

Validation Report Kelantan
Date: 18/09/08

The Board of Experts declares that it has validated the MTCC certificate for the FMU of Kelantan, including Chain of Custody, against the criteria as laid down in the Keurhout Protocol for the Validation of Sustainable Forest Management, version August 31st, 2007:



This report may only be issued integrally

The following documents have been included in the validation:

- National Steering Committee, 2004. Malaysian Criteria & Indicators for Forest Management Certification (MC&I-2002).
- MTCC, 2004. Requirements for Chain of Custody Certification
- MTCC, 2004. Procedures in MTCC Timber Certification Scheme
- MTCC, 2004. Format of Assessment Report MC&I-2002

Other materials integrated in the validation:

- MTCC, 2008. Public Summary of Assessment of Kelantan FMU for Forest Management Certification against the requirements of MC&I (2002)
- MTCC, 2008. Certificate for Forest Management FMC 008 dd 18/01/2008
- www.mtcc.com.my
- SIRIM-QAS, 2007. Report on Assessment of Kelantan FMU for Forest Management Certification.
- SIRIM-QAS, 2007. Report on Verification Assessment of Kelantan FMU for Forest Management Certification.
- DSM, 2005. Accreditation certificates of SIRIM-QAS for ISO Guide 62
- DSM, 2007. Accreditation certificates of SIRIM-QAS for and ISO Guide 65 and ISO Guide 66

Next to the documents mentioned above various other documents of the MTCC System are relevant and have been taken into account in this validation as well as information provided in response to questions of Keurhout.

GLOSSARY

BoE	Keurhout Board of Experts
CAR	Corrective Action Request
CBD	Convention on Biodiversity
CITES	Convention on International Trade in Endangered Species
CB	Certification Body
CoC	Chain of Custody
DSM	Department of Standards, Malaysia
EIA	Environmental Impact Assessment
EMS	Environmental Management System
EN	European Norm
FFD	Federal Forestry Department
FMU	Forest Management Unit
FSC	Forest Stewardship Council
GIS	Geographic Information Systems
ha	hectare
ILO	International Labour Organization
ISO	International Standards Organization
KEL	Kelantan
KH	Keurhout
KH-SFM	Keurhout Protocol for the Validation of Sustainable Forest Management
MA	Main Audit
MC&I	Malaysian Criteria and Indicators for Forest Management
MTCC	Malaysian Timber Certification System
NC	Non-Conformity
NGO	Non-Governmental Organization
NTFP	Non-Timber Forest Products
NTTA	Netherlands Timber Trade Association
PEFC	Programme for the Endorsement of Forest Certification Schemes
RCOC	CoC standard of MTCC
RPS	Removal Pass System
SFD	State Forestry Department (of Kelantan)
SFM	Sustainable Forest Management
SIRIM-QAS	SIRIM-QAS International (CB)
SIA	Social Impact Assessment
SMS	Selective Management System
TTS	Tree Tagging System
UNCCC	United Nations Conference on Climate Change
UNFF	United Nations Forum on Forests
VA	Verification Audit

1) Validation process

In June 2008 Keurhout (KH) undertook a validation of a third MTCC certificate that had been issued against the new MTCC standard for forest management (MC&I-2002). The validation was implemented against the *Keurhout Protocol for the Validation of Sustainable Forest Management (KH-SFM, version August 31st, 2007)*, which is based on the Minimum Requirements for SFM, as established in 1996 by the Dutch Government and which has been further developed since 2004 by the Netherlands Timber Trade Association (NTTA). The validation concerns the Permanent Reserved Forest (PRF) of the State Kelantan on Peninsular Malaysia and covers the Sustainable Forest Management (SFM) of a FMU of 629,687 ha (divided over 3 Forestry Districts and of which 21,950 ha had been gazetted as State Park Gunong Stong on 26/09/08). The chain of custody (CoC) in the forest is included.

The KH-SFM Protocol consists of four parts. Part I is the Validation procedure, the other parts are normative documents regarding SFM (Part II), CoC (Part III) and Certification Bodies (Part IV). The requirements are structured in the form of Criteria with Indicators grouped under various Principles. All Criteria of the standards contained in Parts II to IV are being assessed. Indicators serve as practical parameters to assess compliance with Criteria. Compliance with all Criteria leads to a positive decision on the validation of the certificate.

In May 2008 the KH Board of Experts (BoE) received a request from a representation of KH-participants to validate the recently issued forest management certificate for Kelantan (KEL). Between June and September 2008 a validation study took place which included a desk study of relevant documents and several communications with MTCC.

Through the desk study a detailed comparison was made between MTCC documents and the requirements of KH-SYS. As well the performance of the FMU was assessed. Additional questions were asked concerning some aspects that needed more clarity.

2) MTCC

MTCC is the national certification scheme of Malaysia, which was established in 1999 and became operational in 2001. The basic document is: "MTCC, 2004. Procedures in MTCC Timber Certification Scheme" This document is complemented by the latest standards for forest management (MC&I-2002) and Chain of Custody (RCOC) and some other additions.

The MC&I-2002 were developed by the National Steering Committee in coordination with stakeholders in Peninsular Malaysia, Sabah and Sarawak. The structure is based on the principles and criteria of the Forest Stewardship Council (FSC); at indicator level there are some adjustments to national or regional conditions.

MTCC comprises all the issues required for forest certification: requirements for forest management, CoC, and the accreditation and quality of external auditing. MTCC is member of the PEFC Council and is actively working towards endorsement by PEFC International.

Organisation of MTCC

The MTCC system is run by the Malaysian Timber Certification Council (MTCC), which plays the role of National Governing Body, and registers Certification Bodies (CB's) to implement assessments of FMU's or CoC's against its respective standards. For forest management assessments MTCC normally also involves two independent peer reviewers. The Board of Trustees of MTCC has established a Certification Committee that is responsible for registration of assessor companies, registration of peer reviewers and decision on applications. The Board appoints a Managing Director, who handles day-to-day management of the system with his staff. The operational office is in Kuala Lumpur. In view of its planned application for endorsement by PEFC International, MTCC announced that from April 1st 2007 it would only register CB's which have been accredited by the National Accreditation

Institution DSM (Department of Standards, Malaysia) under ISO Guide 62, ISO Guide 65 and/or ISO Guide 66 for certification of ISO 9001 and/or ISO 14001. Actually DSM is developing specific accreditation lines for SFM and CoC, which will be used in near future. To further strengthen the acceptance of the MTCC scheme in the international market, MTCC developed a new institutional arrangement, whereby the accredited CB's are directly responsible for the certification decisions. This new arrangement has become functional since July 1st 2008.

Forest management

Forest Management Units (FMU's) in Peninsular Malaysia are defined at the level of Permanent Reserved Forests (PRF). Such PRF's are managed by the State Forestry Department (SFD) and normally consist of forests at different locations. For this category of forest application of the Tree Tagging System (TTS) is compulsory, through a pre-harvest 100 % inventory in which all trees in a harvest area are tagged on individual basis. The FMU's do not include the other two categories of forests that may occur in the State: "forest on stateland" (normally conversion forest) and "alienated forest" (forest managed by third parties). Accordingly timber from these two categories can not be included as certified timber. Forest management is planned, in line with the requirements of the National Forestry Policy (1978), through 10-year forest management plans (FMP's) and annual operational plans. Normally the Selective Management System (SMS) is applied.

Certification process

Accredited CB's conduct registration audits that include document review, interview with staff and field visits to check on compliance with the requirements of the standard. All criteria are checked. After the audit a draft assessment report is made, which is forwarded to the responsible State Forestry Department, that can provide its comments with respect to possible non-conformities identified in the draft report. After that, the draft with comments of the forest manager are presented to the independent peer reviewers. Finally, based on its findings and the feed-back of the forest manager and the peer reviewers the CB produces a final report, with certification recommendation, which is presented to the MTCC Certification Committee. In line with the recommendation of the CB a certificate is issued or not. Certificates are granted for five years.

Annual surveillance audits are carried out to monitor compliance with SFM requirements at the FMU level. Such audits use the same standard and approach, but may pay special attention on specific issues, based on possible weaknesses identified in the previous audit. Results of audits are being fed back into the management of FMU's and the long-term FMP, which is revised every 5 years. The MTCC system manager organises regular meetings with the registered CB's to assure common interpretation of requirements.

In case a FMU is not granted a certificate during the main audit (MA), due to the issuance of one or more Major Corrective Action Requests (CAR's), it may request a verification audit (VA) when the necessary adjustments have been made. In such audits all criteria will be dealt with and special attention will be given to earlier identified Major and minor CAR issues.

Certification process of Kelantan FMU

The MA of Kelantan FMU against the MC&I-2002 took place in November 2006 and resulted in the issuance of 1 Major and 11 minor CAR's. SIRIM-QAS conducted a VA in October 2007 during which the Major CAR and 5 minor CAR's were closed-out; 6 minor CAR's were maintained and no new minor CAR's were established. As a result the CB recommended Kelantan FMU to be issued a certificate against the MC&I 2002. The MTCC Certification Committee followed this recommendation and issued the certificate on 18/01/2008.

3) Results of the validation

The certificate has been assessed against the three normative documents of the Keurhout SFM validation process.

The summary of the findings of the Board of Experts is presented below. Under each Principle (P) the assessment of the related Criteria is briefly summarized. This summary is captured in an overall validation per Principle with the following indication:

OK = Satisfactorily addressed

OK - = Minor deficiency

- = Major deficiency

Validation Part II a: Requirements regarding the forest management system.

P 1 OK	The organisation responsible for the management of the forest shall act according to the law.
<p>Three criteria come under this principle. The criteria regard legal entity, registration, the right to harvest and royalties and fees. The Malaysian legislative system in combination with the requirement of legal conformity with all relevant laws and regulations covers these criteria sufficiently. <i>The FMU is managed by the SFD. The CB checked on legal use rights, land claims, legally prescribed fees and tax payment records, awareness on local laws and relevant international agreements and found these to be in order.</i> <i>According to the CB the FMU is complying with all relevant laws and regulations.</i></p>	
P 2 OK-	The organisation responsible for the management of the forest shall have an adequate forest management system.
<p>Seven criteria come under this principle. Criteria regarding a responsible management body, a clear forest management unit, complying with (international) legislation, adequate management plan, and qualified personnel <i>are considered to be fulfilled satisfactorily. The management body shows its commitment to long term objectives.</i> The last criterion 2.7 “The management body operates a forest management system, according to ISO 9001 or ISO 14001 or based on a comparable systematic approach” is split up in 4 sub-criteria, which consider the planning part, the monitoring of operational aspects, the impact of operations and the feed back of the results into the planning. <i>Although in general these are satisfactorily covered at FMU level, minor CAR KEL-008 was issued during the MA due to an inadequate monitoring program for social and economic impacts. During the VA it remained outstanding as not yet all districts had developed questionnaires to monitor these issues. Other monitoring aspects are included in an EIA, which has been contracted but is still being carried out. Under these circumstances it is considered acceptable that the minor CAR is maintained.</i></p>	

Conclusion:

Based on the above observations, requirement Part II.a is considered to be sufficiently met.

Validation Part IIb: Requirements regarding the forest management performance.

P 1 OK	The regulatory functions of the forest shall be preserved.
<p>Four criteria. Maintenance of soil and water quality, watershed management and erosion prevention are addressed adequately by the SFM criteria. <i>The CB confirms that the FMU complies with the related criteria; e.g. buffer zones along streams are clearly indicated and respected during harvesting operations, no problems on pollution are reported, contractors are informed that their licence will be suspended in case water pollution is caused, etc.</i></p>	
P 2 OK-	The biodiversity of the various ecosystems shall be preserved.
<p>Three criteria. The MTCC requirements imply identification of the main ecosystems and tree species. With the planning and implementation of felling and hauling procedures damage to regeneration, flora and fauna is being minimized. Measures for the High Value Conservation Forests (HVCF) are to be established and integrated in the FMP. Effects of these procedures are to be monitored. Minor CAR KEL-006 (issued during the MA for not incorporating measures to mitigate environmental impact as no EIA had yet been conducted at FMU level) remained outstanding during the VA as an EIA was being implemented, but yet to be completed. The measures taken will be verified during the next surveillance audit. Minor CAR KEL-010 (issued during the MA for lack of measures to demarcate, maintain and enhance HCVF attributes) also remained outstanding. Although identification and mapping of such areas had taken place, management records of each identified site were yet to be maintained.</p>	

<p>Minor CAR KEL-011 (issued during the MA for not presenting a public summary of the FMP with measures for HCVF enhancement) was closed-out during the VA, because the public summary provided on the FMU's website includes an overview of such measures.</p> <p>Minor CAR KEL-012 (issued during MA for lack of monitoring of the effect of measures to enhance HCVF attributes) remained outstanding as monitoring procedures presented still had to be implemented. The CB will verify this during the next surveillance audit.</p> <p>The CB confirms that identified HCVF's have been considered and protected during harvest operations. Guidelines for identification and protection of RTE species exist and the FMP includes a list of RTE fauna and flora. A considerable forest area (approximately 220,000 ha) in the PRF is designated as conservation area. These can be grouped in 11 functional classes as stipulated under the National Forestry Act. Areas classified as production forest can be harvested, while the other forest categories are for conservation and protection purposes. The latter include watersheds, areas with altitude of 1,000 m.a.s.l. and above, steep slopes, buffer zones along rivers and Virgin Jungle Reserves, among others.</p> <p>Extension of the above mentioned 3 outstanding m-CAR's is considered acceptable during the VA. Initiatives have been taken of which the results will be verified during the next surveillance audit.</p>	
P 3 OK-	Adverse side effects, resulting from forest management, shall be prevented.
<p>One criterion.</p> <p>The criterion requires social and environmental impact assessments. Such assessments are required by MTCC, and their results shall be included in management planning. Social Impact monitoring is rather new in Malaysia. EIA's are not new, but only required by law above a certain size of the area.</p> <p>Minor CAR KEL-005 (issued during the MA for lack of an EIA at FMU level) remained outstanding during the VA. A contract to conduct an EIA was being implemented by the University Putra Malaysia (base-line studies presented in inception reports), but yet to be completed with monitoring data.</p> <p>The extension of this minor CAR is considered acceptable, as the required EIA is being implemented. In addition, the law prescribes only an EIA for licence areas > 500 ha; licences issued by the FMU normally concern smaller areas.</p>	
P 4 OK	The timber production capacity of the forest shall be preserved.
<p>Four criteria.</p> <p>Criteria regarding the maintenance of management data, preservation of natural regeneration capacity and implementation of appropriate harvesting systems are well covered. Also minimizing harvesting damage to the residual stand, seedlings and soil is required.</p> <p>In general the CB considered these elements to be complied with properly.</p> <p>The Selective Management System is applied, including pre- and post felling inventories. Net volumes extracted from regulated forest and primary forest were within established limits (< 61 m³/ha and < 68 m³/ha respectively), while the number of good residual trees of commercial species with diameter of 30 cm and above exceeded the required minimum (32 trees/ha). Also RIL is applied. Timber extraction is within the projected limits. Presence of sufficient mother trees/ha is confirmed.</p> <p>Major CAR KEL-007 (issued during the MA for not consistently implementing RIL specifications in the establishment of skid trails) was closed-out as field inspection during the VA indicated that all verified skid trails and feeder roads complied with specifications.</p> <p>There is a trial on-going on harvesting with "Log Fisher equipment" in the Lojing Forest Reserve, above 1,000 m (which is classified as water protection area and normally excluded from harvesting). Results of the trial shall be considered in the next surveillance audit.</p>	
P 5 OK	The production capacity of non-timber forest products (NTFPs) shall be preserved.
<p>Three criteria.</p> <p>Criteria refer to the maintenance of data on NTFP's, local processing of NTFP's and support to the development of the local economy.</p> <p>Legal provisions are in place for NTFP collection. Petai fruits are collected by local communities; only small amounts of rattan and bamboo are extracted.</p>	
P 6 OK-	The participation of the local population shall be ensured.
<p>Three criteria</p> <p>Criteria refer to the consultation of stakeholders, opportunities for profit sharing and the respect for rights of various stakeholders.</p> <p>The criterion about profit sharing is considered to be not applicable in the Malaysian context.</p> <p>There are several Orang Asli communities in and around the PFR. Customary rights of Orang Asli communities are recognised in Aboriginal Reserves and Aboriginal Areas under the Aboriginal</p>	

<p><i>Peoples Act. There are no such reserves within the PRF. Customary rights in the PRF are respected by SFD and concession holders; Orang Asli are allowed to utilize resources for subsistence needs. Appropriate mechanisms for dispute resolving are available at various levels. The SFD has played a supportive role to Orang Asli in cases where their support was requested. SFD provided the auditor with evidence of consultation and discussion between SFD and communities. According to the CB the forest management in the PRF does not threaten the rights nor resources of Orang Asli.</i></p> <p>Minor CAR KEL-003 (issued during the MA for not implementing SIA's) was closed-out during the VA as all forest districts had developed questionnaires to collect information on potential impact of forest operations on communities.</p> <p>Minor CAR KEL-004 (issued during the MA for lack of integrating the results of SIA's - as no SIA's had been conducted) was closed-out during the VA as a process had been installed to integrate the results of consultations with communities in management planning.</p> <p>Minor CAR KEL-009 (issued during the MA for not presenting a list of relevant stakeholders consulted on HCVF's) remained outstanding as such a list was not yet presented during the VA. The extension of this m-CAR is acceptable as the processes on measurement definition for specific HCVF's are still on-going. A comprehensive list will be verified during the surveillance audit.</p>	
P 7 OK	The social and economic well being of the local population and employees shall be ensured.
<p>Four criteria. The criteria concern job opportunities for local population, working conditions, training, health and safety provisions and knowledge and respect of legislative instruments and regulations. All these requirements are adequately addressed by the MTCC requirements. <i>In general the CB confirmed compliance with the requirements. Local people and Orang Asli are employed in forest operations and the FD actively encourages logging contractors to employ workers from Orang Asli communities. Working conditions, training and safety issues are well taken care of. All forest workers and contractors are aware of operational procedures in the work place, including those on health and safety. The FMU was recommended to instruct all contractors to provide their workers with information on all applicable laws and regulations covering health and safety.</i></p> <p>Minor CAR KEL-002 (issued during the MA for lack of documentation on health and safety records of contract workers) was closed-out as a form had been designed to register such information on a monthly basis.</p>	
P 8 OK	Socio-cultural forest functions and utilisation by indigenous and other people living in and around the forest shall be respected.
<p>Four criteria. Criteria refer to respecting of traditional land-use rights, knowledge and respect for traditional NTFP-use and for areas of religious or cultural importance and maintenance of aesthetic value. Except for aesthetic value, all these elements are sufficiently addressed by the MTCC requirements. <i>The criterion on aesthetic value is not considered opportune in the Malaysian context.</i></p> <p>Minor CAR KEL-001 (issued during the MA for lack of procedures for identification and protection of such sites) was closed-out as action had been taken to identify and map them. Answers of the department of Orang Asli Affairs were still outstanding by the time of the VA. This shall be followed-up</p>	
P 9 OK	Negative social impacts caused by forest exploitation shall be reduced.
<p>Two criteria. The criteria concern compensation for damaged property and related laws and mechanisms. <i>Malaysian legislation regulates damage claims and compensation. Appropriate mechanisms are available and known. The CB was informed by the Department of Orang Asli Affairs that compensations were paid by logging contractors when trees planted by Orang Asli had been damaged during harvesting operations.</i></p>	

Conclusion:

Based on the above observations, requirement Part II.b is considered to be sufficiently met.

Validation Part III: Requirements regarding the chain of custody

P 1 OK	The timber shall be traced and monitored from the moment of felling through all its possible stages of processing and transport up to the moment of being imported in the EU.
<p>Five criteria.</p> <p>The main issues is: parties in the CoC have a certified management system according to ISO norms. Criteria refer to valid registration and licences, internal management systems, availability of well documented procedures in the forest and through processing, establishment of certified %'s and mixing with timber from legal origin sources. This implies the registration and documentation of production, processing, storage, transport and sales and the distinguishing between certified and non-certified timber products. In case of mixed products the certified products should at least be mixed with timber(products) from legal origin.</p> <p><i>Due to the fact that this validation concerns the CoC-part of the forest management and the timber flow to the Forest Checking Station only, the requirements on processing of timber and mixing with timber from legal sources are not considered relevant in this context. These elements are covered by Malaysian legislation and the RCOC standard of MTCC.</i></p> <p><i>The Malaysian legislative system requires and enforces registration and valid licenses. The MTCC standard requires compliance with all relevant laws and regulations. It also requires forest managers to enable monitoring and certification organizations to trace each forest product from its origin. The application of the Removal Pass System is required by law and controlled by SFD and special FFD control units. The application of the Tree Tagging System was verified by the CB and found to be in order. Auditors also checked information of RP's with those of TTR's and administration at Forest Checking Stations, which were found to be in order. Full compliance according to the CB.</i></p>	

Conclusion:

Based on the above observations, requirement Part III is considered to be fully met.

Validation Part IV: Requirements regarding the certifying body

P 1 OK	The certification body shall be able to demonstrate that it is capable of assessing forest management and the management system and/or the Chain of Custody.
<p>Seven criteria.</p> <p>The first three criteria concern the expertise and independence of the CB. These criteria are implicitly met as MTCC requires CB's to be adequately accredited by the national accreditation body DSM. The following four criteria refer to the assessment scheme. They address audit procedures including the identification of relevant legislation and existing (customary) rights and requirements for the audit report. All these requirements are covered through the accreditation by a national accreditation body. <i>SIRIM-QAS is accredited by DSM for ISO Guide 62, ISO Guide 65 and ISO Guide 66.</i></p>	

Conclusion:

Based on the above observations, requirement Part IV is considered to be fully met.

Overall conclusion:

In general it is observed that all three normative parts of the Keurhout Protocol are being sufficiently covered by the requirements of the MTCC system in the context of the Malaysian legislation and forest management guidelines. In practice the CB has identified some issues that need to be strengthened, for which minor CAR's were established.

The BoE **accepts** the MTCC certificate for Kelantan as described in the studied documents without further conditions, to the Keurhout Sustainable system, but will critically follow developments on the closing out of the established minor CAR's.

And further:

Keurhout considers it the responsibility of MTCC to provide Keurhout with full copies of annual surveillance audit reports, related to the FMU.

MTCC shall inform Keurhout at least one month in advance on any changes of its standards as well as of changes in relevant legislation and/or regulations.

MTCC shall inform Keurhout immediately in case of suspension or termination of the certificate.

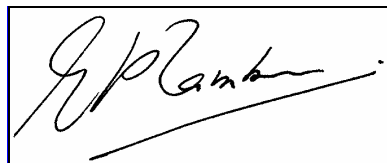
Failure to do so may result in suspension or termination of the admission to the Keurhout Sustainable system.

Date: September 18th, 2008

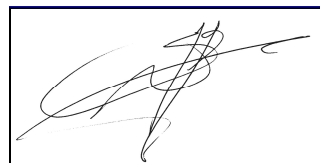
Signed:

Ir. E.P. Zambon

Prof. C.J. Jepma



(Secretary)



(Chairman)