

Sarawak Timber Legality Verification System (STLVS)

**Standard for Verification of Forest Management,
Mill Operations, Trade & Customs
STLVS Principles 1-6**

**Date:
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(Version 01)**

Preamble

The Sarawak forests covers approximately 65% of the total 12.4 million ha land area that contains over 3000 known tree species. The forest and timber industry has been and continues to be vital to the development of the Sarawak. The government of Sarawak recognizes the importance of sustainability of management of the existing forest resources not just for the industry but for the environmental and social benefits to the people of Sarawak.

The Sarawak Timber Legality Verification System (STLVS) includes procedures to regulate the forest and timber industry and standard for independent verification of compliance to Sarawak regulatory requirements. The STLVS acts as the process of due diligence for the forest and timber industry of Sarawak to meet international trade regulations that consists of 4 main elements:

- Inter-Agency Standard Operating Procedures
- Standard for Verification: STLVS Principles 1-6
- Independent Compliance Monitoring
- Guidelines for Implementing Sarawak Timber Legality Verification System Audit

The STLVS Standard for Verification consists of 6 Principles and 18 criteria that reflects the regulatory requirements and industry standards that includes:

- management of forest resources;
- community recognition and benefits;
- environmental protection and
- traceability of material from the forest through timber products.

The STLVS Standard for Verification was developed through consultations between government and timber industry in respect to implementation of regulatory requirements in the forest through mill operations and trade of timber products. The STLVS Principles 1-6 was tested in 6 forest concessions and 6 mills in 2016 to evaluate the use in field conditions. The STLVS Principles 1-6 went through a series of 9 Draft versions prior to adoption of the STLVS Principles 1-6 version 01.

Ministry of Urban Development & Natural Resources of Sarawak expects that all forest and mill operations in Sarawak shall meet the requirements as defined in this standard.

STLVS Principles 1-6

Forest Management, Mill Operations, Trade & Customs

Background

Sarawak has 4 main agencies under the Ministry of Urban Development & Natural Resources of Sarawak (MUDNR) that regulate forestry, manufacturing and trade of timber and timber products namely, Forest Department Sarawak (FDS); Sarawak Forestry Corporation (SFC); Sarawak Timber Industry Development Corporation (STIDC) and Harwood Timber Sdn Bhd (HTSB).

The agencies that regulate forestry operations include FDS for policy, management, licensing and enforcement; SFC for operational activities including harvesting, royalty assessment and log movement; HTSB for log inspection and the endorsement of logs to licensed mills or export point. Sarawak Timber Industry Development Corporation (STIDC) regulates manufacturing and trade of timber and timber products. The regulating agencies have created the Inter-Agency Standard Operating Procedures to implement the Sarawak Timber Legality Verification System (STLVS). The STLVS includes the legality Standard for Forestry Operations under Principles 1-4 and Chain of Custody Standard under Principles 5-6.

This Standard for Forest Management, Mill Operations, Trade & Customs is defined through Principles 1-6 was developed by Malaysia to define fundamental elements of legality. The Criteria & Indicators under each Principle are wholly defined by the current Sarawak regulatory system.

Verification of legality for forestry, mill operations and trade shall be defined through documented compliance to this standard. Compliance is defined where there is no evidence of non-compliance to any of the Principles or Criteria. Non-compliance occurs where there is a major gap in performance with any applicable indicator. Minor gaps identified for an indicator are still considered as compliant to the associated Criterion. *STLVS Verified Legal* material and products under the STLVS P1-6 will be based on documented compliance of forest license holders, timber manufactures & trading companies to this Standard by an independent organization to support market due diligence.

Acronyms:

DOSH – Department of Safety & Health
DP – Detailed Harvesting Plan
EIA – Environmental Impact Assessment
FDS – Forest Department Sarawak
FTL – Forest Timber License
GP – General Harvesting Plan
HTSB - Harwood Timber Sdn. Bhd.
LPF – License for Planted Forests
MUDNR - Ministry of Urban Development & Natural Resources of Sarawak
NCR - Native Customary Rights
NREB - Natural Resources and Environment Board
PEC – Permit to Enter Coupe
SIA – Social Impact Assessment
SFC - Sarawak Forestry Corporation
STIDC - Sarawak Timber Industry Development Corporation
STLVS – Sarawak Timber Legality Verification System

Definitions:

Infrastructure: Forest roads, drainage structures, bridges, camp buildings and living quarters, workshop facilities and any other structures constructed by the logging operator to facilitate timber harvesting operation.

Reduced Impact Logging: Intensively planned and carefully controlled implementation of harvesting operations to minimize the impact on forest stands and soils, particularly in forest timber license areas where SFM & certification are implemented.

River buffer / Stream bank reserve / riparian zone: Areas of protection associated with the banks of permanent waterways in accordance to NREB guidelines.

Steep slopes: Long, uniform hill side slopes with gradient of 35 degrees or more as identified from the topographic maps used in detailed planning.

Principle 1. Right to Harvest

Criterion 1.1 License for Harvest - Legal rights to harvest shall be demonstrated by the Company or person(s) in respect to an approved licensed area with clearly defined and recognized boundaries.

- 1.1.1 The Company shall be legally registered that includes the scope to carry out forestry or plantation activities.
 - a. Company registration.
 - b. Valid Company Trade License.
 - c. Registration Certificate of license holder with Forest Department Sarawak.
- 1.1.2 For non-Company, the individual shall possess a valid land title or gazette Native Customary Rights (NCR) notification.
- 1.1.3 The Company or person(s) shall hold a valid Forest Timber License (FTL) and / or License for Planted Forests (LPF).

Criterion 1.2 Environmental Impact Assessment & Protection - The Company shall have an approved Environmental Impact Assessment (EIA) report to identify and protect environmental elements within the licensed area in accordance to the Natural Resources and Environment Ordinance, (NREO) 1993.

- 1.2.1 For re-entry logging areas of more than 500 ha and/or within a gazetted water catchment area, the Company shall have an EIA approved by the NREB.
- 1.2.2 Submission of quarterly Environmental Monitoring Report (EMR) or such other equivalent report as required by NREB.
- 1.2.3 Areas for protection of steep slopes and buffers for permanent streams along with habitat protection should be defined within the EIA as appropriate to the licensed area.
- 1.2.4 Mitigation measures for sanitation and schedule wastes shall be implemented in accordance to EIA requirements.

Criterion 1.3 Forest Management Planning - The Company shall demonstrate planning of management and harvesting activities are approved by the relevant government authorities.

- 1.3.1 The Company shall have an approved General Harvesting Plan (GP) from FDS that clearly defines the harvesting sequence of the coupe and other general planning for the Forest Timber License area (if so required in the license documents).

- 1.3.2 Salvage logging for site preparation in LPF areas, the company requires approval of FDS and subsequently a DP/Road Plan and PEC issued by SFC.
- 1.3.3 GP Map of the FTL / LPF area shall clearly indicate land use (production, conservation, social, infrastructure, etc.) and be approved (if so required in the license documents).
- 1.3.4 The Company shall develop and have an approved Detailed Harvesting Plan (DP) / Road Plan that clearly defines total and net production areas along with areas for protection or conservation at the coupe level in accordance to an approved GP (if so required in the license documents).
- 1.3.5 All logging roads (main, secondary and feeder roads) shall be constructed in accordance to the approved DP / Road Plan and designed standards.
- 1.3.6 The Company shall have a valid Permit to Enter Coupe (PEC) prior to start harvesting activities within the harvest blocks for FTL. For harvesting of planted trees within LPF areas, the Company shall have an approved Tree Harvesting Plan, Annual Harvesting Plan (AHP) and a valid Permit to Harvest Coupe (PHC).
- 1.3.7 Areas for protection and production shall be reflected in PEC maps to comply with an approved EIA report and be correct to ground conditions.
- 1.3.8 Short-term license areas shall have an approved PEC map.

Principle 2. Forest Operations

Criterion 2.1 Demarcation of boundaries and areas for protection - The Company shall clearly mark the boundaries of areas for protection within the licensed area for harvesting.

- 2.1.1 The Company shall identify, survey and demarcate the license boundary on the ground, according to regulations.
- 2.1.2 Areas prohibited from harvesting such as riparian zones, buffer zones, steep slopes, etc., shall be marked on the ground (where applicable).
- 2.1.3 Demarcation of block boundaries within the Coupe area shall be in accordance to the DP / Road Plan or PEC map for short-term licenses.
- 2.1.4 The Company shall develop and implement systems to protect the license area from illegal exploitation and/or encroachment such as:
 - Systems for entry and access control to concession - (e.g. entry gate registry)
 - Forest security and patrolling measures for encroachment, illegal logging and/or poaching - (monitoring schedule, personnel and training records)
 - Identification of illegal activities & reporting to authorities - (security records)

Criterion 2.2 Tree Enumeration – The Company shall ensure the volume and number of harvest trees are defined and located within each block for planning of extraction where applicable.

- 2.2.1 The Company shall conduct a 10% inventory for each block of all harvestable trees for FTL areas.
- 2.2.2 The FTL areas that are required to conduct Reduced Impact Logging (RIL) shall provide for 100% inventory of all harvestable trees in each block.
- 2.2.3 Under RIL, all harvestable trees shall be identified; marked and listed in the Reduced Impact Logging Plan (RILP).

Criterion 2.3 Control of Timber Production – The Company shall comply with regulations for harvesting of timber and log volume enumerated.

- 2.3.1 Harvesting shall only take place within permitted harvesting blocks as endorsed in the PEC or PHC as appropriate.
- 2.3.2 Areas identified for protection (buffer zones, steep slopes, salt licks, etc) shall be protected and not be disturbed in accordance to approved DP/Road Plan and EIA requirements where applicable.
- 2.3.3 Trees within areas for protection (buffer zones; steep slopes, etc) shall not be felled.
- 2.3.4 Protected tree species shall not be felled unless with a written approval from the Controller of Wildlife.
- 2.3.5 Trees harvested under RIL system shall be recorded under Tree Felling Records and should match the trees identified for harvesting in the enumerated list (where applicable).
- 2.3.6 The company shall comply with the log production volume limits approved by the Director of Forests (where applicable).
- 2.3.7 The company shall comply with diameter cutting limits as imposed in the license conditions. Trees below the cutting limits within proposed infrastructure development can be salvaged.
- 2.3.8 The company shall reserve a portion of log production from FTL areas as specified by the Director of Forests for local processing (as appropriate).
- 2.3.9 Logs extracted shall be numbered using Log Production Identity (LPI) tag by the Company and recorded in Daily Production Returns (DPR) for each permitted harvesting block (as appropriate).
- 2.3.10 The Company shall submit the Daily Production Return for all logs harvested (as appropriate).
- 2.3.11 The Company shall maintain records of log production in accordance to approved LPI numbers (as appropriate).
- 2.3.12 Logs used within the Coupe for infrastructure shall be measured and assessed for royalty payments as appropriate.
- 2.3.13 The Company shall emboss their property mark to both ends of all logs extracted (as appropriate).
- 2.3.14 The Company shall submit a Log Specification Form (LSF) specifying licence number, block number, Coupe number, log serial number, log dimension and species for royalty assessment (as appropriate).
- 2.3.15 The Company shall ensure that all logs extracted are assessed for Royalty, Premium and Cess as required in the License Conditions.
- 2.3.16 All logs shall be affixed with Royalty Assessment Tags (Log Serial Number) for inspection and marking with a Government Hammer Mark to account for payment of Royalty.
- 2.3.17 The Company shall maintain records of Removal Pass (Royalty) along with the associated Log Specification Form following inspection by SFC.

Criterion 2.4. Log Transportation – The Company shall ensure all logs are registered with SFC. Valid Removal Pass (Transit) must be accompanied for removal of logs from the licensed area to a designated location (mill or export point).

- 2.4.1 The Company shall ensure that logs are inspected by HTSB at a registered Collection Distribution Center (CDC) for the issuance of Endorsement Clearance Certificate (ECC) prior to delivery of logs to local mills and export points.
- 2.4.2 The Company shall ensure logs for export are inspected by HTSB for issuance of an Export Clearance Certificate (ExCC) at the export point.
- 2.4.3 The Company shall ensure all logs are registered with SFC and maintain copies of SFC issuance of Removal Pass – (Transit) (RPT).
- 2.4.4 Transportation of logs shall be accompanied with the Removal Pass – Transit (RPT), the associated LSF (Transit), along with a shipping pass or land transportation pass that are identified as STLVS Verified Legal as applicable.
- 2.4.5 The Company shall maintain copies of HTSB inspection report for logs arriving at mills in relation to the ECC and RPT.

Criterion 2.5 Worker Safety & Health – The Company shall ensure workers are legal; trained for their job function; and provide adequate safety, health and insurance as required.

- 2.5.1 The company shall keep and maintain a register of all employees.
- 2.5.2 The Company shall ensure non-resident workers are legally employed with valid work permits from Sarawak Immigration Department as applicable.
- 2.5.3 The Company shall pay insurance premium / contribution for all workers and SOCSO payments for Malaysian employees.
- 2.5.4 The Company shall establish a safety & health policy that is communicated to all workers
- 2.5.5 The Company shall ensure all workers are adequately trained according to their job function, safety and protective equipment. Training records of staff shall be maintained where available.
- 2.5.6 The Company shall report to DOSH on accidents related to employment as well as to SOCSO and Department of Labour for claims where appropriate.
- 2.5.7 The Company shall provide protective clothing and safety equipment appropriate for use in field operations.
- 2.5.8 The Company shall ensure adequate precaution for workers' safety in the event of fire or other accidents.
- 2.5.9 The Company shall provide basic accommodation and facilities for workers in the base camps.

Principle 3. Statutory Charges

Criterion 3.1 Royalty & Fees – The Company shall pay Royalty, Premium and Cess as specified in License Conditions for log production and associated fees.

- 3.1.1 The Company shall pay all applicable licensing fees and annual land rent in regards to FTL or LPF as appropriate.
- 3.1.2 The Company shall pay all royalties, premium and Cess as specified in the License Conditions for all logs produced.
- 3.1.3 The Company shall maintain copies of the Removal Pass (Royalty) and payment receipts as records of royalty payment.

Principle 4. Other User Rights

Criterion 4.1 Users' Right by Natives – The Company shall identify all local native communities with claims associated to the licensed area and have written agreements in respect to forestry activities prior to logging operations in the affected area.

- 4.1.1 Areas with gazetted Native Customary Right (NCR) under the Land Code shall be excised from the licensed area.
- 4.1.2 An Assessment shall be conducted that identifies all communities located within or adjacent to the licensed boundary to define current land use to sustain their livelihood and cultural identity for the purpose of negotiation of the agreement.
- 4.1.3 Native rights shall be respected. - Licensed area is free of third party disputed claims to use rights or ownership; OR that a formal system to resolve such claims is in place that includes the following (as applicable).
 - a. Agreement exists with each community regarding forestry activities and compensation
 - b. Formal system of communication with communities exists.
 - c. Formal system to resolve outstanding community claims and disputes.
 - d. Areas that have outstanding valid NCR claims as identified and documented through the assessment that are not covered under an agreement must not be harvested.

Principle 5. Mill Operations

Criterion 5.1 Issuance / renewal of mill license and terms and conditions of operations

- 5.1.1 All processing facilities shall hold valid mill licenses issued by STIDC or FDS as appropriate.
- 5.1.2 The Company shall comply with mill license Terms and conditions including maintenance of log arrival records (Removal Passes & Log Specification Form (LSF) (for mills processing logs) and submission of Monthly Industrial Production Returns.

Criterion 5.2 Material input and output

- 5.2.1 The Company shall ensure that all logs received at or transported out from the mill are accompanied with a valid Removal Pass (Transit) and Log Specification Form (as required) that physically corresponds to the material being transported based on log number, species, quantity, volume and dimensions.
- 5.2.2 The Company shall ensure that the logs are inspected by HTSB to confirm material is acceptable under the STLVS upon arrival of each consignment.
- 5.2.3 The Company shall ensure that log arrival has been recorded that includes reference to STLVS Verified status (date of entry, species / species code, volume and log numbers) as per the Log Specification Form.
- 5.2.4 STLVS Verified logs and other STLVS raw material must be clearly identified and segregated from other material.
- 5.2.5 Manufacturing companies shall have a documented system to ensure STLVS Verified raw materials are correctly issued into a defined production unit (batch) to produce STLVS Verified products.
- 5.2.6 Production units defined as STLVS Verified Legal must be segregated from other production.

- 5.2.7 All work in progress to finished goods should be identified to the production unit and the STLVS Verified status as applicable.
- 5.2.8 Data on volume input into the production unit and associated output volume of final products under each unit, shall be documented.
- 5.2.9 The Company shall submit Monthly Industrial Production Returns to STIDC and Monthly Mill Returns to FDS as appropriate.

Criterion 5.3 Worker safety and health

- 5.3.1 The Company shall ensure non-resident workers are legally employed with valid work permits from Sarawak Immigration Department as applicable
- 5.3.2 The Company shall ensure all workers are adequately trained according to their job function, safety and protective equipment. Training records of staff shall be maintained where available.
- 5.3.3 The Company shall be registered with DOSH and undertake remedial measures as directed following their inspection as appropriate.
- 5.3.4 The Company shall report to DOSH on accidents related to employment as well as to SOCSO and Department of Labour for claims where appropriate.
- 5.3.5 The Company shall pay insurance premium / contribution for foreign workers and SOCSO payments for Malaysian employees.
- 5.3.6 The Company shall ensure adequate precaution for worker's safety in the event of fire or other accidents.

Principle 6. Trade and Customs

Criterion 6.1 Registration of Companies -

- 6.1.1 A Company who intends to be involved in manufacturing, selling, distributing and marketing of timber & timber products is required to be registered with Sarawak Timber Industry Development Corporation (STIDC) with a valid Certificate of Registration.

Criterion 6.2 Local Trade

- 6.2.1 The company shall have a mechanism to purchase *STLVS Verified* material from local companies that have a valid STLVS Compliance Certificate or evaluated as low risk based on the Risk Assessment.
- 6.2.2 All STLVS Verified material purchased must be clearly identified and or segregated from other material.
- 6.2.3 Sales of *STLVS Verified* material and products are clearly identified on Sales Invoices and Packing Lists (Log Lists) based on the STLVS Compliance Certificate number.

Criterion 6.3 Import regulations

- 6.3.1 The Company shall register with STIDC as importer of timber and/or timber products.
- 6.3.2 The Company shall obtain an import permit from STIDC for every shipment of timber and/or timber products in compliance to the terms and conditions.

- 6.3.3 The Company shall conduct a Risk Assessment to evaluate suppliers and material imported in regards to risk based on: country level risk; species risk & operational risks (**Appendix 1**).
- 6.3.4 Only raw material and products that are verified as low risk can be used in the production of sale of STLVS Verified Legal products.
- 6.3.5 The Company shall maintain all associated documents for importing timber and/or timber products that include: Import approval from STIDC; Customs Declaration Form 1; Certificate Country of origin; Phytosanitary Certificate; Purchase Contract / Invoice; Bill of Lading; CITES Certificate (if applicable); Letter of Approval from Ministry.
- 6.3.6 The Company shall ensure that all imported timber is inspected by STIDC and other relevant agencies as appropriate.
- 6.3.7 The Company shall maintain records of all imported material received.

Criterion 6.4 Transportation of imported timber and timber products

- 6.4.1 The Company shall ensure that customs clearance is fulfilled at legal landing points and that the imported material receives a STIDC hammer mark for logs.
- 6.4.2 The Company shall maintain copies of the Removal Pass issued by STIDC for each import consignment.
- 6.4.3 STIDC Inspection of Imported material at the mill matches the material imported based on import documentation.

Criterion 6.5 Export regulations

- 6.5.1 The Company shall register as an exporter with STIDC
- 6.5.2 The Company shall ensure that each consignment for export of logs has been inspected and issued an Export Clearance Certificate (ExCC) by HTSB and export permit from STIDC.
- 6.5.3 The Company shall ensure that each consignment for timber products is covered by an export permit issued by STIDC.
- 6.5.4 The Company shall maintain copies of required documents associated with the export of each consignment (as applicable):
- Customs Export Declaration Form 2 (CDF 2)
 - Customs Export Declaration Form 3 (CDF 3) (Sabah / Peninsular Malaysia)
 - Royalty payment receipt (logs)
 - Invoice & Packing List
 - Removal Pass Transit – (logs)
 - Export Clearance Certificate (ExCC) – (logs)
 - Phytosanitary Certificate;
 - CITES or Restricted Species Permits

Appendix 1. Risk Assessment

1.0 Background:

The objective of the supplier evaluation is to document that the supplier can trace raw material to a non-controversial source that is considered Low (Negligible) Risk of being illegal to classify the material as Verified Legal (VL) that can be used within the STLVS. STIDC understands that the Timber Industry in Sarawak needs a simplistic system to evaluate the risk of timber being purchased, manufactured and traded within the supply chain. STIDC has adopted a fundamental risk evaluation based on General Risk Categories.

Principle 6 requires that all companies purchasing wood based raw material conduct a Risk Assessment of all suppliers to verify low risk of all material imported and obtained locally. This document provides a simple general guide for evaluation of Low & High-Risk levels within each of the General Risk Categories.

2.0 General Risk Categories:

Risk can be based on general risk categories in respect to:

- Country risk
- Species risk
- Operational system risk

2.1 Country Risk:

Country Risk is based on the country of timber origin. Countries that have strong legal compliance in regards to the timber industry will have low / negligible risk of material being harvested and traded illegally. While countries that are considered to have poor rule of law and perceived to have higher corruption levels tend to be higher risk.

2.2 Species Risk:

Species Risk is based on the potential for illegal activities occurring based on the timber species. Timber species that are planted and low value are usually not under threat of being harvested and traded illegally. High value species and species from tropical natural forests are considered to be higher risk of being illegally harvested and traded.

2.3 Operational System Risk:

Operational Risk is based on the presence of independent verification of compliance to government regulations or international standards of certification. Independent verification of forest and supply chains indicate low risk even when area or species risk is not low risk.

3.0 Fundamental Risk Evaluation of General Categories:

3.1 Country Risk:

Based on a Corruption Perception Index (<http://cpi.transparency.org>) by Transparency International. Country Risk is directly related level of Law Enforcement and transparent Governance that is related to corruption.

| | |
|-------------------------|---|
| Low Risk Country | Countries with CPI score of 60 and above . Developed countries in North America, Western Europe, Australia, New Zealand and Japan have high levels of Law Enforcement and Governance. These countries tend to have detailed forest management and environmental requirements & for harvesting timber that originates within those countries. |
|-------------------------|---|

| | |
|----------------------------|---|
| Medium Risk Country | Countries with CPI scores between 40-60 can be considered as medium. |
| High Risk Country | Countries with CPI scores below 40 . Developing countries and tropical countries mostly located in South America, Africa, Russia, Asia and South Pacific mostly have poor records of good governance and law enforcement that directly affects the forest and timber industries. |

3.2 Species Risk: Species risk is based on the potential for illegal activities occurring based on the timber species. Timber species that are planted and low value are usually not under threat of being harvested and traded illegally. High value species and species from tropical natural forests are considered to be higher risk of being illegally harvested and traded.

| | |
|--------------------------|--|
| Low Risk Species | Low Risk is linked to Low Value Species that are generally planted: Plantation based species (such as rubberwood (<i>Hevea brasillensis</i>), <i>Eucalyptus spp</i> , pine (<i>Pinus spp</i>), <i>Gmelina spp</i> , <i>Acacia spp</i> , <i>Albiza spp</i> , Poplar (<i>Populus spp</i>); Planted temperate species and low value tropical pioneer species; Natural temperate forest species from low risk countries. |
| High Risk Species | Tropical natural forest species such as dipterocarps; high valued species (such as: teak, sandal wood, mahogany, rosewoods, ironwoods, ramin, etc.) that are grown naturally or planted. ALL CITES listed species without CITES certificate; IUCN Red List of Threatened Species; locally recognized Endangered, Rare & Threatened species. |

3.3 Operational System Risk: Operational risk is based on the presence of independent verification of compliance to regulations or international standards of certification. Independent verification of forest and supply chains indicate low risk even when country or species risk is not low risk.

| | |
|----------------------------|---|
| Low Risk Operations | Forest or plantation areas that are regulated by government agencies whereby documentation of compliance based on an audit by an independent organization; international or national certification systems. Wood Processing and trading companies, which have formal chain of custody systems audited by an independent organization. |
|----------------------------|---|

STIDC understands the need for a practical method to evaluate risk of timber / supplier without visiting each site as the costs and time would not be economically viable. An overall evaluation of risk can be based on the associated General Risk Categories detailed above using the following matrix:

4.0 Overall Risk Evaluation of General Risk Categories:

The Risk Matrix is designed to correlate risk of the various General Risk Categories. The fundamental underlying element is credibility of the legality system within the country of timber origin or existence of independent verification to assess compliance to regulations across the supply chain. Thus, Country Risk of the timber origin is low all other general risks become low. If the timber and supplier is documented to have a low operational system risk due to independent verification of the timber and supplier for legality and or full certification, then all other General Categories are considered low risk. Species risk is associated with timber value of which planted species tend to be low value. Low value species can be considered low risk from countries that are classified as low or medium risk. The Risk Matrix in section 4.1 graphically details the levels of risk associated with each of the General Categories.

4.1 Risk Matrix

| Categories | Low Risk Country | Medium Risk Country | High Risk Country |
|---------------------|------------------|---------------------|-------------------|
| Low Risk Species | Low Risk | Low Risk | High Risk |
| High Risk Species | Low Risk | High Risk | High Risk |
| Low Risk Operations | Low Risk | Low Risk | Low Risk |

Suppliers or timber species that falls into a **High Risk Red Box** will require additional information or independent verification to reduce the risk. The objective is to ensure that overall risk through formally documented evidence is low.

Any timber not defined as Low Risk following the Risk Assessment, **cannot** be used as part of the STLVS *Verified Legal* production and will require an independent verification to document the material as part of Low Risk Operations.

4.2 Sample Approval Form:

| Supplier - Data Sheet | | | |
|-----------------------|--|---------------------------|--|
| Supplier | | Contact Person | |
| Address | | | |
| Tel / Fax / Email | | | |
| Products & Species | | Species Risk | |
| Country of Origin | | Country Risk | |
| Certification Type | | Operational Risk | |
| Certificate # | | Risk Matrix Result | |