ASIAN TIMBER
CERTIFIED
Advancing Sustainable Trade in Asia
PEFC is an independent, not-for-profit organization promoting sustainable forest management by certifying forests and the products that come from them.

This is done through two separate but linked processes:

- **Sustainable forest management certification** assures that forests are managed in line with challenging environmental, social, and economic requirements — balancing people, planet and profit;

- **Chain of Custody certification** tracks wood from its source to the final product. It demonstrates that each step of the supply chain is closely monitored through independent auditing to ensure that unsustainable sources are excluded.

Certification is awarded after independent third-party audits verify compliance with PEFC’s globally recognized Sustainability Benchmarks.

The PEFC label is exclusively available on PEFC-certified products, enabling consumers to clearly recognize products and packaging that are sourced sustainably and to appreciate that a company proactively responds to their desire to consume responsibly.

www.pefc.org

This publication is part of an ongoing collaboration between PEFC International and Asian Timber to promote sustainability across the forest industry in Asia.

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Is it time to get your company certified?

Producing and trading PEFC-certified products ensures that your company is able to fulfill market requirements, which increasingly demand proof of legality and sustainability.

Obtaining PEFC Chain of Custody certification allows your company to demonstrate that it has management systems, Chain of Custody procedures, and health, safety and labor policies in line with PEFC’s globally recognized Sustainability Benchmarks. As a certified company, you can provide your customers with accurate and verifiable information regarding the content of your forest-based products.

Even if your company is not yet sourcing certified material, implementing PEFC Chain of Custody requirements and becoming certified helps to demonstrate your alignment with the European Union Timber Regulation (EUTR) and other illegal logging legislation, by implementing a Due Diligence System and delivering PEFC Controlled Source material.

Certification benefits for your business

Meet customer expectations

• Procurement policies of many governments and also companies specify a requirement or preference for certified products.

• More than one third of consumers are actively looking for on-product labels to confirm environmentally and socially responsible credentials. The PEFC label demonstrates to consumers that you address their expectations.

Secure supply

• Choosing PEFC allows you to secure your supply of sustainably sourced material and provides you with the assurance that the forest-based raw material used in your product originates from legal and sustainable sources.

• There is a larger quantity of material certified to PEFC than to any other forest certification system available, providing you with competitive options for your supply.

Position your business

• Possessing a PEFC certificate and being able to use the PEFC label allows consumers and customers alike to value your company’s engagement towards sustainability.

• PEFC provides you with access to an increasingly competitive and discerning market.

Time to take action!

To see what Chain of Custody certification is all about, download the Standard: www.pefc.org/standards/chain-of-custody

When the requirements are in place and you are ready to get certified, call a PEFC accredited, independent, third-party certification body operating in your country to schedule the audit.

Certification Bodies can be located here: cb.responsiblebusinessplatform.org
MTCS – Leading the way in tropical forest certification

The tropical forest of Malaysia is recognized as one of the most productive types of forests and is among the most biologically diverse in the world, earning the country a prestigious ranking as one of the 12 mega-biodiversity countries.

Malaysia has more than half of its total landmass of nearly 33 million ha still covered with natural tropical forest, which is an important source of revenue for the developing country through its long-standing timber industry. It is one of the major contributors of Malaysia’s export earnings and in 2012 generated over RM 20 billion in export earnings, or roughly 1-2% of GDP and close to 2.9% of the country’s total exports.

Malaysia is committed to managing forests in a sustainable manner to safeguard environmental and ecological values, in addition to securing long-term economic benefits, and so has set aside Permanent Reserved Forests amounting to 14.6 million ha to ensure the perpetual existence of Malaysia’s tropical forest, comprising both protection and production forests. The protection forest, in the form of national and state nature parks, recreational parks, wildlife reserves and bird sanctuaries, cater for conservation, research and recreational purposes. In the production forest, commercial timber harvesting is regulated by a prescribed cutting cycle under sustainable forest management (SFM).

To further enhance the implementation of SFM and to demonstrate its practices, timber certification was introduced with the establishment of the Malaysian Timber Certification Council (MTCC) as an independent organization in 1998. MTCC operates the voluntary Malaysian Timber Certification Scheme (MTCS) and provides independent assessment for forest management and Chain of Custody certification. The MTCS is the leading timber certification scheme in the Southeast Asia region for tropical forests and achieved a significant milestone when it became the first timber certification scheme in the Asia Pacific region to be accorded international recognition through its endorsement by PEFC in 2009.

Since the MTCS started operation in 2001, major steps have been taken to strengthen and enhance the acceptance of the scheme. A phased approach was adopted in the use of the standard for forest management certification, advancing from a smaller set of criteria and indicators to a more stringent set, thus taking into account the great challenges encountered in managing complex tropical forests. The phased approach was necessary to prepare and encourage the forest managers to embark on the forest certification process.

A key component in the implementation of the MTCS involved the standards development process, requiring broad-based consultations among the social, environmental and economic stakeholder groups, and relevant government agencies; spearheaded by a multi-stakeholder standard development/review committee, and through consultations conducted at the regional and national levels. MTCC has always ensured that the standard development/review process under the MTCS
is transparent, participatory, balanced, inclusive and objective so as to provide a forum for all stakeholder groups to deliberate and arrive at decisions with regard to the requirements in the certification standards, taking into account the three pillars of sustainability, i.e. the social, environmental and economic aspects.

Today ten Forest Management Units, covering 4.65 million ha or 32% of the total Permanent Reserved Forests in Malaysia and about 280 timber manufacturers and exporters, are PEFC-certified under the MTCS. The PEFC certificate holders are subjected to regular third-party auditing by the PEFC-notified Certification Bodies. The award of the PEFC certificate is based on the results of the audit carried out on the applicant for either forest management certification against the requirements of the PEFC-endorsed Malaysian Criteria and Indicators for forest management certification or the PEFC international Chain of Custody standard. All certified entities are eligible to use the PEFC logo on their certified timber products, which provides the assurance to buyers that the timber products supplied are from sustainable sources.
PEFC continues to expand in Asia

The Asian region has a strong influence on the environmental sustainability of international forest products, making it vital to build supply chain capacity and increase the availability of certified timber across this region. The PEFC Asia Promotions Initiative therefore works to raise awareness, build capacity and encourage the uptake of PEFC certification throughout Asia.

PEFC has established offices in China and Japan to promote awareness of PEFC certification, especially through growing Chain of Custody certification. Increasing the presence of PEFC certification within these two countries is a strategic priority for PEFC globally, given the relevance of their markets in the international trade of timber and forest-based products, and their potential to ultimately influence forest management practices.

Regular outreach to other countries in the region is also increasingly important as awareness and demand for PEFC certification continues to grow.

Many additional countries in the region are developing national certification systems and considering the eventual pursuance of PEFC recognition for their systems. PEFC is working to offer guidance and advice to the ongoing processes in India, Japan, Myanmar, Nepal, Philippines, Thailand and South Korea.

PEFC Chain of Custody certification in Asia has grown 14-fold in the past six years such that nearly 800 companies had PEFC Chain of Custody certificates at the end of 2013.

Join PEFC’s Asia Promotions Initiative!

While the Initiative will continue to maintain focus in China and Japan, it is increasingly expanding its presence in Southeast Asia.

To further support developments, PEFC is looking for partner organizations to join the Initiative — organizations that share the common goal of increasing demand for certified products and improving capacity in Asia to process certified products. By becoming a partner, you will not only help to position PEFC as a leading certification solution for companies in the region but also bring a vital momentum to increase the market acceptance and penetration of PEFC-certified products.

The Initiative is already advised and funded by a broad range of companies and member organizations. Current partners are: CMPC Cellulosa, Celulosa Arauco Y Constitución, Forestry Innovation Investment Ltd (Canada), Malaysian Timber Certification Council (MTCC), Paperlinx Singapore, PEFC UK, Purinusa Ekapersada (APP), Swedish PEFC Co-operative, Sustainable Forestry Initiative, PEFC Asia Promotions Japan, PEFC China Promotions Office and PEFC International.

To join the Initiative or discuss cooperation in the region, please contact PEFC International at development@pefc.org and visit www.treee.es/AsiaPromo

Current snapshot of PEFC members in Asia:

Malaysian Timber Certification Council (MTCC)
- PEFC Member since 2002
- PEFC-endorsed since 2009
- More than 4.65 million hectares of forests PEFC-certified under MTCS

China Forest Certification Council (CFCC)
- PEFC Member since 2011
- PEFC-endorsed since February 2014
- Almost 2 million hectares of forests CFCC-certified

Indonesian Forestry Certification Cooperative (IFCC)
- PEFC Member since 2012
- IFCC currently under PEFC assessment; results due late 2014
PEFC’s Forest Certification Week – where sustainability was declared the new normal

“We are ready, if you are ready”

Mr. Richard Lee, Regent Furniture describing the industry’s readiness to become certified, once more certified wood is available “upstream”

“For five days […] we brought PEFC to Asia and the Pacific, a region that is economically vibrant and the most populous in the world. It is also a region with forests of mega-diversity and a region that is shaping the world’s landscape of forestry, timber trade and consumption,” said Dato’ Dr Freezailah B. Che Yeom, Chairman of MTCC.

The Forest Certification Week, convened by PEFC International and the Malaysia Timber Certification Council (MTCC), took place in Kuala Lumpur, Malaysia in late 2013. The five-day event brought together over 300 people from all over the world, to exchange and discuss urgent matters related to advancing sustainable forest management and trade.

The event recognized that Asia holds the key to unlocking the production and trade of sustainable forest products. The region’s forest industry has grown massively over the past 15 years, gaining international recognition for its production of forest-based products. But radical improvements and commitments by all stakeholders are required to embed sustainability within the region’s burgeoning industry.
With this urgency in mind, stakeholders and key actors from the region and beyond engaged in solutions-oriented dialogue, discussion and workshops.

Emerging from the event were a number of critical points and actions that need to be addressed:

- **Legality versus sustainability** – While there is broad recognition that legality underpins sustainability in the forest sector, the current attention from important consumer markets in the European Union, United States and Australia focuses solely on ensuring legal requirements have been met in producer countries. Participants debated and discussed how to ensure that the markets do not lose sight of the more ambitious requirements related to sustainable forest management, as this needs to remain the shared, long-term aspiration.

- **Need more awareness in Asian markets** - Demand for certified forest products has traditionally been strongest in European and North American markets. However, private sector representatives stressed that these markets are no longer their key markets. With rapidly expanding populations and purchasing power, businesses in the forestry sector are relying more and more on the appetite of markets in Asia and the Middle East. Participants discussed approaches for how we can stimulate demand for certified products and awareness about sustainability issues within these key markets. To make the business case for certification to more businesses in the Asia region, companies need to feel this demand from their Asia-based customers, but many of the private sector representatives present also acknowledged that they have role to play in demonstrating leadership on sustainability.

"I feel that legality is a disruption in our business as it is a step back from sustainability"

**Mr. Ng Kay Yip, Maran Road Sawmill**

“Never give up on sustainable forest management and independent third-party certification”

**Sheam Satkuru-Granzella, Malaysian Timber Council**

discussing the perceived competition between market requirements for legality or sustainability
• Forest certification needs to better embrace small landholders and agroforestry resources
  – Especially in Asia, substantial volumes of fiber are produced by small landholders and/or from trees grown outside of forests. These trees and sources of fiber contribute substantially to rural household livelihoods. Such agroforestry practices also encourage integrated landscape approaches, which often reduce pressure on dwindling natural forest resources. Representatives from a number of countries stressed the magnitude of this land management practice and urged forest certification systems to develop approaches to further recognize and embrace these resources so that they are not inadvertently excluded from accessing international markets.

• Certification is possible – While mainstreaming sustainable forestry and trade still has a long way to go in the Asian region, there was a sense of shared optimism amongst the private sector panelists and the entire audience that certification is possible. Even for those companies not yet certified, they admitted that becoming certified is not really the hurdle they previously considered, and that they were warming to the idea. But the question remained - what will be the ultimate lever to make them act?

“If SFM can’t pay its way as a viable land use, then we ultimately face the biggest challenge to SFM: conversion of forest land to other uses”

Emmanuel Ze Meka, International Tropical Timber Organization
PEFC thanks all the participants, moderators, speakers and media partners for making the Forest Certification Week such a great success. Acknowledgement is also due to our event sponsors: APP Timber, Bracelpa, Bureau Veritas, Malaysian Timber Council, MWV, and the RAFT program.

Other highlights from the week:

- Indonesian Forestry Certification Cooperative (IFCC) submits its national certification system for PEFC endorsement
- Japan and Turkey indicate their interest to join PEFC Council
- PEFC’s Toolkit for Developing a National Certification System launched
- Amongst PEFC members, Sustainable Forestry Initiative (SFI) Inc. recognized for greatest expansion in certified forest area in 2013, PEFC France recognized for greatest growth in Chain of Custody certification
- European Timber Trade Federation (ETTF) and the International Council of Forest and Paper Associations (ICFPA) join PEFC Council as International Stakeholder members
- Representatives from 11 countries across three continents participate in PEFC’s system development workshop
- Side events hosted by Brazilian Pulp and Paper Association (BRACELPA), Bureau Veritas Certification Singapore, European Forest Institute (EFI), International Family Forest Alliance (IFFA), International Wood Products Association & APP Timber, PEFC UK, PEFC Germany, TRAFFIC and PEFC International.
- Forest Owner Representative Elected as Vice Chair to PEFC Board of Directors
- Malaysian Minister of Plantation Industries and Commodities opens the PEFC’s 18th General Assembly in Kuala Lumpur

“We look forward to seeing you at our 2014 event from the 17th-21st November in Paris, France.”

“Sustainability is the new normal in Asia”

Genevieve Chua, Spicers

“The best way to promote certification is to put the logo on the product”

William Street, Chairman of the Board of PEFC International, emphasizing that certified companies have enormous potential to mainstream certification.

Genevieve Chua
Meeting new market requirements: how can producers work better together?

by Emmanuel Ze Meka, Executive Director, International Tropical Timber Organization

Meeting market requirements has always been a challenge for producers of tropical timber and timber products from developing tropical countries. Apart from the standard requirements like customs declaration; import quotas, permits and duties; specifications and quality, they now have to contend with a changing variety of requirements based on technical and environmental standards, and policies including sanitary and phyto-sanitary requirements, packaging, product safety, technical standardization (CE marking), green building standards, certification and verification of legality.

Producers are aware that these requirements, which stem from current changes in societal values, are reflective of the overarching concern over poor forest governance and the unabated loss and degradation of forests in the tropics. I believe that producers want to meet these market requirements and it is in their own interest to do so. However, for many of them, the magnitude of these requirements goes far beyond their ability to cope. Many of these developing tropical countries simply do not have adequate resources, means and capacity to fully conform to the requirements. The International Tropical Timber Organization (ITTO) was actively involved in promoting the operationalization and implementation of sustainable forest management (SFM) in the tropics and trade in tropical timber from sustainably managed and legally harvested forests through the development of criteria and indicators (C&I); forest monitoring, assessment and reporting, auditing; traceability and chain-of-custody systems and phased approaches to voluntary certification. As a result of these efforts by ITTO and many stakeholders, some progress has been made but due to the challenges encountered, the achievement has been slow and tropical forests continue to lag behind in terms of the area and products certified as sustainable.

This marginal progress, coupled with persistent problems of illegal logging and poor governance, caught the attention of the developed countries, prompting the adoption of the G8 Action Plan on Illegal Logging in 1998 which led to the launching of the initiatives on Forest Law Enforcement and Governance (FLEG) by the World Bank and the Forest Law Enforcement, Governance and Trade (FLEGT) by the European Union (EU). This turn of events laid the ground for the development of new and additional market requirements covering tropical timber and many timber products. The Amendment to the Lacey Act took effect in 2008 in the USA, making it illegal to import, export, transport and deal with any wood product taken or traded in violation of USA laws and relevant foreign laws. The European Timber Regulation (EUTR), which came into effect this year, makes it a criminal offence to place illegally harvested timber and timber products on the EU market. The Illegal Logging Prohibition Act of Australia (ILPA) became law in 2012 and other countries have also embarked on similar paths such as Japan and Switzerland. Clearly, the latest market requirements affecting tropical timber and timber products are significant developments to producers.

Having been conditioned to make progress towards SFM through voluntary, capacity-building and developmental means, and approaches under which many are still struggling, tropical timber producing countries have now to adjust their focus and priority towards legality and good governance.

The shift in emphasis from sustainability to legality in the context of the latest market requirements affecting tropical timber and timber products is to some extent impacting the progress towards SFM achieved through the ‘soft’ policies. It is therefore important to acknowledge the need to couple legality and sustainability. We need to continue to work together to ensure market requirements recognize the importance of both legality and sustainability, while continuing to support producers in tropical countries.
Pahang FMU – assuring forest sustainability through certification

The Pahang Forest Management Unit (FMU) is the largest in Peninsular Malaysia, with over 1.5 million ha of Permanent Reserved Forests (PRFs).

It was one of the three pioneer FMUs to undergo an audit against the Malaysian Timber Certification Scheme (MTCS), and was awarded with a certificate in 2001. Since then, the Pahang FMU has maintained its certification and was granted PEFC recognition in 2010.

The forestry and timber sector is economically very important for the Pahang State Government, contributing 19.5% to the total state revenue in 2011. As such, the sustainable management of the forest resources is crucial to ensure that the resource continues to contribute towards the economic, social and environmental well-being of the state and its people.

In embarking on the journey of certification, the Pahang FMU had to address various issues and overcome challenges. The State Government of Pahang had to be convinced as to the benefits of the FMU being certified and there was the need for the FMU to engage with important stakeholders such as NGOs, government departments, private sector, indigenous peoples and local communities, in the certification process.

The largest and most arduous task was changing the mindset of the staff of the Pahang State Forestry Department and the private contractors directly involved in the day-to-day implementation of the certification standard requirements and the various forest development activities and harvesting operations.

However there is little doubt that the implementation of forest certification has contributed tremendously to the improvement of forest management in the Pahang FMU:

- The implementation of the reduced impact logging (RIL) method of forest harvesting has minimized damage to the residual stands and has improved the forest environment after harvesting;
- The management of forest conservation areas has been enhanced through the proper identification, demarcation, establishment and stricter monitoring of the high conservation value forest (HCVF) areas;
- Regular consultations are now conducted by the Pahang State Forestry Department and license holders, particularly with indigenous peoples and local communities, before, during and after the implementation of harvesting operations;
- Greater attention is paid to safety and health requirements of the workers of both the forestry department and contractors.

On the other hand, the implementation of forest certification has required additional effort at all levels of management. In ensuring the successful implementation of the MTCS requirements and maintaining certification, there is a need for continuous and effective training of workers; constant monitoring and assessment of forest management practices; and research and development in providing the necessary data input for future improvement.

Forest certification is not an end in itself, but in the experience of the Pahang FMU, it has proven to be an effective tool in promoting and ensuring effective implementation of sustainable forest management (SFM). As Dato’ Mohd. Paiz Kamaruzaman, the State Director of Forestry pointed out, "Forest certification has been instrumental in ensuring SFM. Hence concerted effort and energy have been, and will continue to be expanded by all parties and stakeholders in promoting SFM. In my opinion, forest certification is the way forward, and certainly is here to stay."
As a leading manufacturer of plywood products, Besgrade Products Sdn. Bhd. acknowledges that PEFC certification has placed the company in a better position in terms of both market access and market share for its products.

Formerly known as Besgrade Furniture Sdn. Bhd., the company, which is located in Pokok Sena, Kedah, in the northern part of Peninsular Malaysia, was established in 1994. Its major products include moisture-resistant and water-boil proof types of plywood that are sold locally and exported to international markets including Europe, Japan and Thailand.

After obtaining initial certification in December 2005 under the Malaysian Timber Certification Scheme (MTCS), Besgrade was awarded the PEFC Chain of Custody certificate in November 2009 after the MTCS became PEFC-endorsed.

The key task for Besgrade in obtaining certification was to put in place a traceability system to facilitate and enable the tracking of the final product back to the wood source, in compliance with the requirements of the MTCS and the PEFC international Chain of Custody standard. Besgrade faced difficulty as many of the workers were not familiar with the newly developed traceability system, which resulted in a decrease in productivity. However, with the system in place and the workers trained, Besgrade found that the implementation of the traceability system improved the efficiency of the whole production process.

Since receiving PEFC certification, the company has enjoyed an increased demand for its products from overseas customers, with total sales to Europe increasing by more than 20% over the last two years. However, there is more to PEFC certification for Besgrade. Having a good traceability system put in place helped Besgrade to obtain the quality assurance certification under the Malaysian Timber Industry Board (MTIB) Product Certification Scheme. Through PEFC certification, Besgrade now supplies environmentally friendly plywood products, and by using timber from PEFC-certified forests, the company contributes towards the sustainable management of natural forest resources of Malaysia.
With buyers increasingly demanding that products are sourced from sustainably managed forests, exporting timber products today requires more than just obtaining an export license.

For Mentakab Veneer & Plywood sdn. Bhd. (MVP) this need to supply sustainable timber products and provide evidence through third-party certification was one of the driving forces for obtaining PEFC Chain of Custody certification.

MVP is one of the leading plywood producers in Peninsular Malaysia with its mill located in the State of Pahang. The company sources its certified wood materials from the Pahang, Terengganu and Kelantan forest management units (FMUs), which are PEFC-certified under the Malaysian Timber Certification Scheme (MTCS).

For MVP, PEFC Chain of Custody certification is important for promoting sustainability and preventing unsustainable wood sources from entering the chain of production. MVP highlights that while sourcing timber supply only from certified FMUs may lead to higher transport costs due to distance, the benefits outweigh the disadvantages.

As a result of PEFC certification, MVP has secured long-term contracts with European buyers, allowing them to maintain a regular volume for export. MVP also stresses that its certified plywood and veneer products can be sold at higher prices, noting a 5 - 10% increase. Finally, certification has enabled the company to contribute to responsible forestry and sustainable management of the Permanent Reserved Forests in Malaysia.

MVP envisages that with the European Union Timber Regulation (EUTR), US Lacey Act and the Australian Illegal Logging Prohibition Act, all requiring some form of proof of legality of timber products, it is vital for the company to continue to stay ahead in the business with PEFC Chain of Custody certification.

MVP produces marine, commercial and structural plywood, exporting to both the environmentally sensitive markets in the United Kingdom, Europe and Australia, as well as to the Middle East, Africa and Japan. Their plywood and veneer products are made from 100% tropical mixed wood species, with thickness ranging from 2.7 mm to 40 mm. A small volume of the plywood products is also sold in the local market.
Galeries Lafayette, the prestigious French retailer well-known for major stores in Paris and elsewhere, has opened a new 12,500 m² department store in central Jakarta – its first in Southeast Asia. Specialist contractor Armany Parquet, based in Indonesia, has installed 5,000 m² of PEFC-certified European solid oak flooring. Being certified by PEFC, means that the hardwood material for the flooring was sourced from sustainably managed forests.

The oak specification is 4 mm face with 6 mm back in various patterns – herringbone and straight laid random lengths - with both oil and smoked oil finishes according to different parts of the four storey store, located at the Pacific Place in central Jakarta. The floor profile material is square-edged, butt jointed with no bevel which required very accurate installation work by Armany’s specialist personnel. Installation took three months and was coordinated by Armany with the laying of marble which the designers used in combination with the oak. This is the first major installation for Armany using PEFC-certified hardwood.

Established in 1894, the Galeries Lafayette group is a leader in high street retailing in France in the areas of fashion, luxury goods, beauty, watches and jewellery, leisure and interiors, as well as gourmet food. In 2012 the group reported consolidated revenue of €2.3 billion. Galeries Lafayette has a portfolio of renowned brands in the retail sector with over 15,000 employees in nearly 250 stores attracting 1 million visitors per day across all stores, with 200,000 product listings. Its arrival in Indonesia underlines the strong development of consumerism in major cities where new shopping centres have been springing up in recent years. Pacific Place in Jakarta is known for the retailing of high-end brands from designer clothes to some of the most expensive and high-performance cars.
Your customers require proof of legality and sustainability. PEFC, the world’s largest forest certification system, offers you the largest supply.

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