

Validation Report Pahang
Date: 23/04/08

The Board of Experts declares that it has validated the MTCC certificate for the FMU of Pahang, 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, 2007. Public Summary of Assessment of Pahang FMU for Forest Management Certification against the requirements of MC&I (2002)
- MTCC, 2007. Certificate for Forest Management FMC 001 dd 13/11/2007
- www.mtcc.com.my
- SGS-M, 2006. Report on Assessment of Pahang FMU for Forest Management Certification.
- SGS-M, 2007. Report on Verification Assessment of Pahang FMU for Forest Management Certification.
- DSM, 2006. Accreditation Certificate of SGS-M for ISO Guide 62
- DSM, 2007. Accreditation Certificate of SGS-M for 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
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
PAH	Pahang
PEFC	Programme for the Endorsement of Forest Certification Schemes
RCOC	CoC standard of MTCC
RPS	Removal Pass System
SFD	State Forestry Department (of Pahang)
SFM	Sustainable Forest Management
SGS-M	SGS Malaysia (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 March 2008 Keurhout (KH) undertook a validation of the second 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 Pahang on Peninsular Malaysia and covers the Sustainable Forest Management (SFM) of a FMU of 1,519.107 ha (divided over 7 Forestry Districts and of which 100,253 ha still have the status of proposed PRF). 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.

Early 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 Pahang (PAH). Between March and April 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. Additional questions were asked concerning some aspects that did need 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 is working on a new institutional arrangement, whereby the accredited CB's will be directly responsible for the certification decisions. This new arrangement will become functional in the first half of 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 Pahang FMU

The MA of Pahang FMU against the MC&I-2002 took place in April 2006 and resulted in the issuance of 1 Major and 12 minor CAR's. SGS-M conducted a VA in September 2007 during which the Major CAR and 10 minor CAR's were closed-out; 3 minor CAR's were maintained and two new minor CAR's were established. As a result the CB recommended Pahang FMU to be issued a certificate against the MC&I 2002. The MTCC Certification Committee followed this recommendation and issued the certificate on 13/11/2007.

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>During the MA the CB had made the <u>Observation</u> that the implementation of dispute resolution processes was rather reactive. Based on the discussions held with villagers and Orang Asli communities and evidence (e.g. meeting minutes) presented during the VA, the CB concluded that the FMU management had become more pro-active.</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 are considered to be fulfilled satisfactorily. The management body shows its commitment to long term objectives. Minor CAR PAH-001 (issued during the MA for lack of identification of encroachment areas) was closed-out during the VA as such areas have been properly identified, mapped, documented and taken into consideration in the FMP. Major CAR PAH-010 (issued during the MA due to lack of a current FMP to guide operations) was closed-out during the VA as the final draft FMP for the period 2006-20015 is available and contains adequate planning details. Minor CAR PAH-012 (issued during the MA for lack of public summary of FMP and monitoring results) was closed-out during the VA as a summery FMP is available and made public through the FMU website. New minor CAR PAH-015 was issued during the VA as areas opened for harvesting did not follow the sequence as recommended in the draft FMP. The issuance of a minor is considered acceptable in this case, as the FMP was still under development during the operational period concerned. 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 PAH-011 was issued during the MA (due to an inadequate monitoring program for social, ecological and economic impacts) and remained outstanding during the VA. Although some monitoring aspects are carried out under the ISO-9000 scheme, others 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.</p>	

<p>Minor CAR PAH-008 (issued during the MA for lack of proper record of use of chemicals and poor storage) was closed-out during the VA as guidelines for handling and storage were developed and displayed in logging camps, and proper storage was observed.</p> <p>Minor CAR PAH-009 (issued during the MA for an inadequate management prescription and implementation of waste management, including liquids and diesel) was closed-out during the VA as guidelines for waste management were developed and observed to be implemented.</p> <p>Minor CAR PAH-004 (issued during the MA for inconsistencies in the implementation of RIL guidelines, particularly for soil erosion) was maintained as - although improvement in erosion control measures was observed in many areas – it was not implemented throughout the FMU. The extension of this minor-CAR is considered acceptable, as the FMU management has shown considerable improvement on this point. Nevertheless there are still licence holders that have to improve their practices.</p>	
P 2 OK	The biodiversity of the various ecosystems shall be preserved.
<p>Three criteria.</p> <p>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 established and integrated in the FMP. Monitoring of the actual effect of these procedures is in place.</p> <p>Minor CAR PAH-013 (issued during the MA for lack of assessment, identification and documentation on HCVF) was closed-out as comprehensive HCVF descriptions were incorporated in the final draft FMP and HCVF's were identified (together with stakeholders) and mapped.</p> <p>Guidelines for identification and protection of RTE species exist and the final draft FMP includes a list of RTE fauna and flora. A considerable forest area (approximately 400,000 ha) in the State is designated as conservation area (National Parks, Wildlife Reserves). Within the PRF 11 functional classes are identified as stipulated under the National Forestry Act. Only 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 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 above certain size of the area.</p> <p>Minor CAR PAH-006 (issued during the MA for lack of an EIA at FMU level) remained outstanding during the VA. Although a contract to conduct an EIA is being implemented, it was estimated to be completed by November 2007. The extension of this minor CAR is considered acceptable, as the required EIA is being implemented and the process was nearly completed. In addition, the law prescribes only an EIA for licence areas > 500 ha; licences issued by the FMU all concerned 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><i>In general the CB considered these elements to be complied with properly.</i></p> <p><i>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.</i></p> <p><i>Timber extraction is well within the projected limits.</i></p> <p>Minor CAR PAH-005 (issued during the MA for lack of measurement records on growth in Permanent Sample Plots) was closed-out during the VA as the records of 18 PSP's were provided with results of data analysis, providing the necessary information on growth.</p> <p>New minor CAR PAH-014 was issued during the VA as implementation of harvesting operations in some areas did not consistently follow road construction specifications on bridges, culverts and water crossings.</p>	

P 5 OK	The production capacity of non-timber forest products (NTFPs) shall be preserved.
<p>Three criteria. Criteria refer to the maintenance of data on NTFP's, local processing of NTFP's and support to the development of the local economy. Minor CAR PAH-007 (issued during the MA for insufficient control on harvest of certain high value NTFP's) was closed-out during the VA as a licence system has been introduced, harvest records are properly documented and compiled at district level. Licences are issued for commercial harvest of bamboo and rattan; a licence scheme for harvest of gaharu is being developed.</p>	
P 6 OK	The participation of the local population shall be ensured.
<p>Three criteria Criteria refer to the consultation of stakeholders, opportunities for profit sharing and the respect for rights of various stakeholders. <i>The criterion about profit sharing is considered to be not applicable in the Malaysian context. 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 Peoples Act. There are no such reserves within the PRF. Customary rights in the PRF are respected by SFD and concession holders; during the VA this was confirmed by Orang Asli representatives, who are allowed to utilize resources for subsistence needs. Appropriate mechanisms for dispute resolving are available at various levels. SFD provided the auditor with evidence of consultation and discussion between SFD and communities and stakeholders. According to the CB the forest management in the PRF does not threaten the rights nor resources of Orang Asli.</i></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.</i> Minor CAR PAH-002 (issued during the MA for lack of adequate training program for local communities and contractors' workers) was closed-out during the VA as relevant training has been organised for both groups. Minor CAR PAH-003 (issued during the MA for lack of awareness of contractors on the need to comply with health and safety requirements) was closed-out during the VA as briefings were organised with DOSH officers and greater awareness and compliance was observed. <i>During the VA the CB made an <u>observation</u> on the need to maintain proper accident records at licence and district level.</i></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. With respect to Religious and Cultural areas, the CB mentioned that procedures for the identification of such areas are available at different levels, which include the contacting of local communities before logging is approved for a particular area. The CB confirmed implementation of these procedures.</i></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. No damage cases were reported to the CB.</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>SGS-M is accredited by DSM for ISO Guide 62 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 Pahang 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.

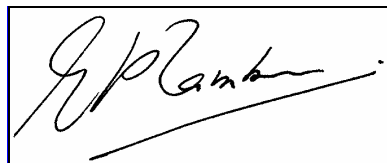
Failure to do so may result in suspension or termination of the admission to the Keurhout Sustainable system.

Date: April 23rd, 2008

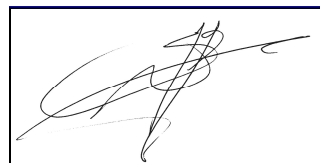
Signed:

Ir. E.P. Zambon

Prof. C.J. Jepma



(Secretary)



(Chairman)