

**REPORT ON
REVIEW OF MALAYSIAN CRITERIA AND INDICATORS FOR
FOREST MANAGEMENT CERTIFICATION (NATURAL FOREST)
[MC&I(NATURAL FOREST)],
INCORPORATING REQUIREMENTS FROM MC&I FOREST PLANTATION.V2**

Malaysian Timber Certification Council

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
FDPM	Forestry Department of Peninsular Malaysia Headquarters
FMU	Forest Management Unit
FORUM	Federation of Orang Ulu Associations of Sarawak
FPMU	Forest Plantation Management Unit
FRIM	Forest Research Institute Malaysia
GEC	Global Environment Centre
ISO	International Organisation for Standardisation
MENGO	Malaysian Environment NGOs
MC&I	Malaysian Criteria and Indicators
MNS	Malaysian Nature Society
MTC	Malaysian Timber Council
MTCC	Malaysian Timber Certification Council
MTCS	Malaysian Timber Certification Scheme
MWIA	Malaysian Wood Industries Association
NEPCon	Nature, Ecology and People Consult Sdn Bhd
NGOs	Non-Governmental Organisations
NREB	Natural Resources and Environment Board Sarawak
PEFC	Programme for the Endorsement of Forest Certification
PERHILITAN	Department of Wildlife and National Parks
SFM	Sustainable Forest Management
SRC	Standards Review Committee
STIDC	Sarawak Timber Industry Development Corporation
SUHAKAM	Human Rights Commission of Malaysia
WCS	Wildlife Conservation Society
WWF	World Wide Fund for Nature

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1. INTRODUCTION

- 1.1 This report provides the processes involved in the review of the *Malaysian Criteria and Indicators for Forest Management Certification (Natural Forest)* [or in short MC&I(Natural Forest)], culminating in the development of the *Malaysian Criteria and Indicators for Sustainable Forest Management* (or in short the MC&I SFM).
- 1.2 The review is conducted in line with the requirements by PEFC that the certification standard used is to be reviewed every five years to ensure continuous improvement. The review is conducted based on the MTCS normative document SSP 3/2014 *Rules on Standard Setting Process for Development of Timber Certification Standards* (an update of an earlier version i.e. SSP 2/2012) adopted under the Malaysian Timber Certification Scheme (MTCS).
- 1.3 In revising the MC&I(Natural Forest), the Standards Review Committee (SRC) took into consideration the recommendation of the MTCC Stakeholder Dialogue held on 28 July 2015 and agreed to merge the MC&I(Natural Forest) and MC&I Forest Plantation.v2 as 85% of the Indicators and Verifiers are common to both standards. The streamlining of the two standards is also a pragmatic and cost-saving approach in managing and administering forest management standards used under the MTCS.
- 1.4 The MC&I SFM supersedes the MC&I(Natural Forest) and MC&I Forest Plantation.v2 as the standard for sustainable forest management certification of natural forest and forest plantation at the forest management unit (FMU) and forest plantation management unit (FPMU) under the MTCS with an application date of 1 January 2021.

2. BACKGROUND

- 2.1 The MC&I(Natural Forest) has been used as the standard for forest management certification of natural forests under the MTCS since 1 July 2012. It was finalised and adopted by the Third Meeting of the Standards Review Committee (SRC) following the review of MC&I(2002) on 22 September 2011. The Review of MC&I(2002) was conducted by a 15-member SRC from April 2009 to September 2011. It was endorsed by the 49th Meeting of the MTCC Board of Trustees on 6 December 2011 as the standard for assessing sustainable forest management practices of a designated FMU under the MTCS. The MC&I(Natural Forest) was endorsed by the Programme for the Endorsement of Forest Certification (PEFC) on 5 October 2012 (**APPENDIX 1**).
- 2.2 As the MC&I(Natural Forest) was published on 13 January 2012, it is therefore required that the review of the standard be concluded in 2017, in line with the requirements specified in the MTCS document, SSP 3/2014 *Rules on Standard Setting Process for Development of Timber Certification Standards* (**APPENDIX 2**) whereby the standards shall be reviewed at intervals that do not exceed a five-year period.
- 2.3 To facilitate the review of the MC&I(Natural Forest), a fifteen (15)-member SRC, comprising members elected by the respective stakeholder groups from the three regions of Malaysia, was formed and tasked to undertake the review and develop the revised standard. Additionally,

representative from the academic/research/professional body would also be invited to undertake the role of an advisory member to the SRC, as and when required.

- 2.4 MTCC coordinated and facilitated the review process as the Secretariat for the SRC.

3. ROLE OF STANDARDS REVIEW COMMITTEE (SRC)

- 3.1 A 15-member multi-stakeholder SRC was established to undertake the review of the standard in accordance with SSP 3/2014. The Members of the SRC comprised representatives from stakeholder groups categorised as relevant government agency, indigenous peoples, workers' union, environmental and industry from the three regions of Malaysia, i.e. Sabah, Sarawak and Peninsula. Members were nominated and elected by their respective stakeholder groups.
- 3.2 The composition of the membership of the SRC is shown in **Table 1** below while the final list of elected members of the SRC is as shown in **APPENDIX 3**.

Table 1: Membership of the SRC

Stakeholder Group	Region			
	Sabah	Sarawak	Peninsula	Total
Environment	1	1	1	3
Relevant Government Agency	1	1	1	3
Indigenous People	1	1	1	3
Worker	1	1	1	3
Industry	1	1	1	3
Total	5	5	5	15

- 3.3 The conduct of the SRC is guided by the Terms of Reference (**APPENDIX 4**) that was adopted at its First Meeting.
- 3.4 To facilitate the involvement of key and disadvantaged stakeholder groups, MTCC provided financial assistance to cover the cost of travel and accommodation, particularly to enable the participation of representatives from the smaller social and environmental non-governmental organisations (NGOs) in the meetings of the SRC as well as in the regional consultations. A copy of a sample letter with regard to the formation of the SRC as well as the provision of financial assistance to facilitate the involvement of disadvantaged stakeholder groups is attached as **APPENDIX 5**.

4. THE REVIEW PROCESS

4.1 Stakeholder Dialogue on Proposal to Consolidate MC&I(Natural Forest) and MC&I Forest Plantation.v2

- 4.1.1 MTCC appointed a consultant to explore the possibility of merging the two forest management certification standards under the MTCS, drawing guidance from the PEFC ST 1003:2020 *Sustainable Forest Management – Requirements* or the PEFC SFM meta-standard. The consultant found that the MC&I(Natural Forest) and MC&I Forest Plantation.v2 contained approximately 85% common Indicators and that both standards could be merged into a single document. It was also noted that merging of the two standards would be a pragmatic and cost-effective way in administering the forest management standards used under the MTCS (**APPENDIX 6**).
- 4.1.2 The output of this consultancy was presented at the MTCC Stakeholder Dialogue held on 28 July 2015 with a view to seek stakeholders' feedback and mandate regarding the proposal to merge the two forest management certification standards during the review of the MC&I(Natural Forest).
- 4.1.3 The Stakeholder Dialogue participants, representing the various interest groups, deliberated extensively on the pros and cons of the proposal to merge the MC&I(Natural Forest) and the MC&I Forest Plantation.v2 standards. Noting the repetitive and lengthy procedures that involve the various stakeholder groups in the standard review processes, the participants were generally in agreement that merging and streamlining the two forest management certification standards would be the pragmatic and logical approach for the upcoming review of the MC&I(Natural Forest). The participants also agreed that this approach would enable more efficient use of resources in the long-term.
- 4.1.4 The stakeholder map was updated during the consultation (**APPENDIX 7**) with the existing categorisation of stakeholders remain with minor improvement, i.e.:
- i. 'Forestry Authority' – renamed from 'Relevant Government Agency' for emphasis;
 - ii. 'Indigenous people' – simplified from 'Social (indigenous peoples)';
 - iii. 'Workers' – simplified from 'Social (Workers' Union)'
 - iv. 'Environment';
 - v. 'Industry'; and
 - vi. 'Academic/research/professional bodies' – as an additional group to undertake the role of an advisory member to the SRC on a case by case basis; with no voting right as they are not the directly affected parties.
- 4.1.5 A general consensus was obtained for the existing structure of the SRC to be maintained consisting fifteen permanent members representing five stakeholder groups from the three geographical regions of Malaysia. The SRC may decide to include additional member(s) from academic/research/professional bodies as advisory member, as and when necessary.

4.2 Announcement on Commencement of Review

4.2.1 Subsequent to the MTCC Stakeholder Dialogue conducted on 28 July 2015, the commencement of the review of the MC&I(Natural Forest) was announced through a letter dated 8 October 2015. The announcement, which outlines the background, process and timelines for the review, and stakeholder mapping for the formation of the SRC, was sent to all stakeholder groups by post (**APPENDIX 8**) and e-mail and was also posted on the MTCC website. Stakeholders were invited to comment on the proposed process and timelines and also encouraged to update their correspondence details, propose additional agencies/organisations that might be relevant to be included in the stakeholder groups as well as to provide comment on the stakeholder categorisation for the selection of members to form the SRC.

4.2.2 A total of 28 organisations responded, with 27 of these organisations agreed with the proposed procedures and timelines, as well as the categorisation of stakeholders for the above review process, as listed below:

- i. Bisaya Sarawak Association
- ii. Natural Resources and Environment Board (NREB) Sarawak
- iii. Timber Association of Sabah
- iv. Federation of Orang Ulu Associations of Sarawak (FORUM)
- v. Department of Environment Sabah
- vi. Sarawak Forestry Corporation Sdn Bhd
- vii. Department of Wildlife and National Parks (PERHILITAN) Pulau Pinang
- viii. Faculty of Forestry, Universiti Putra Malaysia
- ix. Department of Environment Sarawak
- x. Department of Industrial Development and Research, Sabah
- xi. Forest Plantation Development Sdn Bhd
- xii. Perak State Forestry Department
- xiii. Jaya Tiasa Holdings Bhd
- xiv. Harwood Timber Sdn Bhd
- xv. Forestry Department of Peninsular Malaysia Headquarters
- xvi. Timberwell Bhd
- xvii. Zedtee Sdn Bhd
- xviii. Department of Wildlife and National Parks (PERHILITAN) Headquarters
- xix. Rakyat Berjaya Sdn Bhd
- xx. Ministry of Rural and Regional Development Malaysia
- xxi. WCS – Malaysia Program
- xxii. Department of Labour Sarawak
- xxiii. Sarawak Timber Industry Development Corporation (STIDC)
- xxiv. Benta Wawasan Sdn Bhd
- xxv. Sabah Forestry Department
- xxvi. Forest Research Institute Malaysia (FRIM)
- xxvii. WWF-Malaysia

4.3 First Public Comment

- 4.3.1 Following the announcement, a letter dated 13 November 2015 was sent to all stakeholders informing them of the commencement of the first 60-day public comment period from 16 November 2015 to 15 January 2016 (**APPENDIX 9**)
- 4.3.2 Stakeholders had been invited to submit their comments and/or proposals for any amendment/deletion/addition on the process and timelines of the review as well as on the MC&I(Natural Forest) standard, and to provide justification for their proposals as well as the suggested wording for the proposed changes.
- 4.3.3 Comments and proposals were received from 16 organisations as follows:
- i. Forestry Department of Peninsular Malaysia Headquarters
 - ii. Asiatic Organic Farm Sdn Bhd
 - iii. Zedtee Sdn Bhd
 - iv. Penang Institute
 - v. Forever Sabah (LEAP)
 - vi. Nature, Ecology and People Consult Sdn Bhd (NEPCon)
 - vii. WCS - Malaysia Program
 - viii. WWF-Malaysia
 - ix. Sabah Forestry Department
 - x. Global Environment Centre (GEC)
 - xi. Forest Research Institute Malaysia (FRIM)
 - xii. Department of Irrigation and Drainage Malaysia
 - xiii. Timberwell Bhd
 - xiv. Malaysian Timber Council (MTC)
 - xv. Department of Labour Sarawak
 - xvi. TH Plantations Bhd
- 4.3.4 The comments and proposals received were posted on MTCC website on 19 February 2016 (**APPENDIX 10**).

4.4 Formation of SRC

- 4.4.1 As stipulated in the document SSP 3/2014: *Rules on Standard Setting Process for Development of Timber Certification Standards*, a multi-stakeholder SRC will be established to serve as the "Working Group/Committee" and will be overall responsible for the review of the MC&I(Natural Forest). The formation of the SRC had been initiated through a letter dated 13 November 2015 which was sent to all stakeholders by post and e-mail. Each stakeholder had been requested to nominate up to 2 candidates who possess the relevant knowledge and expertise to facilitate the election of the Member to represent their stakeholder group in the SRC. Nominations received from a particular interest group were compiled and circulated to the stakeholders of the said interest group for voting in January 2016. The candidate who received the highest number of votes was elected as the Member while the candidate with the second highest number

of votes was elected as the Alternate Member to the SRC. A copy of the letter is attached as **APPENDIX 9**.

- 4.4.2 As a result of the nomination and voting process, the elected Members and Alternate Members of the SRC for the various interest groups were informed of the outcome through a letter as shown as in **APPENDIX 11**.
- 4.4.3 In consideration of the concurrent review of the PEFC sustainability benchmark, the review of MC&I(Natural Forest) was put on hold after the Second Meeting of the SRC in 2017. Prior to reconvening the Third Meeting of the SRC in 2018, the Secretariat contacted all Members and Alternate Members to re-confirm their membership in the SRC and consultations were undertaken where there were changes in membership. The updated list of Members and Alternate Members is shown in **APPENDIX 3**.

4.5 First Meeting of SRC

- 4.5.1 The First Meeting of the SRC was held from 12 to 14 April 2016 in Kuala Lumpur. Being the first meeting of the SRC, the Meeting was briefed on the standard review process and its development to-date, proposed processes and timelines, rules on standard setting process based on the SSP 3/2014 as well as the Terms of Reference for the SRC. The SRC unanimously elected MTCC CEO Mr. Yong Teng Koon to chair the meeting based on his extensive experience and technical knowledge in the standard requirements and the review process.
- 4.5.2 The Meeting discussed the approach for streamlining the MC&I(Natural Forest) and MC&I Forest Plantation.v2. In view of the extensive comments received on the MC&I(Natural Forest), the meeting requested the MTCC as the Secretariat to prepare a working draft on how the streamlining could be carried out, to be presented for the consideration of the Second Meeting of the SRC.
- 4.5.3 Deliberations of the SRC were focused on reviewing the MC&I(Natural Forest) and consideration of the comments received during the First Public Comment period. Comments that were general in nature, including a proposal for reorganisation of the various Principles of the MC&I(Natural Forest) were considered by the SRC. The SRC noted the intent of the proposal and appreciated the efforts taken by the stakeholders in providing such comprehensive comments. Nevertheless, the SRC was of the view that the existing structure of the MC&I(Natural Forest) is more comprehensive, with repetition of requirements needed for emphasis and therefore decided that the structure of the MC&I(Natural Forest) be maintained. Additionally, specific comments on the Principles, Criteria, Indicators and Verifiers of the MC&I(Natural Forest) were also extensively discussed.
- 4.5.4 The Minutes of the First Meeting of the SRC were circulated to the SRC on 25 July 2016. Responses by the SRC on the comments received during the first comment period were also circulated to the stakeholders that provided the comments and was made publicly

available on the MTCC website. The Minutes of the First Meeting of the SRC is attached as **APPENDIX 12**.

4.6 Second Meeting of SRC

- 4.6.1 The Second Meeting of the SRC was held in Sibu, Sarawak from 21 to 23 September 2016. The Meeting was provided with an update of the review process by Mr. Yong Teng Koon on behalf of the SRC Secretariat. The SRC unanimously elected Mr. Yong to chair the Second Meeting of the SRC.
- 4.6.2 Deliberations of the SRC in reviewing the MC&I(Natural Forest) were based on two documents which were prepared by the Secretariat i.e. (i) matters arising from the First Meeting of the SRC and (ii) Working Draft 1 on the Merging of MC&I(Natural Forest) and MC&I Forest Plantation.v2.
- 4.6.3 The Meeting considered the wording of the Principle, Criteria, Indicator and Verifier of the two standards before deciding on the wording for the merged standard. The Principle, Criteria, Indicator or Verifier which could not be streamlined were adopted separately for application for natural forest or forest plantation.
- 4.6.4 The Minutes of the Second Meeting of the SRC is attached in **APPENDIX 13**.

4.7 Revision of Process and Timelines

- 4.7.1 PEFC commenced reviewing all its standards and technical documents, including the PEFC sustainability benchmark for Sustainable Forest Management (SFM) in the beginning of 2016 which was expected to complete by the end of 2017. A letter dated 13 January 2017 was issued by PEFC to all National Governing Bodies including MTCC informing that the PEFC Board has decided to offer Extraordinary Endorsement Extension until 31 December 2019 for all schemes that are due for re-endorsement in 2019 (**APPENDIX 14**). This is to ensure that national schemes can incorporate the revised PEFC sustainability benchmark for SFM into their respective national standards, and for a smooth and efficient transition into the application of the revised standard.
- 4.7.2 Taking into consideration that the review of the MC&I(Natural Forest) would need to take into account changes that are made to the PEFC sustainability benchmark, the 71st Meeting of the MTCC Board of Trustees held on 7 March 2017 approved for the review process to be placed on hold until the PEFC sustainability benchmark for SFM had been adopted to ensure that the review of the MC&I(Natural Forest) is in-line and consistent with PEFC requirements. The extract of the Minutes of the 71st Board of Trustees Meeting is attached as **APPENDIX 15**.
- 4.7.3 Stakeholders were informed of the matter via a website announcement posted on the MTCC website which appears in **APPENDIX 16**.

4.8 Third Meeting of SRC

- 4.8.1 Following the decision of the 75th MTCC Board Meeting held on 6 March 2018, the review of the MC&I(Natural Forest) was resumed with the conduct of the Third Meeting of the SRC which was held in Port Dickson, Negeri Sembilan from 17 to 18 July 2018. As it was the first meeting of the SRC after the review process was resumed, Ms. Siti Syaliza Mustapha, Senior Manager (Forest Management) recapitulated the progress of the review process of the MC&I(Natural Forest) and briefed the Meeting on the latest developments related to the revision of the PEFC Sustainable Forest Management Benchmark. The SRC unanimously elected Mr. Yong to chair the meeting.
- 4.8.2 The Third Meeting of the SRC continued deliberation on the working draft which contained the streamlined requirements of both the MC&I(Natural Forest) and MC&I Forest Plantation.v2.
- 4.8.3 The Meeting also discussed the proposal to restructure the standard based on three possible options. The first option was to restructure the standard according to the ISO High Level Standard; the second to maintain the existing structure with updated requirements; while the third option was to maintain the structure and incorporate Principle 10 of the MC&I Forest Plantation.v2 into the relevant Criteria and Indicators of Principle 1 to 9 of the streamlined standard.
- 4.8.4 After a lengthy discussion, the Meeting agreed to maintain the existing structure of the draft merged standard and requested the Secretariat to explore the possibility of incorporating the requirements of Principle 10 into the relevant Criteria and Indicators of Principles 1 to 9 for forest plantations. The Minutes of the Third Meeting of the SRC appears as **APPENDIX 17**.

4.9 Fourth Meeting of SRC

- 4.9.1 The Fourth Meeting of the SRC was held in Kota Kinabalu, Sabah from 18 to 20 February 2019. The SRC unanimously elected Mr. Yong to chair the meeting. A briefing to introduce the PEFC 1003:2018 *Sustainable Forest Management – Requirements* that was approved at the PEFC General Assembly on 14 November 2018 was provided.
- 4.9.2 The SRC considered and agreed on the incorporation of the requirements of Principle 10 of MC&I Forest Plantation.v2 into the relevant Criteria and Indicators of Principles 1 to 9 of the new streamlined standard. The Meeting also considered and agreed to incorporate new requirements of the PEFC ST 1003:2018 *Sustainable Forest Management – Requirements* into the draft standard to ensure conformance to the PEFC Sustainability Benchmark which had been revised and approved by the PEFC General Assembly on 14 November 2018.
- 4.9.3 The Meeting also reached consensus on an Enquiry Draft which was subsequently circulated for Public Consultation along with the revised process and timelines for the

review of MC&I(Natural Forest). The Minutes of the Fourth Meeting is attached as **APPENDIX 18**.

4.10 Public Consultation on Enquiry Draft

- 4.10.1 The Enquiry Draft which was finalised by the Fourth Meeting of the SRC was subjected to a 60-day public consultation from 20 May to 19 July 2019. It was circulated to relevant stakeholders via postal mail, e-mail and posted on MTCC website (**APPENDIX 19**).
- 4.10.2 During the public consultation period, three regional consultations were conducted in Kota Kinabalu (2 July), Kuching (4 July) and Kuala Lumpur (9 July), to introduce the Enquiry Draft, provide clarification on the various changes made and to respond to any enquiries on the Enquiry Draft. The invitation letters appear as **APPENDIX 20** (Kota Kinabalu), **APPENDIX 21** (Kuching), **APPENDIX 22** (Kuala Lumpur) and **APPENDIX 23** (Academic/Research/Professional Bodies). A total of 127 stakeholders representing various stakeholder groups participated in the consultations. The attendance lists of the regional consultations appear as **APPENDIX 24**.
- 4.10.3 The consultations also served as a good platform for valuable interactions and exchange of views with stakeholders on other matters of concern related to forest certification, in particular the cut-off date for establishment of forest plantations.
- 4.10.4 At the end of the Public Consultation period, a total of 26 general comments and 256 specific comments on the Enquiry Draft were received from 26 organisations, as listed below:
- i. Bar Council – Committee on Orang Asli Rights
 - ii. Federation of Orang Ulu Sarawak (FORUM)
 - iii. Forest Research Institute Malaysia (FRIM)
 - iv. Johor State Forestry Department
 - v. Department of Labour Sarawak
 - vi. Forestry Department Peninsular Malaysia Headquarters
 - vii. Terengganu State Forestry Department
 - viii. Malaysian Environmental NGOs (MENGO)
 - ix. Malaysian Nature Society (MNS)
 - x. Malaysian Wood Industries Association (MWIA)
 - xi. Natural Resource and Environment Board (NREB) Sarawak
 - xii. Sabah Forest Industries Sdn Bhd
 - xiii. Sabah Forestry Department
 - xiv. Sarawak Dayak Iban Association
 - xv. Sarawak Timber Association
 - xvi. Samling Group
 - xvii. Sapulut Forest Development Sdn Bhd
 - xviii. Shin Yang Group
 - xix. State Attorney General's Chambers Sarawak
 - xx. Human Rights Commission of Malaysia (SUHAKAM)

- xxi. Ta Ann Holding Bhd
- xxii. Independent consultant – Barney Chan
- xxiii. WCS - Malaysia Program
- xxiv. WWF-Malaysia
- xxv. Yayasan Hasanah
- xxvi. Zedtee Sdn Bhd

4.10.5 The comments and proposals received were consolidated by the Secretariat and circulated by email to the members of the SRC, prior to the convening of the Fifth Meeting of the SRC (**APPENDIX 25**).

4.11 Fifth Meeting of SRC

4.11.1 The Fifth Meeting of the SRC was held in Pulau Pinang from 9 to 11 December 2019 with the aim to consider the comments received from the Second Public Comment and produce the Final Draft standard. Mr. Yong was unanimously elected by the SRC to chair the Meeting.

4.11.2 The deliberations of the SRC were guided by three documents that had been prepared by the Secretariat and circulated to the members prior to the meeting, i.e.:

- i. Matters Arising from the Fourth Meeting of the SRC;
- ii. Consolidated Comments received from the Public Consultation on the Enquiry Draft; and
- iii. Final Draft which included preamble, introduction, definition of key terms and the requirements of the standard.

4.11.3 At the end of the three-day meeting, the SRC adopted the MC&I SFM by consensus to replace the MC&I(Natural Forest) and MC&I Forest Plantation.v2 as the standard for certification of natural forest and forest plantation management in Malaysia.

4.11.4 The Minutes of the Meeting appears as **APPENDIX 26**.

5. Approval of the MC&I Sustainable Forest Management under the Malaysian Timber Certification Scheme (MTCS)

5.1 The adopted MC&I Sustainable Forest Management (MC&I SFM) was submitted to the MTCC Board of Trustees for consideration. The MTCC Board at its 83rd Meeting held on 5 March 2020 approved the MC&I SFM as the standard used for certification of sustainable forest management under the MTCS. The extract of the Minutes of the 83rd Board of Trustees Meeting decision is included as **APPENDIX 27**.