that the first shipment of MTCC-certified products, to The Netherlands, only took place in July. By December, a modest total of 732 cubic metres of MTCC-certified timber products had been exported.

In addition, the need for MTCC certificate holders to ensure continued compliance to the specified standards was highlighted by the suspension of the *Certificate for Forest Management* issued to Terengganu FMU due to non-compliances found during a re-assessment exercise.

Promotion of the MTCC certification scheme was given greater emphasis and the scheme received wide publicity in four key European markets for Malaysian timber products through the Malaysian Timber Certification Mission to Europe which took place in June. This mission was of vital importance since the countries covered i.e. Germany, The Netherlands, Belgium and the United Kingdom (UK), are among the most important markets for certified timber products in Europe.

In addition to the exports of MTCC-certified timber products to The Netherlands, another tangible result of the Mission was the evaluation of the MTCC scheme by an independent consultant on behalf of the Hamburg city authority.

MTCC's efforts in operating and promoting its scheme received a financial boost in the form of an additional allocation of RM 11.0 million to top up its Endowment Fund and a grant of RM 4.0 million to cover its promotional activities for three years i.e. from 2002 to 2004. MTCC wishes to record its grateful appreciation to Y.B. Dato' Seri Dr. Lim for approving this additional allocation from the export levy fund.

The work undertaken by the multi-stakeholder NSC towards the development of the MC&I which is compatible with the FSC P&C achieved good progress, with two NSC meetings being held, as well as regional-level consultations among the stakeholder representatives conducted in April to July followed by national-level consultations in October which finalised and adopted the *Malaysian Criteria and Indicators for Forest Management Certification (MC&I)* dated 30 October 2002.





The cooperation with the FSC is also reflected in the NSC's action plan towards establishing the NWG and for the development of a forest management standard for plantation forests using the FSC P&C.

As a reflection of its readiness to cooperate with other certification schemes, MTCC took an important step in working with the PEFC by becoming a member of the PEFC in November.

Another development which I would like to highlight is the formation of an *Ad-Hoc* Working Group at ASEAN level to work towards the establishment of a Pan ASEAN Timber Certification Scheme. This is an important step in our efforts to encourage closer cooperation among ASEAN member countries and to work with key regional groupings, such as the EU, in timber certification.

With this scenario of the gradual growth and strengthening of the MTCC certification scheme, the withdrawal of WWF Malaysia from the MTCC Board is most regrettable, although WWF Malaysia continued to play an active role in the NSC and the related regional and national-level consultations on the FSC-compatible MC&I. Nevertheless, discussions with WWF Malaysia over the differences in opinions are ongoing.

The cooperation with the Keurhout Foundation seems to be facing an uncertain situation where, despite the independent assessor's views that both the Pahang and Selangor FMUs have complied with the Foundation's requirements, the Foundation has not agreed with the assessor and has declined to award its Hallmark to these two FMUs. MTCC continued with its efforts to provide additional information to the Foundation in order to overcome this situation.

In conclusion, it should be pointed out that the 2.31 million hectares of Permanent Reserved Forest in the three FMUs certified under the MTCC scheme currently represent one of the largest area of natural tropical forests which have been independently assessed and certified.

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 appreciation to my team of managers and supporting staff for their contributions towards our activities and achievements in 2002.



CHEW LYE TENG  
Chief Executive Officer

18 September 2003



## OFFICIAL LAUNCHING OF MTCC TIMBER CERTIFICATION SCHEME

The MTCC Timber Certification Scheme, which started its operation in October 2001, was officially launched by the Minister of Primary Industries, Y.B. Dato' Seri Dr. Lim Keng Yaik, on 31 January in a ceremony in Kuala Lumpur. The launching ceremony was attended by about 250 guests that included foreign dignitaries and representatives of the timber industry and trade, environmental and social NGOs, academic and research institutions, and government agencies.



Dato' Dr. Freezailah  
delivering his welcoming  
remarks

The welcoming remarks were delivered by the MTCC Chairman, Dato' Dr. Freezailah Che Yeom, who highlighted the activities carried out by MTCC, including the formulation of the national standard for forest certification, the assessment of FMUs, the collaborative efforts between MTCC and the FSC to develop an FSC-compatible standard, and the start of operation of the MTCC timber certification scheme. He emphasised that the MTCC scheme is being implemented using a phased approach, with the use of a standard, the *Malaysian Criteria, Indicators, Activities and Standards of Performance for Forest Management Certification (MC&I)* based on the 1998 ITTO *Criteria and Indicators for Sustainable Management of Natural Tropical Forests*, during the current phase, to be followed by the use of an MC&I based on the Principles and Criteria of the FSC. He expressed confidence that with the operation of the MTCC scheme,

the independent

certification of forest management practices in Malaysia will gather increased momentum for further progress.

In his speech during the launching ceremony, Dato' Seri Dr. Lim elaborated on Malaysia's 100 years of systematic forest management, involving balancing optimal utilisation and conservation to ensure sustainability of the forest resources. He pointed out that despite having to set aside land for socio-economic development, through a century of systematic forest management, Malaysia still has about 20.2 million hectares or 62% of its total land area under natural forest, both for production and protection. Of this total, 14.4 million hectares have been designated as Permanent Reserved Forest, secured by law and kept under permanent forest cover. If the agricultural tree crops, mainly rubber and oil palm, are taken into account, the total land area under tree cover in Malaysia is estimated to be 26.9 million hectares or 82% of its total land area.



Y.B. Dato' Seri Dr. Lim delivering his speech



Invited VIPs and  
guests



He also outlined the steps taken by Malaysia towards the achievement of sustainable forest management (SFM), including the processes involved in the development of the MC&I, the setting up of MTCC and the pragmatic approach taken to implement the MTCC scheme in phases, which recognises that the achievement of SFM is a process, with continuous improvement as a guiding principle. Dato' Seri Dr. Lim urged all stakeholder groups to continue to support and participate in consultations to review the standards and procedures. He however reminded that in forwarding their views and proposals, the various stakeholder groups should bear in mind that the standards must respect the existing national and local laws of the country.



Y.B. Dato' Seri Dr. Lim officially launching the MTCC timber certification scheme



Y.B. Dato' Seri Dr. Lim presenting Certificate for Forest Management to the Selangor State Director of Forestry



Y.B. Dato' Seri Dr. Lim presenting Certificate for Chain-of-Custody to Mr. Tai Koon Yen of Bortim Sdn. Bhd.



Exhibition in conjunction with official launching

At the launch, Dato' Seri Dr. Lim presented certificates to the pioneer batch of successful applicants under the MTCC certification scheme. Three FMUs (Pahang, Selangor and Terengganu) were awarded the *Certificate for Forest Management*, while 16 timber product manufacturers and exporters received the *Certificate for Chain-of-Custody*.

An exhibition which displayed details of the certified FMUs and summaries of the forest management audits, lists of the certificate holders, and samples of MTCC tags and labels for use on certified timber products, was held in conjunction with the launching ceremony.

A Seminar on the MTCC Timber Certification Scheme was also held to disseminate information to the participants on the various aspects pertaining to the MTCC scheme. Presentations on the MTCC scheme, assessment procedures for forest management certification, details on the chain-of-custody certification and the rules on the use of the MTCC logo under the scheme were made at the seminar.



Panel discussion during Seminar on the MTCC Timber Certification Scheme



## FOREST MANAGEMENT CERTIFICATION

The MTCC certification scheme is being implemented using a phased approach. The standard currently used for assessing FMUs is the MC&I which is based on the 1998 ITTO Criteria and Indicators. It contains the key elements for forest management assessment covering economic, social, environmental and conservational aspects, and incorporates the corresponding standards of performance for Sabah, Sarawak and Peninsular Malaysia identified during the regional and national level consultations held in 1999.

A new forest management standard which is compatible with the P&C of the FSC has been developed and adopted at the National-level Consultation held on 28-30 October in Kuala Lumpur. MTCC will use this new standard in the next phase of its certification scheme.

The Third Meeting of the Certification Committee held on 29 August agreed to maintain the *Certificate for Forest Management* issued to the Pahang and Selangor FMUs based on reassessments conducted in March and the recommendations made by the independent assessor, SGS (Malaysia) Sdn. Bhd. However, the *Certificate for Forest Management* issued to the Terengganu FMU was suspended with effect from 1 November as the FMU had not demonstrated full compliance with the requirements of the MC&I and the Keurhout Schedule of Conditions, based on the re-assessment conducted by the same assessor in March.

The Third Meeting of the Certification Committee also considered the assessment reports for the Kedah, Negeri Sembilan and Perak FMUs, as well as the recommendations of the independent assessor, and decided not to issue the *Certificate for Forest Management* to these FMUs as several aspects of the forest management practices within these FMUs were found not to be in compliance with the requirements of the MC&I.

Besides the above-mentioned FMUs, the Kelantan FMU was also assessed to the requirements of the MC&I on 2-12 September by another MTCC-registered independent assessor, SIRIM QAS Sdn. Bhd.



Auditors briefing the State Forestry Department staff during reassessment of Selangor FMU



Field assessment in the Serendah Forest Reserve in Selangor FMU



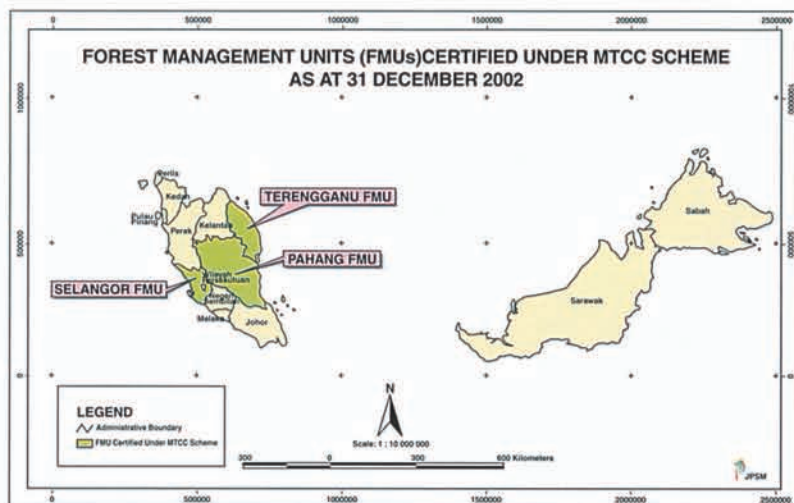
Closing meeting during assessment of Kelantan FMU

### Holders of MTCC Certificate for Forest Management

FMU	Certificate Number	Issuance Date	Area of FMU (ha)
1. Pahang FMU	FMC 001	14 December 2001	1,517,594
2. Selangor FMU	FMC 002	14 December 2001	235,312
3. Terengganu FMU *	FMC 003	14 December 2001	557,661

\* suspended w.e.f. 1 November 2002





## CHAIN-OF-CUSTODY CERTIFICATION

MTCC received applications for chain-of-custody certification under the MTCC certification scheme from 10 companies which had been awarded the *Certificate of Timber Tracking for the Stichting Keurhout Hallmark Declaration* by SGS (Malaysia) Sdn. Bhd.

The Second Meeting of the Certification Committee held on 2 April considered these applications and decided to award the MTCC *Certificate for Chain-of-Custody* to these companies as follows:-

- General Lumber Trading Sdn. Bhd.
- TSL Timber Sdn. Bhd.
- Salak Soon Lee Sawmill Sdn. Bhd.
- Legend Wood Sdn. Bhd.
- Suria Dayapi Timber Products Sdn. Bhd.
- Costraco Sdn. Bhd.
- Jerteh Timber Enterprise Sdn. Bhd.
- Seng Peng Sawmill Sdn. Bhd.
- Lionvest Corporation Sdn. Bhd.
- Sri Rawang Sdn. Bhd.

In addition, MTCC received 12 applications for chain-of-custody certification from the following companies:-

- Aikbee Sawmill Sdn. Bhd.
- Gunung Seraya Wood Products Sdn. Bhd.
- Pesama Timber Corporation Sdn. Bhd.
- Kilang Papan Wakaf Tapai Sdn. Bhd.
- P.I.F. Sdn. Bhd.
- Majestic Diversified Sdn. Bhd.
- Chye Hin Sawmill Sdn. Bhd.
- Hang Tuah Sawmill Sdn. Bhd.
- Timber Traders (S) Sdn. Bhd.
- Lee Wah Sawmill Sdn. Bhd.
- Bormill Wood (Terengganu) Sdn. Bhd.
- Syarikat Malaysia Wood Industries Sdn. Berhad

However, only three of these companies i.e. Aikbee Sawmill Sdn. Bhd., Pesama Timber Corporation Sdn. Bhd. and Gunung Seraya Wood Products Sdn. Bhd. proceeded to the stage where they made the decision on the independent assessor to carry out the assessment in 2002.

The assessment report on Aikbee Sawmill Sdn. Bhd. was tabled at the Third Certification Committee Meeting held on 29 August, where it was decided that the four minor corrective action requests (CARs) issued by the independent assessor, SIRIM QAS Sdn. Bhd., be upgraded to major CARs which should be closed-out prior to the company being considered for the issuance of the *Certificate for Chain-of-Custody* by MTCC.

The MTCC Logo Guide for Certificate Holders and MTCC Logo Resource Pack were finalised and issued to the holders of the *Certificate for Forest Management* and the *Certificate for Chain-of-Custody*.



Examples of MTCC tags and labels for certified products





### Holders of MTCC Certificate for Chain-of-Custody

Company	Certificate Number	Issuance Date	Scope
1. Bortim Sdn. Bhd.	COC 001	14 December 2001	Sawn timber
2. Mentakab Sawmill Sdn. Bhd.	COC 002	14 December 2001	Sawn timber
3. United Trading & Sawmill Sdn. Bhd.	COC 003	14 December 2001	Sawn timber
4. Maran Road Sawmill Sdn. Bhd.	COC 004	14 December 2001	Sawn timber, S4S and solid finger-jointed timber
5. Pan Resources Sdn. Bhd.	COC 005	14 December 2001	Sawn timber
6. Mahawangsa Timber Industries Sdn. Bhd.	COC 006	14 December 2001	Sawn timber
7. Kilang Papan Datuk Wan Ahmad (Raub) Sdn. Bhd.	COC 007	14 December 2001	Sawn timber
8. Asrama Raya Sdn. Bhd.	COC 008	14 December 2001	Sawn timber and S4S timber
9. Lionex (M) Sdn. Bhd.	COC 009	14 December 2001	Sawn timber
10. Exsell Corporation Sdn. Bhd.	COC 010	14 December 2001	Sawn timber
11. Finewood Export Associates Sdn. Bhd.	COC 011	14 December 2001	Sawn timber
12. Arif Jasa Industries Sdn. Bhd.	COC 012	14 December 2001	Sawn timber
13. Arah Asia Sdn. Bhd.	COC 013	14 December 2001	Sawn timber
14. Pesaka Terengganu Berhad	COC 014	14 December 2001	Sawn timber
15. Leung Huat Timber Industries (M) Sdn. Bhd.	COC 015	14 December 2001	Sawn timber
16. Besut Tsuda Industries Sdn. Bhd.	COC 016	14 December 2001	Sawn timber
17. General Lumber Trading Sdn. Bhd.	COC 017	12 April 2002	Sawn timber
18. Costraco Sdn. Bhd.	COC 018	12 April 2002	Sawn timber
19. TSL Timber Sdn. Bhd.	COC 019	12 April 2002	Sawn timber
20. Jerleh Timber Enterprise Sdn. Bhd.	COC 020	12 April 2002	Sawn timber
21. Salak Soon Lee Sawmill Sdn. Bhd.	COC 021	12 April 2002	Sawn timber
22. Seng Peng Sawmill Sdn. Bhd.	COC 022	12 April 2002	Sawn timber
23. Lionvest Corporation Sdn. Bhd.	COC 023	12 April 2002	Sawn timber
24. Suria Dayapi Timber Products Sdn. Bhd.	COC 024	12 April 2002	Sawn timber
25. Sri Rawang Sdn. Bhd.	COC 025	12 April 2002	Sawn timber
26. Legend Wood Sdn. Bhd.	COC 026	12 April 2002	Sawn timber



## REGISTRATION OF INDEPENDENT ASSESSORS AND PEER REVIEWERS

In 2002, two new applications for registration as independent assessors for forest management certification were received, i.e. from the Forest Research Institute Malaysia (FRIM) and the Faculty of Forestry, Universiti Putra Malaysia (UPM). These applications were considered and approved by the Second Meeting of the Certification Committee, bringing the total number of independent assessors registered under the MTCC certification scheme to eight as follows:-

- SGS (Malaysia) Sdn. Bhd. (AS.FMC 01)
- Gaya Tunas Sdn. Bhd. (AS.FMC 02)
- Chemsain Konsultant Sdn. Bhd. (AS.FMC 03)
- TropBio Forest Sdn. Bhd. (AS.FMC 04)
- Saytech (Sarawak) Sdn. Bhd. (AS.FMC 05)
- SIRIM QAS Sdn. Bhd. (AS.FMC 06)
- Forest Research Institute Malaysia (AS.FMC 07)
- Faculty of Forestry, Universiti Putra Malaysia (AS.FMC 08)

The total number of companies registered as independent assessors for chain-of-custody certification remained at 11 as follows:-

- SGS (Malaysia) Sdn. Bhd. (AS.COC 01)
- SIRIM QAS Sdn. Bhd. (AS.COC 02)
- Bureau Veritas (M) Sdn. Bhd. (AS.COC 03)
- TropBio Forest Sdn. Bhd. (AS.COC 04)
- Chemsain Konsultant Sdn. Bhd. (AS.COC 05)
- Gaya Tunas Sdn. Bhd. (AS.COC 06)
- TQS Management Sdn. Bhd. (AS.COC 07)
- JB Agriculture Management Services (AS.COC 08)
- KiwiHing Wood Industry Consultants Sdn. Bhd. (AS.COC 09)
- AOQC Moody (Malaysia) Sdn. Bhd. (AS.COC 10)
- Saytech (Sarawak) Sdn. Bhd. (AS.COC 11)

Under the MTCC certification scheme, peer review is part of the decision making process in the issuance of the *Certificate for Forest Management*, to evaluate assessment reports prepared by independent assessors related to applications for forest management certification. Currently, there are eight peer reviewers registered with MTCC.

## TRAINING

In September, MTCC implemented its *Second Auditor Training Programme on Forest Management Certification*. The training programme was attended by a total of 12 participants, with five of them from registered assessor companies, one consultant and six participants from the Forestry Department Peninsular Malaysia (FDPM) who are the designated key personnel spearheading the implementation of the MC&I in the department. The training programme is part of MTCC's capacity building effort to make available a pool of trained local auditors to carry out assessments for forest management certification under its scheme.



*Training for auditors in field assessment*



*Mr. Yong Teng Koon making a presentation during the Second Auditor Training Programme on Forest Management Certification*

## EXPORT OF MTCC-CERTIFIED TIMBER PRODUCTS

On 16 July, the first shipment of about 75 m<sup>3</sup> of MTCC-certified sawn timber was made to The Netherlands. By the end of December, a total of 732 m<sup>3</sup> of MTCC-certified sawn timber was exported to the same destination.

*Close-up view of first shipment of MTCC-certified sawn timber to The Netherlands*





## MALAYSIAN TIMBER CERTIFICATION MISSION TO EUROPE

With the operation of the MTCC certification scheme in October 2001 and its official launch in January, the Minister of Primary Industries, Y.B. Dato' Seri Dr. Lim, led a Malaysian Timber Certification Mission to Europe to introduce and promote the scheme, to inform about MTCC's on-going cooperation with the Keurhout Foundation and the FSC, as well as to provide an update on forest management in Malaysia.

The Mission, made up of 28 delegates representing the Ministry of Primary Industries, MTCC, FDPM, Sarawak Forest Department, FRIM, Malaysian Timber Industry Board (MTIB), Malaysian Timber Council (MTC), and the timber trade associations, took place from 1-10 June to four European countries (Germany, The Netherlands, Belgium and the UK).



*Mr. Chew Lye Teng making a presentation during meeting with German timber-based sector in Hamburg*

During the Mission, the Honourable Minister and his delegation held dialogues with the timber-based sector, government agencies and NGOs in the countries visited. At these meetings, the Honourable Minister highlighted the objectives of the Mission, the MTCC scheme, and the timber trade between Malaysia and the country concerned. He emphasised Malaysia's commitment towards attaining SFM and the operation of a credible timber certification scheme.



*Meeting with German timber-based sector in Hamburg*

Presentations on the MTCC timber certification scheme and on forest management in Malaysia were made by MTCC CEO Mr. Chew Lye Teng and Mr. Thang Hooi Chiew, Deputy Director General of FDPM, respectively.

The discussions during these dialogue sessions succeeded in providing a clearer picture regarding the implementation of the MTCC timber certification scheme and the cooperation between MTCC and FSC. The Honourable Minister urged the timber trade to accept timber products certified under the MTCC scheme.

He hoped that the adoption of the phased approach will facilitate acceptance of MTCC-certified timber products in the European market.

The Honourable Minister also held discussions with the following:-

- Mr. Matthias Berninger, State Secretary for Consumer Protection, Food and Agriculture of Germany;
- Senator Gunner Uldall of the Hamburg State Legislative Assembly;
- Mr. Gisbert Schlemmer, Treasurer of the FSC Board and Dr. Marion Karmann, FSC Germany;
- Keurhout Foundation Board Members;
- Board of Directors of the PEFCC;
- Mr. Pascal Lamy, Commissioner for Trade, European Commission (EC); and



*Mr. Thang Hooi Chiew making a presentation to representatives of the UK Timber Trade Federation*



*Representatives of Dutch Timber Trade Federation during meeting in Rotterdam*





*Y.B. Dato' Seri Dr. Lim leading discussions during meeting with Belgian timber-based sector in Brussels*



*Meeting with representatives of UK Timber Trade Federation in London*

as to encourage SFM and put forest loss under control. By doing so, the FSC can achieve its objective of increasing the area of certified forests around the world, particularly tropical forests of which currently not many are FSC-certified. He also pointed out that it was vital for FSC to garner support from major tropical timber producing countries like Malaysia to attain this common objective, and stressed that the phased approach taken by MTCC is a pragmatic way for developing countries to implement timber certification.



*Discussion with Keurhout Foundation in Rotterdam*

- The Honourable Mr. Michael Meacher, Minister of Environment and Ms. Sally Keeble, Secretary of State for International Development of the UK.

During these discussions, the Honourable Minister provided information on the MTCC, implementation of its certification scheme and the cooperation with other certification schemes. He stressed that the recognition given to only certain timber certification schemes such as the FSC scheme by some retailers, DIY stores, importers, manufacturers and local government authorities is discriminatory and is not consistent with the World Trade Organisation (WTO) and EC rules on trade. The Honourable Minister urged all relevant parties to work towards establishing mutual recognition among credible certification schemes.

In his discussions with the FSC representatives, the Honourable Minister expressed the hope that FSC would be able to show flexibility in the application of its requirements for recognition of FSC national standards so



*Meeting with FSC in Hamburg*

During the meeting with the Keurhout Foundation Board Members, the Honourable Minister expressed his disappointment that the recommendations made by SGS (Malaysia) Sdn. Bhd. in 2001 for the issue of the Keurhout Hallmark to Pahang, Selangor and Terengganu were not accepted by the Foundation, and the three States had no alternative but to be reassessed to the requirements of the agreed standard and the Schedule of Conditions specified by the Foundation. The three States have since been reassessed in March and the reassessment reports for Pahang and Selangor had been submitted for Keurhout's decision, which is still pending.

The Honourable Minister hoped that with the operation of the MTCC certification scheme, the certificates issued by MTCC can be accepted by Keurhout and thus qualify the timber products for the award of the Keurhout Hallmark. He however recognised that further discussions need to be held between the Foundation and MTCC so that a smooth transition can be made from the present arrangements to a new arrangement between the Keurhout Foundation and MTCC. This was agreed by the Keurhout Foundation's representatives who also felt that





*Meeting with members of PEFC Council in Brussels*

The PEFC Chairman expressed his appreciation of the work carried out thus far by MTCC, and saw Malaysia not only as a leader in tropical forestry but also in timber certification in the region. He also expressed his desire to have further discussions with MTCC to explore the possibility for mutual recognition. In response, the Honourable Minister was highly appreciative of the PEFC Board who saw the need for some degree of flexibility in dealing with the local conditions encountered in different countries. He promised that MTCC will initiate follow-up action and present its scheme with the aim of becoming a member of the PEFC.

During his discussion with Mr. Lamy, the Honourable Minister proposed that there should be greater cooperation between the EU and Malaysia as well as ASEAN to develop an ASEAN-wide forest certification scheme. Mr. Lamy received the proposal positively and informed that the EC is considering the development of an EU-wide certification scheme incorporating mutual recognition for other national schemes, based on minimum international standards agreed among its member states. Therefore there is good possibility for the EU and ASEAN to work together in this matter.

Among the immediate tangible results of the Mission was the evaluation of the MTCC scheme in October by a consultant in connection with a possible conditional recognition of the MTCC certification scheme by the Hamburg city authority.

the Malaysia-The Netherlands cooperation programme should be continued and that any differences should be discussed between the representatives of the two organisations.

In the discussion with the PEFC, which was headed by its Chairman Mr. Henri Plauche-Gillon, the Honourable Minister briefed the PEFC Board of Directors on the implementation of the MTCC scheme and informed them of the Mission's desire to know more details of the PEFC scheme, and the possibility of closer cooperation between the two schemes.



*Malaysian delegation with PEFC Council members*

## MALAYSIAN TIMBER COUNCIL REGIONAL MARKETING COMMITTEE MARKET VISIT TO AUSTRALIA



*Mr. Yong Teng Koon in discussion with representatives of NSW Department of Public Works and Services in Sydney*

**M**TCC participated in the MTC Regional Marketing Committee Market Visit to Brisbane, Sydney and Melbourne on 13-24 October to publicise its scheme and activities at various dialogue sessions with the Australian timber traders and meetings with policy makers.

As a result of the visit, many timber associations, importers, wholesalers, manufacturers, retailers and public sector officials in the three cities were made aware of and welcomed the efforts taken by Malaysia towards SFM and in particular the operation of an independent timber certification scheme under the MTCC.



As a follow up to the market visit, MTCC has contacted the Director General of the Premier's Department in New South Wales to provide information on the operation of the MTCC timber certification scheme and to request for the recognition and acceptance of the MTCC scheme in the timber procurement policy of the department.

Another positive outcome of the visit was that MTCC has since then received many enquiries from Australian importers regarding the MTCC scheme. In addition, more Malaysian exporters have applied for chain-of-custody certification under the MTCC timber certification scheme, in response to requests from their Australian buyers.



*Members of MTC Regional Marketing Committee holding discussion with Mr. Jon Fewster of Bunnings in Melbourne*



*Visitors to MTCC booth at MIFF 2002*

## PUBLICITY

The publicity brochure on the MTCC timber certification scheme as well as the standards for forest management and chain-of-custody certification were distributed during the fairs and exhibitions in which MTCC participated, such as the Malaysian International Furniture Fair (MIFF) 2002 in Kuala Lumpur (in March), the Malaysian Timber Marketing Convention (MTMC) in Kuala Lumpur (September) and the National Level 31<sup>st</sup> World Forestry Day Exhibition 2002 in Ayer Keroh (September).

At the international level, the MTC provided assistance in distributing the brochure and standards in exhibitions such as The International Builders' Show (IBS 2002), Atlanta, USA (February); Fensterbau Fair, Nuremberg, Germany (March); SAIEDUE Fair 2002, Bologna, Italy (March); INTERWOOD Fair, Piraeus, Greece (April); Carrefour International du Bois, Nantes, France (May); Designbuild Australia 2002, Melbourne, Australia (June); and Elmia Timber Fair, Jonkoping, Sweden (September).



*MTCC's booth at MTMC 2002*

Throughout 2002, the MTCC's website at <http://www.mtcc.com.my> was updated from time to time to provide the latest information on the MTCC timber certification scheme, including information on the FMUs and companies which have been awarded *Certificates for Forest Management* and *Certificates for Chain-of-Custody* respectively.



*Chief Minister of Malacca, Y.A.B. Datuk Seri Haji Mohd Ali bin Mohd Rustam, visiting the MTCC booth during the National Level 31<sup>st</sup> World Forestry Day Exhibition 2002 in Ayer Keroh*





## PARTICIPATION IN CONFERENCES/SEMINARS/WORKSHOPS/COURSES/MEETINGS

MTCC also participated in a number of international and local conferences, seminars, workshops, courses and meetings during which presentations on MTCC's certification scheme and other activities were made. These included the following:-

- *The First Council Meeting of the ASEAN Forest Products Industry Club (AFPIC)*, 21-22 January, Bangkok, Thailand
- *Discussion on the Concept of Sustainable Forest Management with particular reference to Malaysia by Schrader Forest Management Sdn. Bhd.*, 28 February, Petaling Jaya
- *Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&I) bagi Renjer dan Pengawas Hutan (Course on Implementation of MC&I for Forest Rangers and Foresters)*, 5-7 March, Kepong
- *Papua New Guinea Forest Industries Association Forest Investment Seminar*, 19-20 March, Port Moresby, Papua New Guinea
- *Workshop and Tradeshow on Building Capacity for Forestry Law Enforcement and Governance to Verify Wood Sources : Developing Effective Log Tracking and Chain-of-Custody Systems*, 19-21 March, Phnom Penh, Cambodia
- *ITTO International Workshop on Comparability and Equivalence of Forest Certification Schemes*, 3-4 April, Kuala Lumpur
- *Seminar on "Development Prospects for Malaysian Medicinal Plants and Herbal Industry"*, 27 April, Kuala Lumpur
- *Twelfth Meeting of the Plants Committee of CITES*, 13-17 May, Leiden, The Netherlands
- *32<sup>nd</sup> Session of the International Tropical Timber Council*, 13-18 May, Bali, Indonesia
- *Malaysia – ITTO International Workshop on Growth and Yield of Managed Tropical Forests*, 25-29 June, Kuala Lumpur
- *Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&I) bagi Pegawai Kanan Gred G5 dan G6 (Course on Implementation of MC&I for Grade G5 and G6 Senior Officers)*, 1-4 July, Seremban
- *Bengkel Kriteria dan Petunjuk Pengurusan Hutan (MC&I) dan ISO 9002 - Pelaksanaan Pengurusan Hutan Secara Berkekalan, Jabatan Perhutanan Negeri Kelantan (Workshop on MC&I and ISO 9002 – Implementation of SFM, Kelantan State Forestry Department)*, 3-4 July, Kota Bharu
- *The Seventh Meeting of the National Focal Points on ASEAN Cooperation and Joint Approaches in Forest Products Promotion Scheme (NFPACFPPS)*, 8-9 July, Vientiane, Lao PDR
- *The Third ASEAN Seminar on Current International Issues Affecting Forestry and Forest Products*, 12-13 July, Chiang Mai, Thailand
- *The Fifth Meeting of the ASEAN Senior Officials on Forestry (ASOF) and Meetings of ASOF Subsidiary Bodies*, 15-17 July, Chiang Mai, Thailand
- *The Second Council Meeting of the ASEAN Forest Products Industry Club (AFPIC)*, 1-3 August, Vientiane, Lao PDR



- *Second Meeting of ASEAN Experts Group on CITES*, 6-8 August, Kuala Lumpur
- *Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&I) bagi Pegawai Kanan Gred G5 dan G6 (Course on Implementation of MC&I for Grade G5 and G6 Senior Officers)*, 26-29 August, Mersing
- *Practising Sustainable Forest Management: Lessons Learned and Future Challenges*, 20-22 August, School of International Tropical Forestry, Universiti Malaysia Sabah, Kota Kinabalu
- *Malaysian Timber Marketing Convention (MTMC) 2002*, 24-25 September, Kuala Lumpur
- *17<sup>th</sup> Meeting of National Forestry Council*, 4 October, Putrajaya
- *Bengkel Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&I) - Sessi Kedua Tahun 2002 (Workshop on Implementation of MC&I - Second Session for 2002)*, 21-24 October, Kuala Lumpur
- *National Conference on Environmental Management (EM2002)*, 22-23 October, Ipoh
- *33<sup>rd</sup> Session of the International Tropical Timber Council*, 4-9 November, Yokohama
- *6<sup>th</sup> General Assembly of the Pan European Forest Certification (PEFC) Council*, 22 November, Luxembourg
- *Information Sharing Session on High Conservation Forest (HCVF)*, 22 November, Kuching
- *Seminar on the Malaysian Timber Industry and Forestry Management*, 25 November, Oslo, Norway



MTCC's participation at the Seminar on the Malaysian Timber Industry and Forestry Management in Oslo



Seminar participations in Oslo

## PRESENTATIONS/BRIEFING SESSIONS

MTCC also made presentations and conducted briefing sessions to the timber industry as follows:-

- *Presentation on Current Developments in Timber Certification in Malaysia* at Industry Seminar Series, MIFF 2002, 6 & 8 March, Kuala Lumpur
- *Briefing on MTCC Timber Certification Scheme* at the Distributors Meeting of Syarikat Malaysia Wood Industries Sdn. Bhd., 17-18 September, Sg. Petani
- *Malaysian Timber Council's Familiarisation Programme for Journalists from Foreign Timber Trade Publications in Conjunction with Malaysian Timber Marketing Convention (MTMC) 2002*, 23 September, Kuala Lumpur



**D**evelopments related to timber certification maintained a steady pace in Europe and North America during 2002 while developing timber producing countries continued to struggle with its implementation. The year saw the further progress of the FSC and PEFC certification programmes in Europe, but uptake in the tropics remain largely slow and laboured\*.

The total area of certified forests increased to 152.3 million hectares by May 2003\*, with the following geographical distribution: Europe (47%), North America (47%), Asia-Pacific (2%), Latin America (2%) and Africa (1%) (Figure 1).

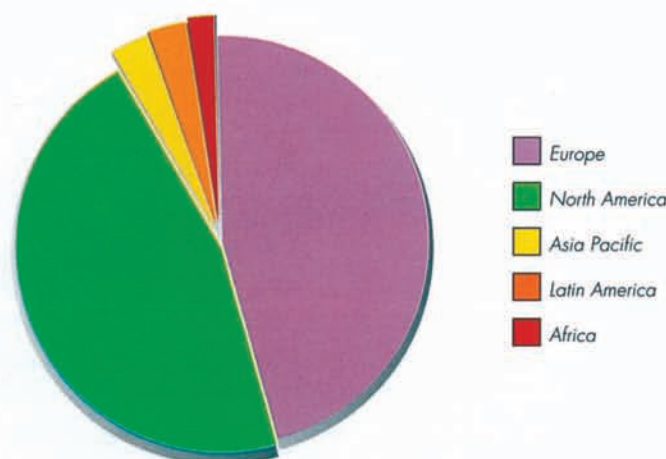


Figure 1: Certified Forests in May 2003

The following are the highlights of the international developments in 2002:-

## North America

In the USA, the Sustainable Forestry Initiative (SFI) certification programme was highly active, with standard being revised with the aim of protecting forests with exceptional conservation value and the introduction and promotion of the SFI label. The development of FSC regional standards continued, while standards were approved for two major timber producing regions. Work continued to modernise the American Tree Farm System and to ensure its mutual recognition with the SFI.

In Canada, the province of New Brunswick made forest certification compulsory on public forest lands, making it the first jurisdiction in the world to mandate forest certification to licensees. The Forest Products Association of Canada decided to require forest certification for membership in the organisation beyond 2006. The Canadian Standards Association (CSA) standard underwent a significant revision while regional standard development continued under the FSC, particularly for British Columbia and the boreal forests.

While most developments in 2002 occurred on the supply side, an important environmental purchasing policy was announced by Staples Inc., a leading office supply company. Also noteworthy were a new series of inconclusive hearings held by the New York City Council for its "Good Wood Bill".

The overall trend points to a strengthening of certification, through increases in certified forest areas and enhancements brought to the four leading North American programmes.

\* This review is extracted from *Forest Certification: 2002 Year in Review* by Sustainable Forestry & Certification Watch

+ Dr. Simula, M., (2003), *Is Forest Certification an Impediment or a Promotional Instrument to Timber Trade from Sustainable Tropical Forests*, ITTO Side Event in UNFF3, Geneva, 30 May 2003





## Europe

Europe saw a steady growth in forest certified to standards of both the FSC and endorsed schemes of the PEFC. Total certified area reached 66.5 million hectares by the end of 2002, with PEFC accounting for 46.1 million hectares (12% increase) and FSC accounting for 20.4 hectares (21% increase). Much of the growth was in Eastern Europe (Czech Republic, Croatia, Latvia and Estonia), as well as in France and Germany.

Certification programmes developed by the PEFC groups in Spain, the UK, Denmark and Belgium were endorsed by the PEFC. In the case of the UK, the certification scheme is based on the UK's Woodland Assurance Scheme (UKWAS) standard, which means that the UK's national certification programme became the only scheme in the world that is recognized by both FSC and PEFC.

## Other Regions

The year 2002 saw the official launching of the MTCC certification scheme and the development of new standards in Chile, Australia and Brazil. Various worldwide national certification programmes (Australia, Brazil, Chile and Malaysia) elected to join the PEFC, altering the makeup of the European group and potentially presenting an international alternative to FSC.

## Other Developments

Discussions about a "phased approach" to certification were prominent between tropical timber producers and customers. The phased approach was discussed by the 32<sup>nd</sup> Session of the International Tropical Timber Council (ITTC) which recognised the benefits of a phased or stepwise approach, and authorised the ITTO to commission a study on phased approaches, to convene three regional workshops that will discuss the study and report recommendations to the ITTC in its meeting in May 2003.

The report of the study, which the ITTC received in its November meeting, stated that the slow uptake of certification in the tropics could be improved by dividing full compliance with the certification standard into a series of phases so that the limited resources available could be focused on one or two tasks at a time. The consultants for the study suggested that a phased approach can provide a framework for forest managers, helping them to plan activities so that the process of implementing the standard becomes clearer and more manageable.

The World Bank completed a long-awaited revision of its forest strategy which relies on certification for lending policies, in spite of poor results and inconsistencies after 5 years of promoting certification in its alliance with the World Wide Fund for Nature (WWF). In a July update, the World Bank and WWF revealed that only 9 million hectares (in World Bank client countries) have met the World Bank-WWF target of 200 million hectares certified by 2005. This means that, more than 5 years after it was announced in June 1997, less than 5% of the certification target has been achieved.



## MUTUAL RECOGNITION

There was less activity in the area of encouraging mutual recognition between the different timber certification schemes in 2002. The ITTO nevertheless organised an *International Workshop on Comparability and Equivalence of Forest Certification Schemes* in Kuala Lumpur in April with the objective to review progress towards comparability and equivalence of certification schemes and to recommend relevant activities for ITTO.



MTCC's participation at the *International Workshop on Comparability and Equivalence of Forest Certification Schemes*

The moderator's summary for the Workshop noted that mutual recognition between schemes as a means to reduce confusion among buyers and consumers received support from many participants although others did not support the idea and saw more merit in competition between schemes. It was also noted that mutual recognition requires rigorous technical analysis and it should not lead to lowering of standards. Some participants thought that there is a need for an international framework for evaluation and validation of certification schemes eventually leading to mutual recognition.

The Workshop also noted that a phased approach was proposed as a potentially feasible option for tropical timber producers in gaining recognition for their efforts to implement certification, and merited further consideration, which would involve in-depth analysis and discussion with stakeholders to design it in a way which makes it acceptable to the market, producers and other stakeholders.

The Workshop recommended that ITTO's role in promoting certification should be strengthened to include activities such as (i) monitoring the progress in comparability and equivalence of certification systems and exploring opportunities for promoting convergence in forest certification standards in Member Countries, including regional initiatives; (ii) facilitating discussion involving stakeholders and providing support to exploring the feasibility of phased approach to certification as a means to improve equitable access to certification by producers in tropical countries; and (iii) keeping its Members informed on initiatives related to international frameworks for the mutual recognition between certification systems.

## MALAYSIA-THE NETHERLANDS COOPERATION IN TIMBER CERTIFICATION

Based on assessments conducted in Pahang, Terengganu and Selangor FMUs in July-August 2000, the independent assessor, SGS (Malaysia) Sdn. Bhd. had recommended that the *SGS Certificate of Compliance* to the Keurhout Hallmark Programme be issued to these FMUs in early 2001. However, the Keurhout Managing Board was of the view that certain aspects of forest management practices in the Pahang, Selangor and Terengganu FMUs did not fully comply with the Keurhout requirements and hence did not award the Hallmark.

In order to encourage the process, the audited timber from the three state FMUs was allowed to enter the Dutch market as Keurhout 'Declaration' timber for a period of six months from 1 October 2001 to 31 March 2002. Follow-up re-assessments of these FMUs taking into consideration the various aspects of forest management identified by the Keurhout Foundation were undertaken in March. The re-assessment reports for Pahang and Selangor together with the recommendation of the independent assessor to award the *SGS Certificate of Compliance* to the Keurhout Hallmark Programme were submitted for the consideration of Keurhout



in mid-2002. However, until the end of 2002, the Keurhout Foundation had not made any clear-cut decision on these reports.

## MTCC-FSC COOPERATION

### Development of MC&I Based on FSC Principles and Criteria

The multi-stakeholder NSC held two meetings in the year 2002. The Fourth NSC meeting held on 25-26 January considered and adopted the Second Draft of the MC&I based on the FSC P&C, up to the Indicator level, prepared by the four-member Technical Working Group (TWG) (comprising representatives of the environmental, social and economic stakeholders and the direct resource managers) that met for the second time on 22-23 January.

The Fourth NSC Meeting also agreed to the formation of three regional TWGs to formulate proposed Verifiers for Sabah, Sarawak and Peninsular Malaysia into the draft MC&I and that these Verifiers be finalised at regional and national level consultations.



4th National Steering Committee Meeting



In Sarawak, a regional TWG meeting was held in Kuching on 1-2 April to formulate the proposed Verifiers for Sarawak and these Verifiers were subsequently finalised at the regional consultation held on 21-23 May in Kuching.



Regional consultations in Sabah (top) and Peninsular Malaysia (above)

In Sabah, the Forestry Department took the lead in preparing the working document containing the proposed Verifiers for Sabah which were finalised at the regional consultation held on 17-18 April and 25-26 June in Kota Kinabalu.

In Peninsular Malaysia, a total of four regional TWG meetings were held to formulate the proposed Verifiers for Peninsular Malaysia, i.e. on 10 April, 17-18 May, 6-7 June and 17-18 June. Subsequently, the regional consultation to finalise the Verifiers for Peninsular Malaysia was held on 24-25 July in Kuala Lumpur.



Participants at the National-level consultation

MTCC, as the NSC Secretariat, prepared the Third Draft of the MC&I by incorporating all regional Verifiers from Sabah, Sarawak and Peninsular Malaysia. The Draft MC&I was subsequently forwarded to all relevant stakeholders for their perusal and comments.

The Third Draft of the MC&I was considered and adopted by the Fifth Meeting of the NSC held on 14-15 August. The Meeting also agreed that a National-level Consultation be convened to allow for further deliberation and adoption of the final draft of the MC&I by all relevant stakeholders.



The National-level Consultation which was subsequently held on 28-30 October in Kuala Lumpur was attended by 113 participants representing economic, social and environmental interests in forest management. The National-level Consultation adopted by consensus the MC&I document with the proviso that a number of Verifiers for certain Indicators be subject to further consultation among relevant stakeholders or confirmed with the appropriate organisations by the NSC Secretariat. The Consultation also agreed to name the document as the *Malaysian Criteria and Indicators for Forest Management Certification (MC&I)* and dated 30 October 2002.

It was also agreed at the National-level Consultation that the new MC&I should be field-tested in the three regions, i.e. Sabah, Sarawak and Peninsular Malaysia, to assess its practical application in assessing FMUs for the purpose of timber certification.

Also present on the last day of the consultation was the Executive Director of FSC, Mr. Heiko Liedeker, who noted the progress made by Malaysia and expressed the view that the process to develop a standard for FSC endorsement is well "on track", with the adoption of this new MC&I which is based on the P&C of the FSC. Mr. Liedeker assured the stakeholders present that FSC viewed its collaboration with MTCC as a great opportunity to demonstrate FSC's acceptance of work pertaining to timber certification in developing countries.

Mr. Liedeker emphasised that even though most of the forests certified under the FSC scheme are located in the North, FSC is presently taking steps to redress the imbalance, and will become more proactive in helping developing countries to develop FSC-endorsable standards.



*Mr. Sidi Munan, President of the Sarawak Dayak Iban Association (SADIA), making his intervention at the National-level consultation*



*Mr. Heiko Liedeker, Executive Director of FSC, speaking at the National-level consultation*

### Formation of National Working Group (NWG)

The Fourth Meeting of the NSC discussed in great detail regarding the form and structure of the NWG to be formed for the purpose of developing a forest management standard to be submitted for the endorsement of the FSC. A four-member Technical Working Group [TWG(NWG)] was formed to initiate work towards the establishment of the NWG. The primary function of the TWG(NWG) was to examine the four options proposed for the formation of the NWG which are as follows:-

- (i) NWG comprising of three chambers (social, economic and environment) as advocated by FSC;
- (ii) NWG comprising of four chambers (social, economic, environment and direct resource managers);
- (iii) NWG comprising of six chambers (direct resource managers, economic, workers' union, indigenous people, environment/physical, and biodiversity); and
- (iv) the conversion of the NSC to a NWG.

Based on the decision of the Fourth NSC Meeting, a consultant prepared a comprehensive working paper entitled *Proposal on the Establishment of the National Working Group (NWG) for Malaysia* which was presented at the Fifth Meeting of the NSC. The paper discussed the various aspects to be considered in establishing the NWG and the options available as identified by the Fourth NSC Meeting. The paper also dealt with possible elements of the Terms of Reference (TOR) and financial aspects of the NWG.



At the Fifth Meeting of the NSC held on 14-15 August, the question of who could initiate the formation of the NWG, including holding discussions with the Registrar of Societies/Registrar of Companies pertaining to the requirements for the establishment of the NWG was raised. Some members were of the view that the four-member TWG(NWG) be given the task to look into the details regarding the formation of the NWG, while others felt that MTCC should continue to support the NWG process.

### Formulation of Plantation Standard

The Fourth Meeting of the NSC decided that a national workshop should be held to ascertain the level of interest and urgency from the stakeholders for the development of a standard for certification of plantation forests.

The *National Workshop on Standard for Certification of Plantation Forests* was therefore held on 31 October during which the following papers were discussed:-

Paper 1: *Progress in the Implementation of Timber Certification in Malaysia*

Paper 2: *FSC Certification of Estates – Golden Hope Experience*

Paper 3: *Need to Certify Plantation Forests in Malaysia: Buyer's Viewpoint*

Paper 4: *Formulation of Malaysian Standard for Certification of Plantation Forests*

The National Workshop made the following recommendations:-

- (i) a single standard be adopted for both the natural forest and plantation forest, covering Principles 1 to 10 of the FSC Principles and Criteria;
- (ii) an expanded NSC, comprising an additional seven members from the plantation sector be formed and be tasked to develop the standard for certification of plantation forests; and
- (iii) under the expanded NSC, a TWG will be formed to draft the plantation standard which shall in turn be deliberated by the NSC prior to adoption.



Tuan Haji Khairudin Hashim of Golden Hope Plantations Berhad presenting his paper at the National Workshop on Standard for Certification of Plantation Forests



Participants at the National Workshop

### MTCC-PEFCC COOPERATION

MTCC's cooperation with the PEFCC was initiated as a result of MTCC's participation in the discussion held between members of the Malaysian Timber Certification Mission to Europe and the PEFCC in Brussels in June.

The PEFC scheme is a framework for the mutual recognition of national forest certification schemes. Since its inception by several national forest owners organisations in 1998, PEFCC has developed into an umbrella organisation of 26 national forest certification schemes from all parts of the world, including Canada, USA, Australia, Chile and Malaysia. Currently 13 national schemes have been endorsed by the PEFCC.

MTCC has been accepted as a member of the PEFCC on 22 November, and is taking steps to submit its scheme for endorsement.



## PAN ASEAN TIMBER CERTIFICATION SCHEME

As a result of the initiative taken by Malaysia to encourage closer regional cooperation in timber certification, the 5<sup>th</sup> ASEAN Senior Officials on Forestry (ASOF) Meeting agreed to a proposal to establish a Pan ASEAN Timber Certification Scheme and requested Malaysia to convene the *Ad-Hoc Working Group* on the Pan ASEAN Timber Certification Scheme.

The First Meeting of the *Ad-Hoc Working Group* was convened in Kuala Lumpur on 17-19 December. The Meeting was attended by delegates from six ASEAN member countries, i.e. Brunei

Darussalam, Indonesia, Lao PDR, Myanmar, The Philippines and Malaysia, together with a representative from the ASEAN Secretariat. Malaysia is the Lead Country for this initiative, while within Malaysia, MTCC serves as the focal point.



*Delegates at the First Meeting of the Ad Hoc Working Group on a Pan ASEAN Timber Certification Scheme*

The First Meeting agreed to amend the title of the *Pan ASEAN Timber Certification Scheme* to *Pan ASEAN Timber Certification Initiative*, so as to avoid any misinterpretations.

The First Meeting adopted the following Terms of Reference (TOR) for the *Ad-Hoc Working Group*:-

- (i) To review the ASEAN Regional Criteria and Indicators for Sustainable Management of Natural Tropical Forests, and refer to sets of criteria and indicators used or proposed by national certification schemes in the individual ASEAN Member Countries, with a view to identify a core set of criteria and indicators for a Pan ASEAN Timber Certification Initiative, using a phased approach.
- (ii) To establish the principles, approach, methodology and work plan for the establishment of a credible and pragmatic Pan ASEAN Timber Certification Initiative.
- (iii) To facilitate the exchange of views and information on timber certification in ASEAN Member Countries and other global developments.
- (iv) To develop ASEAN Guidelines for the implementation of a phased approach to certification, taking into account the diversity of forestry environments and institutional capacity among Member Countries and development of the phased approach in the global fora.

The Meeting also adopted the amended Work Plan for the *Ad-Hoc Working Group* which details the pathway to be taken and processes involved leading to the development and effective operation of a Pan ASEAN Timber Certification Initiative.

The Meeting agreed to use the ITTO Criteria and Indicators (C&I) as the template and requested each Member Country to prepare a report with a matrix comparing the C&I used in their respective countries for certification or SFM with the ITTO C&I.



# Significant Events

MTCC organised/coordinated the following local events in 2002.

Local Events	Date	Venue
Second Meeting of Technical Working Group (TWG), National Steering Committee (NSC)	22 – 23 January	Kuala Lumpur
Fourth Meeting of NSC	25 – 26 January	Kuala Lumpur
Launching Ceremony of MTCC Timber Certification Scheme	31 January	Kuala Lumpur
Seminar on MTCC Timber Certification Scheme	31 January	Kuala Lumpur
Regional TWG Meeting for Sarawak (NSC)	1 – 2 April	Kuching
First Regional TWG Meeting for Peninsular Malaysia (NSC)	10 April	Petaling Jaya
Regional Consultation on FSC-compatible MC&I for Sabah (NSC)	17 – 18 April	Kota Kinabalu
Second Regional TWG Meeting for Peninsular Malaysia (NSC)	17 – 18 May	Kuala Lumpur
Regional Consultation on FSC-compatible MC&I for Sarawak (NSC)	21 – 23 May	Kuching
Third Regional TWG Meeting for Peninsular Malaysia (NSC)	6 – 7 June	Petaling Jaya
Fourth Regional TWG Meeting for Peninsular Malaysia (NSC)	17 – 18 June	Petaling Jaya
Regional Consultation on FSC-compatible MC&I for Sabah (NSC)	25 – 26 June	Kota Kinabalu
Regional Consultation on FSC-compatible MC&I for Peninsular Malaysia (NSC)	24 – 25 July	Kuala Lumpur
Fifth Meeting of NSC	14 – 15 August	Kuala Lumpur
MTCC Auditor Training Programme on Forest Management Certification	16 – 20 September	Kuala Lumpur
National-Level Consultation on FSC-compatible MC&I (NSC)	28 – 30 October	Kuala Lumpur
National Workshop on Standard for Certification of Plantation Forests (NSC)	31 October	Kuala Lumpur





MTCC held discussions with the following visitors in 2002.

Visitors	Date
Dr. Timothy Synnott, Forest Policy Director, Forest Stewardship Council (FSC)	22 January
Mr. Patrick D. Hardcastle, Forestry Development Specialist, United Kingdom	27 March
Mr. Takashi Yamazaki, Second Secretary, Embassy of Japan and Mr. Yoshiki Takahama, Wood Products Trade Office, Forestry Agency, Japan	2 April
Mr. Lu Wenming, Assistant Director, Professor, Research Institute of Forestry Policy and Information, Chinese Academy of Forestry, Peoples' Republic of China and Mr. Li Mingqi, Deputy Director General, Science and Technology Development Centre, State Forestry Administration, Peoples' Republic of China	4 April
Mr. Colin Thomas, Managing Director, Home & Leisure International Limited, United Kingdom	16 April
Mr. Ray Ripley, Finnforest UK Ltd., United Kingdom	31 May
Visit by delegation of eight Chinese forestry scientists, comprising:- <ul style="list-style-type: none"> <li>• Mr. Yang Yongzhe, Chairman of China Association of Agricultural Economics</li> <li>• Mr. Li Wenhua, Professor, Chinese Academy of Sciences</li> <li>• Mr. Tang Shouzheng, Professor, Chinese Academy of Forestry</li> <li>• Mr. Zhang Zhongfa, Professor, Development Research Centre, State Council</li> <li>• Mr. Li Dongsheng, Senior Engineer, Department of Science and Technology, State Forestry Administration</li> <li>• Mr. Yin Gangqiang, Engineer, Department of Science and Technology, State Forestry Administration</li> <li>• Mr. Li Zhiyong, Professor, Chinese Academy of Forestry</li> <li>• Ms. Wang Xuehong, Department of International Cooperation, State Forestry Administration</li> </ul>	27 June
Ms. Mona Bynoe, Executive Director of Forest Products Association of Guyana	11 July
Mr. Mark Plews, Managing Director, UCM Timber plc., and Mr. Harry Mitchell, Sales Director, Mercantile International Group plc., United Kingdom	19 July
Visit by delegation of four officials from the Department of Forestry, Ministry of Fisheries and Forests, Fiji, led by Mr. Laiakini R. Jiko, Conservator of Forests & Deputy Permanent Secretary for Fisheries & Forests, Fiji	7 August
Mr. Martin P. Ansell, Senior Lecturer, Department of Materials Science and Engineering, University of Bath, United Kingdom	21 August
Ms. Hilary Thompson, B&Q plc., United Kingdom	17 September
Mr. Russell Buckley, Managing Director and Mr. Ang Boo Hiang, Manager, Straits Timber Products Sdn. Bhd., Malaysia	19 September
Mr. Simon Johnson, National Flooring Sales Manager, Finnforest UK Ltd, United Kingdom	19 September



Visitors	Date
<p>Malaysian Timber Council's Familiarisation Programme for Journalists from Foreign Timber Trade Publications and MTC Staff:</p> <ul style="list-style-type: none"> <li>• Mr. Bruce Frost, President, International Wood Products Association (IWPA), USA</li> <li>• Ms. Sally Spencer, Editor, Timber Trades Journal, United Kingdom</li> <li>• Ms. Marleen van Herwyven, Houtwereld Magazine, The Netherlands</li> <li>• Mr. Peter Brian Chee Keong, Asian-Timber, Singapore</li> <li>• Mr. Jens Fisher, Holz-Zentralblatt, Germany</li> <li>• Mr. Rashed Ahmed Rashed, UAE Contractors' Association, United Arab Emirates</li> <li>• Mr. Ong Kee Kian, MTC Shanghai, China</li> <li>• Mr. Radhakrishnan Kandamath, MTC Dubai, United Arab Emirates</li> <li>• Mr. Nicholas Llewellyn, MTC London, United Kingdom</li> <li>• Ms. Alexis Chang, MTC Headquarters, Kuala Lumpur</li> </ul>	23 September
Dr. Ir. Herbert Diemont, Alterra Wageningen, The Netherlands	1 October
Dr. B. Hahn-Schilling, General Director, International Forest Management Consultants, Germany	8 October
Mr. Stefan Schardt, Managing Director, Initiative for the Promotion of Sustainable Forest Management (ifw), Germany	9 – 12 October
Mr. Peter Ackhurst, Consulting Forester, British Columbia, Canada	23 October
Mr. Aaron Fishman, Second Secretary, Environment, Science and Technology Officer, American Embassy, Malaysia	24 October



*Delegation of Chinese forestry scientists visiting MTCC*

*Ms. Hilary Thompson of B&Q plc., UK meeting Dato' Dr. Freezailah and Mr. Harnarinder Singh at MTCC office*





MTCC participated in the following events in 2002.

International Conferences and Meetings	Date	Venue
The First Council Meeting of the ASEAN Forest Products Industry Club (AFPIC)	21 – 22 January	Bangkok, Thailand
Papua New Guinea Forest Industries Association Forest Investment Seminar	19 – 20 March	Port Moresby, Papua New Guinea
Workshop and Tradeshow on Building Capacity for Forestry Law Enforcement and Governance to Verify Wood Sources: Developing Effective Log Tracking and Chain-of-Custody Systems	19 – 21 March	Phnom Penh, Cambodia
ITTO International Workshop on Comparability and Equivalence of Forest Certification Schemes	3 – 4 April	Kuala Lumpur
Twelfth Meeting of the Plants Committee of CITES	13 – 17 May	Leiden, The Netherlands
32 <sup>nd</sup> Session of the International Tropical Timber Council (ITTC)	13 – 18 May	Bali, Indonesia
Meeting with German Timber-Based Sector (Malaysian Timber Certification Mission to Europe)	4 June	Hamburg, Germany
Meeting with Dutch Timber-Based Sector (Malaysian Timber Certification Mission to Europe)	6 June	Rotterdam, The Netherlands
Meeting with Belgian Timber-Based Sector (Malaysian Timber Certification Mission to Europe)	7 June	Brussels, Belgium
Meeting with UK Timber-Based Sector (Malaysian Timber Certification Mission to Europe)	10 June	London, UK
Malaysia-ITTO International Workshop on Growth and Yield of Managed Tropical Forests	25 – 29 June	Kuala Lumpur
The Seventh Meeting of the National Focal Points on ASEAN Cooperation and Joint Approaches in Forest Products Promotion Scheme (NFPACFPPS)	8 – 9 July	Vientiane, Lao PDR
The Third ASEAN Seminar on Current International Issues Affecting Forestry and Forest Products	12 – 13 July	Chiang Mai, Thailand
The Fifth Meeting of the ASEAN Senior Officials on Forestry (ASOF) and Meetings of ASOF Subsidiary Bodies	15 – 17 July	Chiang Mai, Thailand
The Second Council Meeting of AFPIC	1 – 3 August	Vientiane, Lao PDR
Second Meeting of ASEAN Experts Group on CITES	6 – 8 August	Kuala Lumpur
33 <sup>rd</sup> Session of the International Tropical Timber Council (ITTC)	4 – 9 November	Yokohama, Japan
First Meeting for the Promotion of the Asia Forest Partnership (AFP)	11 November	Tokyo, Japan
6 <sup>th</sup> General Assembly of the Pan European Forest Certification Council (PEFCC)	22 November	Luxembourg
Seminar on the Malaysian Timber Industry and Forestry Management	25 November	Oslo, Norway
First Meeting of the Ad-Hoc Working Group on a Pan ASEAN Timber Certification Scheme	17 – 19 December	Kuala Lumpur



Fairs / Exhibitions	Date	Venue
Malaysian International Furniture Fair (MIFF) 2002	5 – 9 March	Kuala Lumpur
Malaysian Timber Marketing Convention (MTMC) 2002 Exhibition	24 – 25 September	Kuala Lumpur
National-Level 31 <sup>st</sup> World Forestry Day Exhibition 2002	28 – 30 September	Ayer Keroh

Local Conferences and Meetings	Date	Venue
Discussion on the Concept of Sustainable Forest Management with particular reference to Malaysia, by Schrader Forest Management Sdn. Bhd.	28 February	Petaling Jaya
<i>Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&amp;I) bagi Renjer dan Pengawas Hutan</i> (Course on Implementation of MC&I for Forest Rangers and Foresters)	5 – 7 March	Kepong
MIFF 2002 Industry Seminar Series	6 & 8 March	Kuala Lumpur
IRIM Seminar on Development Prospects for Malaysian Medicinal Plants and Herbal Industry	27 April	Kuala Lumpur
<i>Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&amp;I) bagi Pegawai Kanan Gred G5 dan G6</i> (Course on Implementation of MC&I for Grade G5 and G6 Senior Officers)	1 – 4 July	Seremban
<i>Bengkel Kriteria dan Petunjuk Pengurusan Hutan (MC&amp;I) dan ISO 9002 Pelaksanaan Pengurusan Hutan Secara Berkekalan, Jabatan Perhutanan Negeri Kelantan</i> (Workshop on MC&I and ISO 9002 – Implementation of SFM, Kelantan State Forestry Department)	3 – 4 July	Kota Bharu
Meeting on Prescriptions of Selective Management System	11 July	Kuala Lumpur
Implementation of MC&I – Visit to Compartment 12, Serendah Forest Reserve, Selangor, organised by the Institute of Foresters Malaysia (IRIM)	22 July	Selangor
Practising Sustainable Forest Management : Lessons Learned and Future Challenges, School of International Tropical Forestry, Universiti Malaysia Sabah.	20 – 22 August	Kota Kinabalu
<i>Kursus Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&amp;I) bagi Pegawai Kanan Gred G5 dan G6</i> (Course on Implementation of MC&I for Grade G5 and G6 Senior Officers)	26 – 29 August	Mersing
Distributors Meeting of Syarikat Malaysia Wood Industries Sdn. Berhad	17 – 18 September	Sg. Petani
17 <sup>th</sup> Meeting of National Forestry Council (NFC)	4 October	Putrajaya
<i>Bengkel Pelaksanaan Kriteria, Petunjuk dan Aktiviti Pengurusan Hutan (MC&amp;I) Sesi Kedua Tahun 2002</i> (Workshop on Implementation of MC&I - Second Session for 2002)	21 – 24 October	Kuala Lumpur
National Conference on Environmental Management (EM2002): "Environmental Management for Global Competitiveness"	22 – 23 October	Ipoh
Information Sharing Session on High Conservation Forest (HCVF)	22 November	Kuching



# BALANCE SHEET AS AT 31 DECEMBER 2002

	2002 RM	2001 RM
ENDOWMENT FUND	36,000,000	25,000,000
ACCUMULATED FUND	1,401,163	1,079,853
GOVERNMENT GRANT	3,332,823	—
	<u>40,733,986</u>	<u>26,079,853</u>
<i>Represented by:</i>		
PROPERTY, PLANT & EQUIPMENT	109,704	167,052
CURRENT ASSETS		
Sundry receivables, deposits and prepayments	99,393	93,703
Fixed deposits with licensed banks	40,332,627	25,770,799
Cash & bank balances	307,679	110,758
	<u>40,739,699</u>	<u>25,975,260</u>
<i>Less :</i>		
CURRENT LIABILITIES		
Sundry payables and accruals	115,417	62,459
NET CURRENT ASSETS	<u>40,624,282</u>	<u>25,912,801</u>
	<u>40,733,986</u>	<u>26,079,853</u>

## Financial Statements



# INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 RM	2001 RM
Revenue	21,126	28,980
Direct costs	(21,126)	(28,980)
Gross profit	-	-
Other operating income	10,100	103,725
Administrative and general expenses	(1,783,472)	(927,389)
Amortisation of government grant	941,459	-
Deficit from operations	(831,913)	(823,664)
Interest income	1,153,223	947,919
Net Surplus for the year	321,310	124,255





**MALAYSIAN TIMBER CERTIFICATION COUNCIL**

19F, Level 19, Menara PGRM, No. 8, Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia.

Tel: 603-9200 5008 Fax: 603-9200 6008 E-mail: [mtcc@tm.net.my](mailto:mtcc@tm.net.my) Website: <http://www.mtcc.com.my>