

MCCORRY GROUP ENVIRONMENTAL REPORT 2017

Introduction

McCorry is committed to the responsible stewardship of the environment. As part of our company commitment, we are now publishing our 2nd environmental report to inform the public of our efforts for achieving and promoting sustainability in the wood industry. We continuously improve our trading practices and procedures to minimize or eliminate the impact of our operations on the environment. We hope this report will be useful in understanding the many ways in which our company is working to lessen our environmental impact and in our small way contribute to a better world. Our first Environmental Report was for the year 2015.

Company Background

McCorry's core business is in the international trading of wood products with presence around the world through offices in USA, Mexico, Hong Kong and Malaysia. The first subsidiary of the Group, McCorry & Co. Limited was incorporated in 1995 and began its business operation in 1996. In 2002 McCorry & Co. Ltd. got FSC-certified (Forest Steward Council; www.fsc.org). From 2007 the Group has been certified under the Global Wood Tracking Program and also became a member of WWF's GFTN (Global Forest Trading Network). For the past twelve years, McCorry has helped our suppliers to get environmentally third-party certified. We have conducted seminars on Verified Legal certifications, as part of helping our supplier in the certification process. In this process, McCorry works with both third-party certifiers and suppliers to speed up the certification.

**SUMMARY OF WOOD PRODUCTS
ENVIRONMENTAL STATUS FOR YEAR 2016/2017**

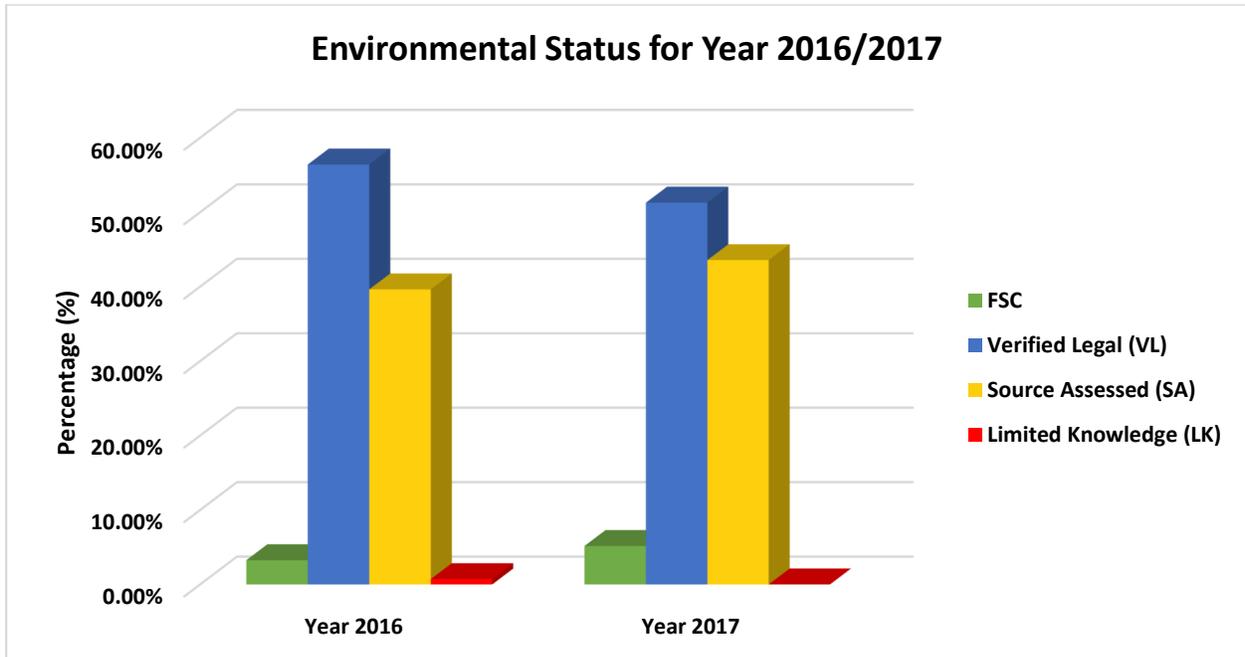
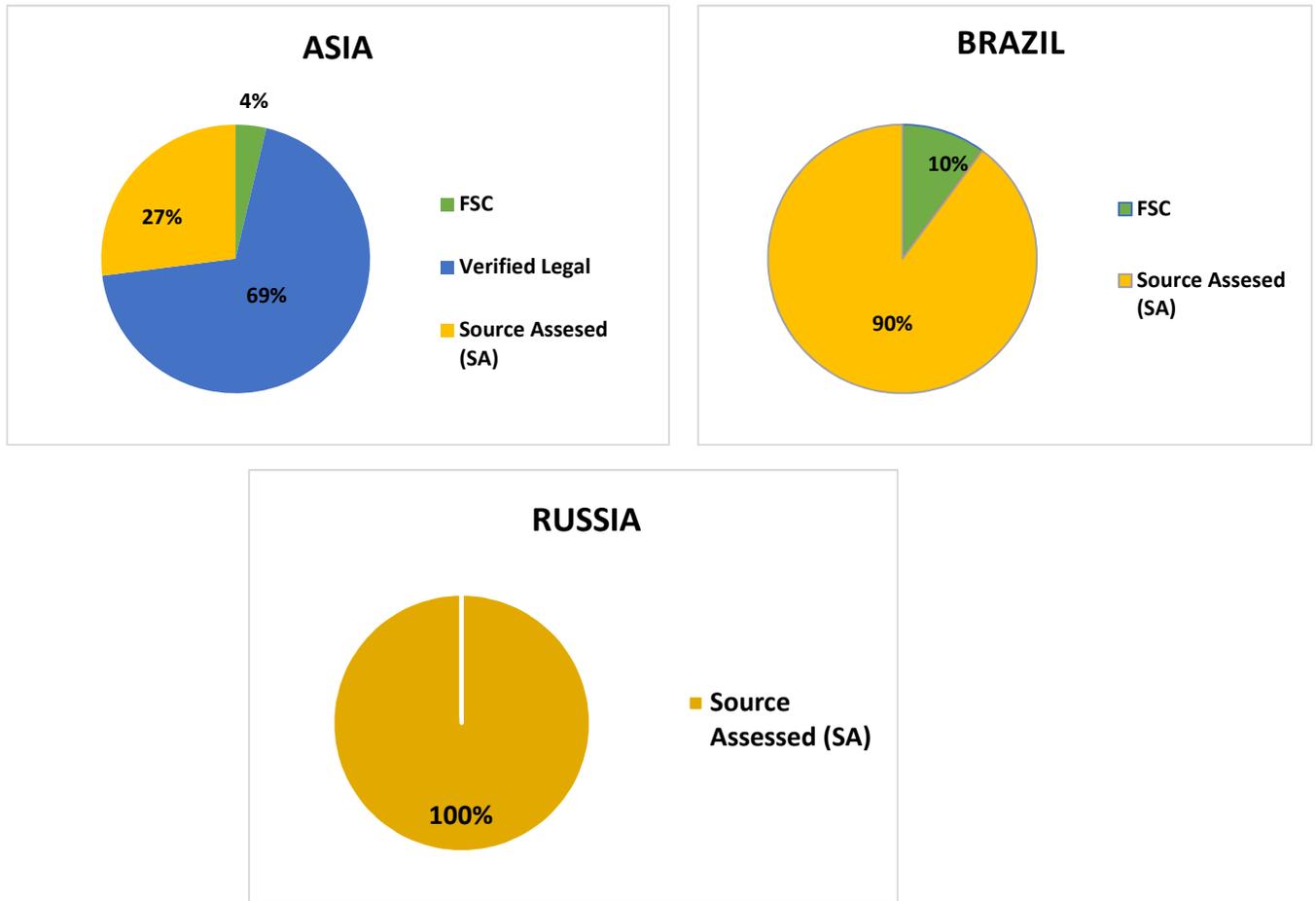


Figure 1: Environmental Status for Year 2016/2017

Figure 1 is the summary of McCorry’s purchases according to Environmental Status of its products for year 2016 and 2017. Environmental Status of McCorry’s products has been categorized according to WWF GFTN guidelines which are Forest Stewardship Council (FSC), Verified Legal (VL), Source Assessed (SA) and Limited Knowledge (LK). McCorry Group has increased its purchase volume in 2017 with the total of 42473 m³ volume compared in 2016 with the total of 38616 m³. In term of volume, McCorry has increased its purchased on FSC certified products about 170% in 2017 compared in 2016. McCorry convinced its main supplier of MDF in Brazil to become FSC certified products. The percentage of VL products purchase has reduced from 56% in 2016 to 51% in 2017. In reality our volume has increased slightly in 2017. McCorry has lost its largest supply of VL products from China in 2017 due to US International Trade Commission (ITC) case implementing duty tariffs of more than 200% on Chinese hardwood plywood imports.

Due to the ITC case, McCorry has moved its supply chain from China to Thailand. This is one of the factors of the increase of the Source assessed (SA) products purchase in 2017 which is about 43% and 39% in 2016. Nevertheless, McCorry achieved its target in 2017 with no purchases of Limited Knowledge (LK) environmental status products.

2017 Environmental Status Breakdown



McCorry Group main suppliers are from Asia countries. The countries are China, Republic of Korea, Indonesia, Malaysia and Thailand. Republic of Korea is the main supplier of FSC products including Malaysia for Medium Density Fiberboard (MDF) and solid wood. For Verified Legal (VL) products the main suppliers are from Malaysia and Indonesia. The other suppliers are from Brazil and Russia. In mid-year 2017, McCorry Group successfully negotiate with its supplier to

supply us the FSC products, and this contributed in the increasing of FSC environmental status parallel with McCorry's target and plan with GFTN.

CERTIFICATION & PARTICIPATION

McCorry Group supports the international efforts on the improvement for sustainable forest management such as the development of credible timber certification schemes. The independent certification of forests and the process of chain of custody are the most useful tool for providing assurances that timber comes from legal and well-managed forests.

➤ **Forest Stewardship Council (FSC)**

FSC is an internationally recognized sustainable forest management certification program. McCorry was FSC certified since 2002. Start from January 2017, McCorry become FSC Multisite certified which include McCorry Hong Kong, McCorry USA and McCorry Malaysia. In October 2017, McCorry added one more site for McCorry Mexico.

➤ **GFS Wood Tracking Program**

GFS Wood Tracking Program is a program to ensure that the products come from verified legal sources to support due diligence requirements of the EU Timber Trade Regulations; the USA Lacey Act; Australian Illegal Logging Act and Japanese Goho requirements. This program also designed to verify a structured Chain of Custody system that tracks raw material from forest origin through processing and trade based on GFS WTP CoC requirements. Annual Assessment are required to monitor and document continual compliance to the standard. McCorry participated in GFS Wood Tracking Program since 2007.

➤ **Customs-Trade Partnership Against Terrorism (C-TPAT) Program**

C-TPAT is a voluntary supply chain security program led by U.S. Customs and Border Protection (CBP) focused on improving the security of private companies' supply chains with respect to terrorism. McCorry has been C-TPAT certified since 2008 and continuously update its Security Supply Chain annually in the C-TPAT Portal.

➤ **United Nation Global Compact (UNGC)**

UNGC is structured as a public-private initiative, the Global Compact offers a policy framework for the development, implementation and disclosure of sustainability principles and practices related to its four core areas: human rights, labour, the environment and anti-corruption. McCorry has become one of the participant in UNGC since 2015.

➤ **Greenhouse Gases (GHG) Verification ISO 14064-1:2006**

In alignment with McCorry's Environmental Policy, McCorry have successfully pursued the certification as a carbon neutral company by getting its GHG emission inventory report verified under ISO 14064-1:2006 standard on 5th September 2017. McCorry started reporting its GHG Emission Inventory in year 2016.

ACTIVITIES

- ❖ McCorry started to report its GHG emission inventory on 2016 and got certified under ISO 14064-1:2006 standard on 5th September 2017.
- ❖ Participated in Heart of Borneo (HOB) International Conference regularly since 2009.
- ❖ GFTN participation agreement with WWF to increase the production, sourcing, demand and uptake of credibly certified timber products globally.
- ❖ Participated in the expo "Habitat 2017" in Mexico on 25th to 27th May 2017.
- ❖ Participated in the FSC Malaysia Stakeholder Engagement Session on the first draft of Malaysian NFSS on 19th April 2017.
- ❖ Participated as a witness at the International Trade Commission's preliminary hearing on Friday 9th of December in Washington, DC, together with other members for the American

Alliance for Hardwood Plywood (AAHP) to get the petition against Chinese Hardwood Plywood dismissed.

- ❖ Participated in Sabah Forest Law Enforcement, Governance and Trade (FLEGT) Stakeholders Consultations Meeting 2016 to discuss the revision to the Principle 5 and 6 of the Sabah Timber Legality System (TLAS).
- ❖ Attended a “Dialogue to Define Corruption” conference organized by the United Nations Global Compact (UNGC) Malaysia on 3rd March 2016.

LOOKING FORWARD

McCorry is working towards PEFC certification. With this certification, McCorry will increase the sourcing of certified products and encourage its suppliers to get certified as well. McCorry will maintain its other certifications and its commitment to operating sustainably to benefit the communities in which we operate both environmentally and socially.