

# Improving timber certification on ESG

[thestar.com.my/business/business-news/2023/03/06/improving-timber-certification-on-esg](https://www.thestar.com.my/business/business-news/2023/03/06/improving-timber-certification-on-esg)

6 March 2023



Meeting requirements: While certification is critical, local timber industry players are also working to improve social and labour issues under the ESG standards.

COMPANIES along the timber value chain are increasingly aiming to prove that the forest-based materials they use come from legal and sustainable sources.

They are seeking timber certification under the Malaysian Timber Certification Scheme (MTCS) that promotes sustainable forest management in their journey towards environmental, social and governance (ESG) as well as sustainable development goals.

However, there is room for improvement as only about 10% of the 3,500 timber companies in Malaysia hold the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody (CoC) certificate, said the Malaysian Timber Certification Council (MTCC).

The aim is to have 750 CoC certificate holders by 2030, which is a 50% increase from 381 in 2020, according to the National Agricommodity Policy 2021-2030.

Largest certification

All MTCS-certified timber products are allowed to carry the PEFC CoC, the world's largest forest certification system which is accepted in most developed countries, especially in Europe.

As at Sept 15, 2022, a total of 5.62 million hectares of forest area, both natural and planted, have been certified under the MTCS throughout Malaysia.

While certification is critical, industry players are also working to improve social and labour issues under the ESG standards.

The MTCC is working closely with agencies such as the Malaysian Timber Industry Board (MTIB) and the Malaysian Timber Council to further promote the uptake of certification, through incentives especially for capacity building.

Companies have to be proactive in obtaining certification as the MTCS is a voluntary scheme that provides for independent assessment of forest management practices.

Certified companies under the MTCS are entitled to claim double deduction for expenditure incurred in obtaining certification.

#### ESG requirements

The certification standards contain the requirements for fulfilling the various aspects of ESG involving:

- > Environmental: biodiversity, compliance, land remediation, contamination or degradation and supply chain.
- > Social: human rights, diversity, occupational safety and health as well as labour practices.
- > Governance: board leadership and effectiveness, effective audit and risk management as well as integrity in corporate reporting.

By providing transparent information on traceability and management practices, forest certification is an avenue to prevent environmental damage while ensuring operators' compliance with environmental and social policies as well as support for sustainable development.

Forest management certification involves a third-party assessment by a certification body to ascertain that forest management practices implemented in a certain forest area/forest management unit meet the requirements of the Malaysian Criteria and Indicators for Sustainable Forest Management.

The CoC certification is a process where an independent assessor will verify that the certified factory utilises timber originated from certified forests.

Timber products manufactured from certified factories can be marketed as green items.

The MTCS is also recognised under green procurement policies as providing assurance of sustainable materials via, for example, the MyHijau mark and Green Building Index in the construction sector.

MTCC's vision is for a "nation that appreciates and internalises the full value and contribution of forests towards global sustainability".

Federal and state governments should ensure that sustainable forest management is practiced in all forest areas, especially in the legally gazetted Permanent Reserved Forest or Permanent Forest Estate areas.

#### Supply sustainability

Apart from conservation of forest ecosystems and resources, the sustainability of material supply must also be ensured.

Many of the states in Peninsular Malaysia have maintained certification for about two decades while Sabah and Sarawak have policies in place for obtaining certification of its forest areas.

As a guarantee and verification of timber produced in Peninsular Malaysia, the Peninsular Timber Legality Assurance System (MyTLAS) for checking the legality of wood, was introduced by the MTIB.

Since January 2022, the MyTLAS certificate was extended to all markets, apart from the European Union.

For further improvement, the credibility of MyTLAS must be strengthened and scope widened to ensure that Malaysia's timber supply maintains its international position and its export value continues to increase, said MTIB.

Besides MyTLAS, the MTIB Certification Body Product Certification Scheme is aimed at preventing non-conformity at all stages of production.

#### Lowering risks

As more timber companies are encouraged to take up the MTCS, it is noted that certification also validates the efforts of a business to improve ESG performance, which leads to lower company-specific risks and improves long-term financial performance.

However, most industry players in the timber industry are small and medium enterprises where a challenging area in ESG appears to be compliance with the social aspect.

This is with regards to workers' rights, welfare and the working environment.

The timber industry has lengths to go in achieving full ESG compliance, while there are ongoing efforts to improve the conditions in the workplace and the industry's contribution to the environment, local communities and economy.

Time and tide waits for no man; consumer demands on ESG standards are ever mounting and industry players have to move ahead quickly to stay competitive and relevant.

