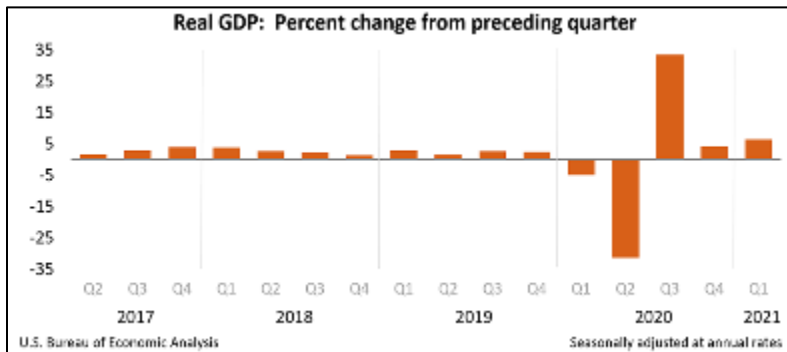




The COVID-19 Pandemic's Effects on the U.S. Market for Globally-Sourced Wood Products and Remote Due Diligence

June 22, 2021

U.S. Economy at a Glance



➔ U.S. GDP – UP 6.4% for Q1 2021

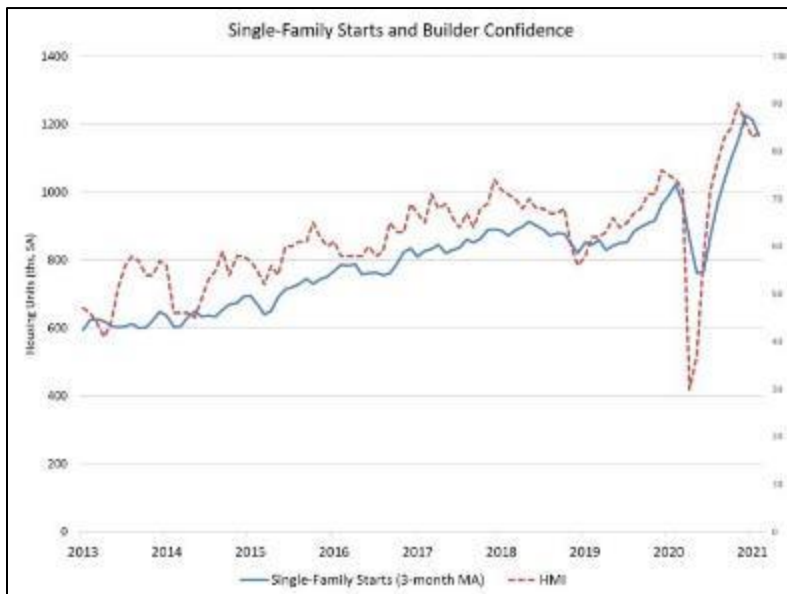
➔ Housing Starts Rebound

➔ Retail Mixed

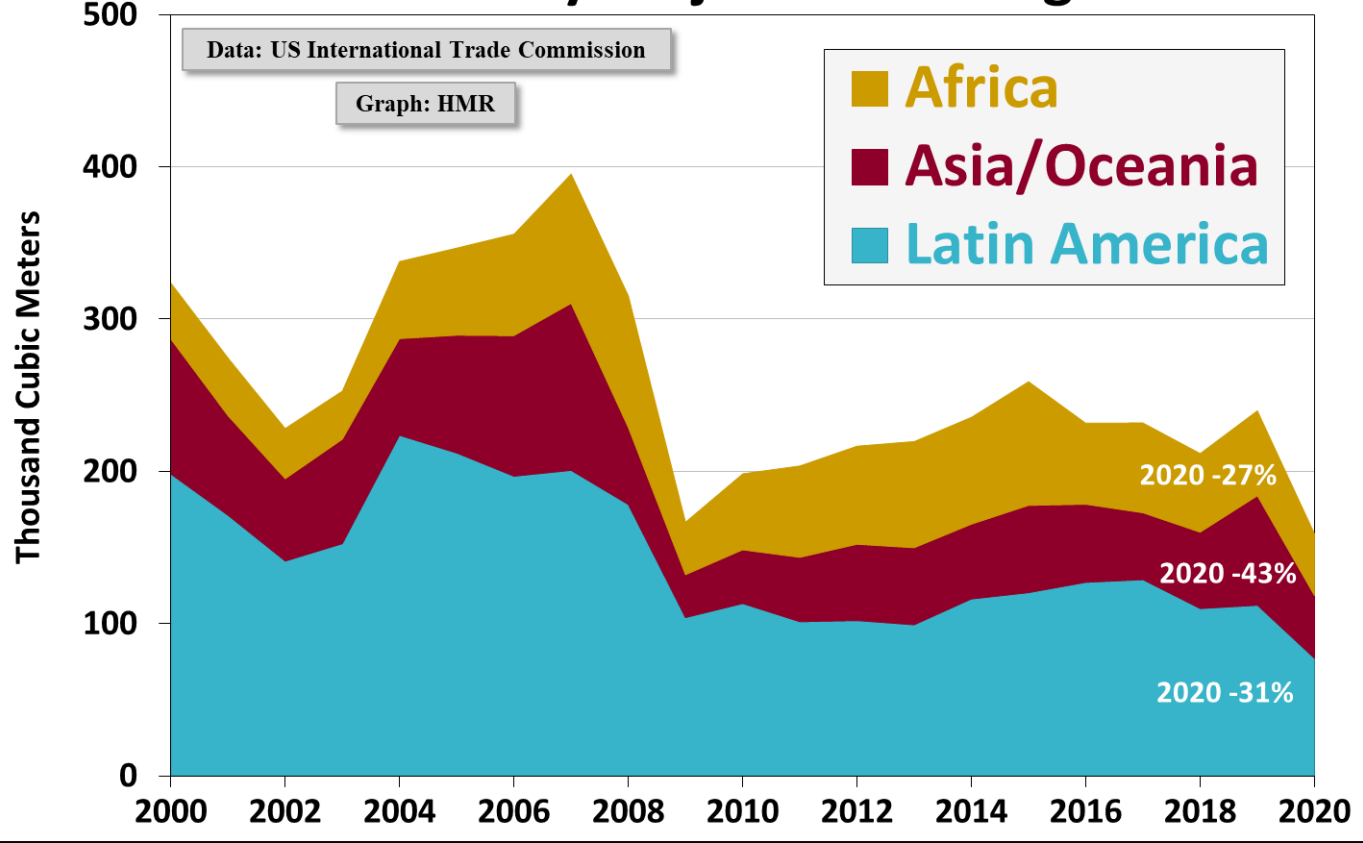
➔ Home improvement

➔ Online Sales

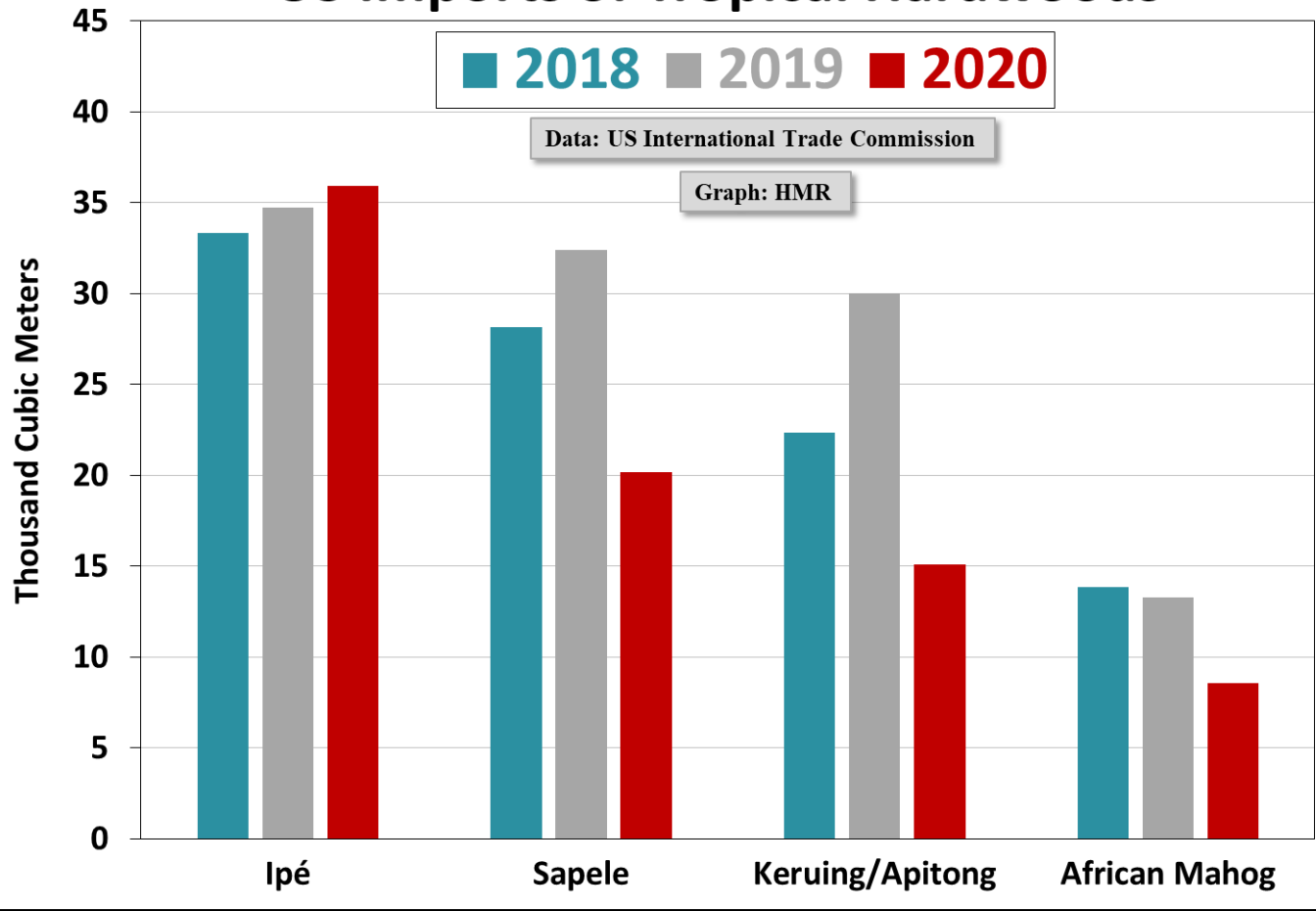
➔ Federal Reserve Remains Committed to Stimulus



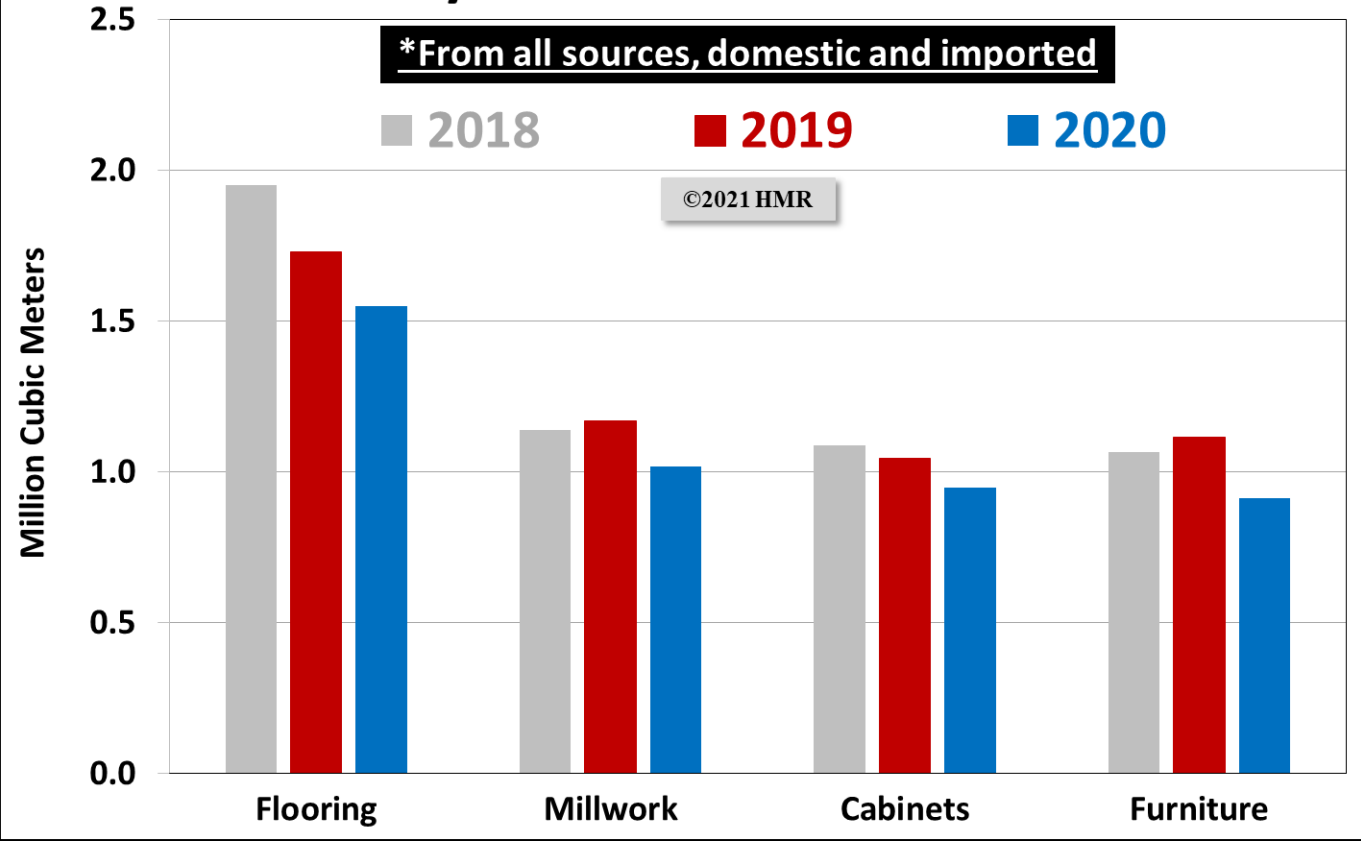
US Imports of Tropical Hardwood Lumber by Major Source Region

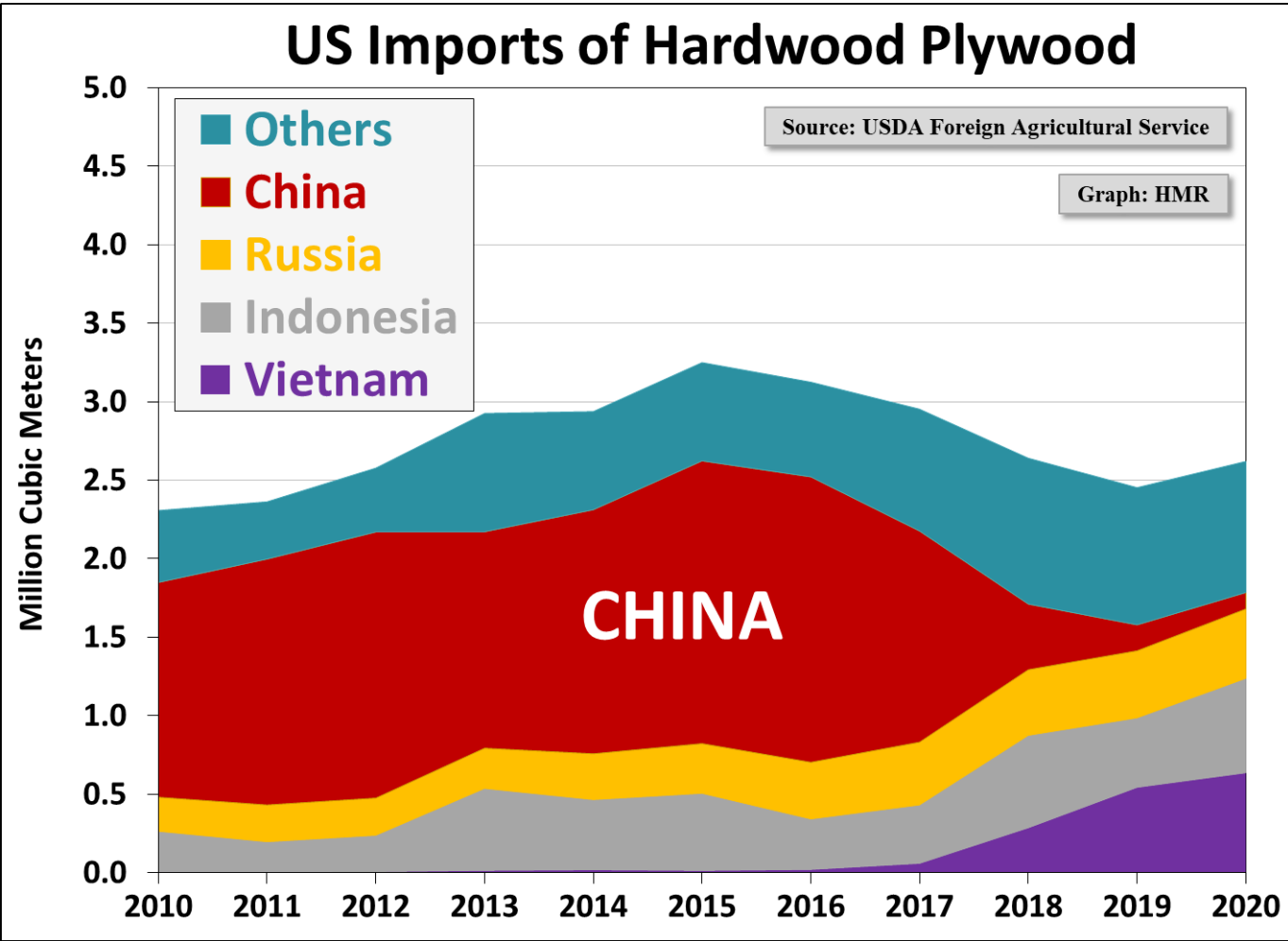


US Imports of Tropical Hardwoods

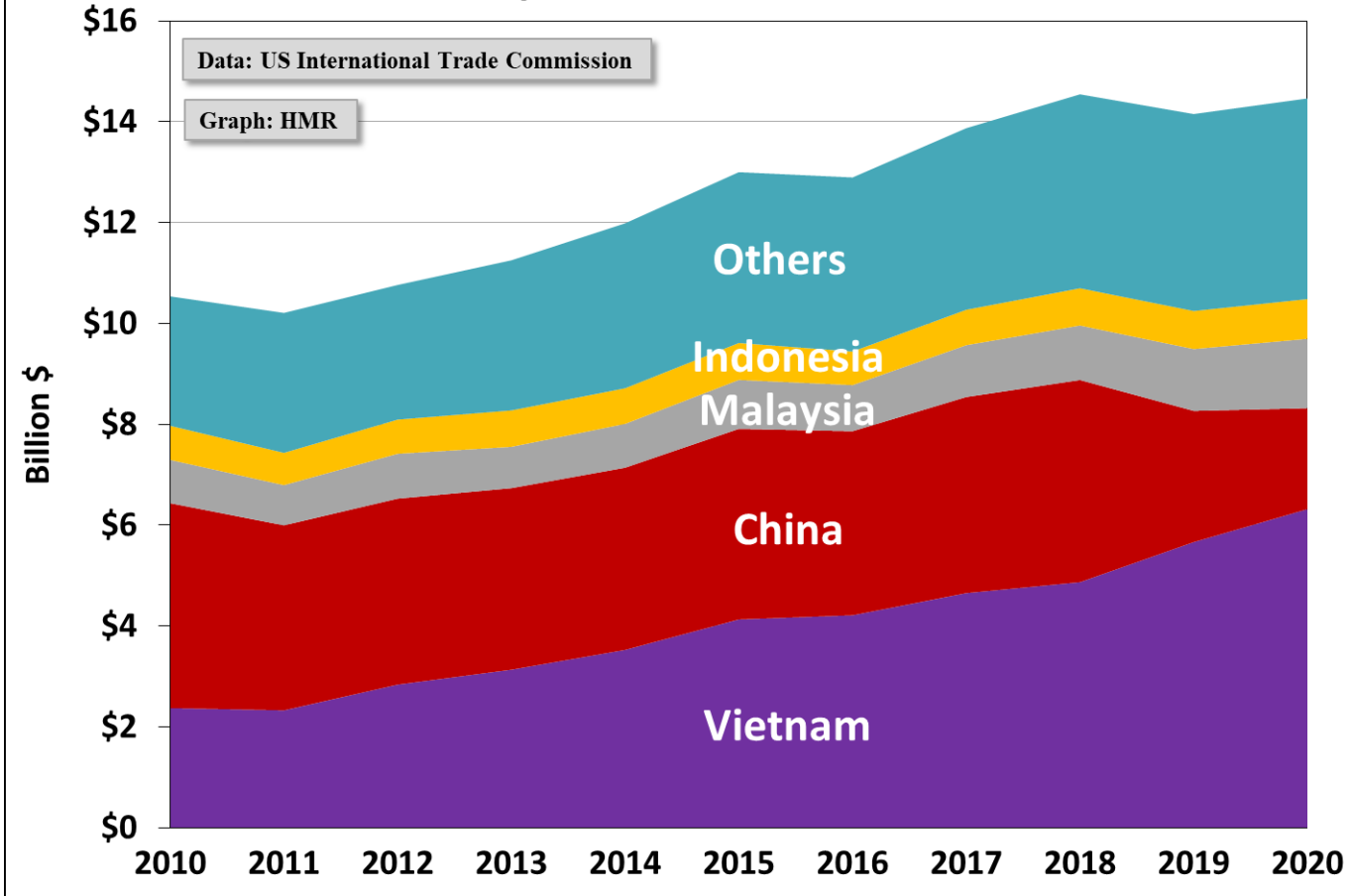


US Consumption of Hardwood Lumber by Grade Market Sectors*

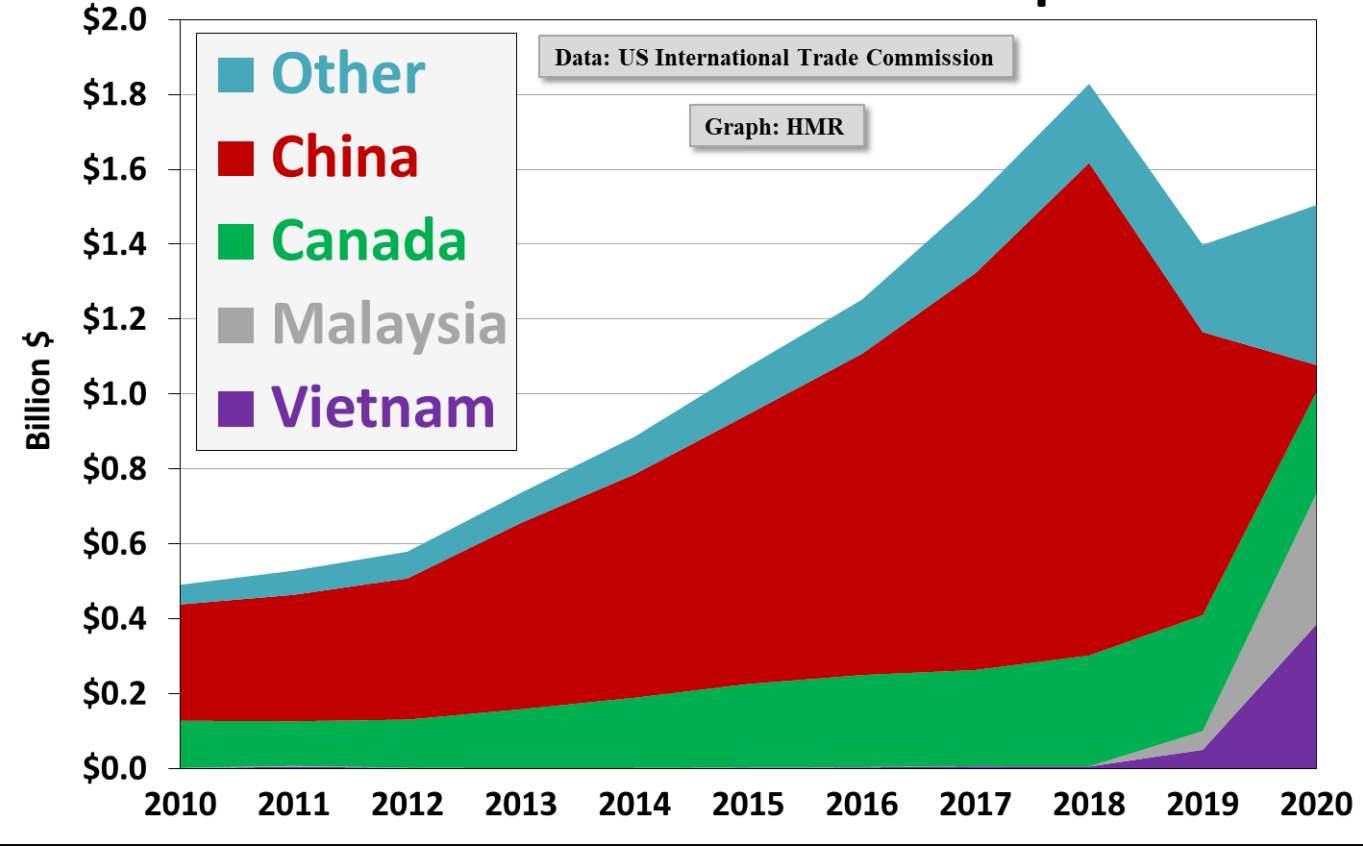




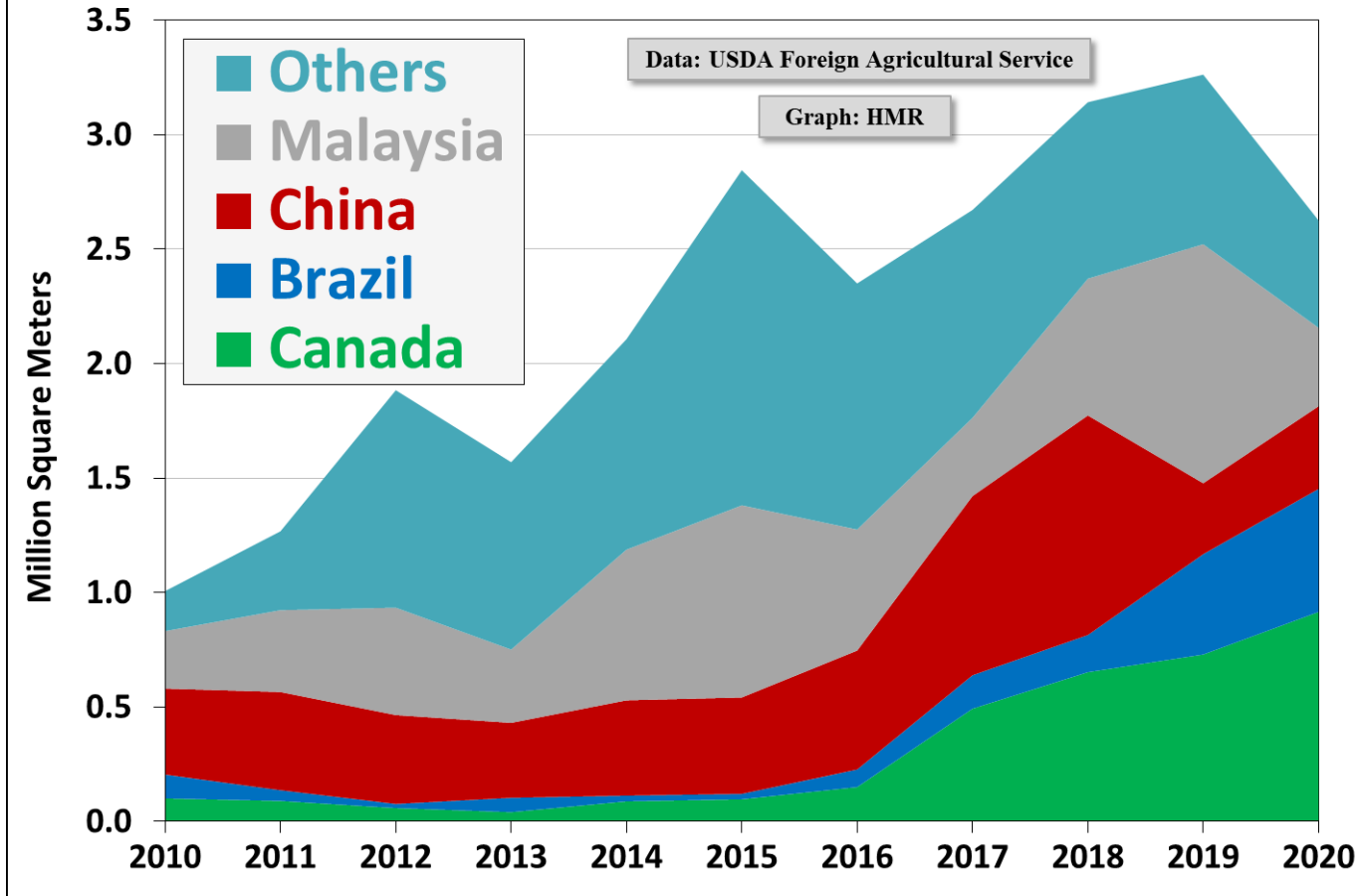
US Imports of Wood Furniture



US Imports of Wood Kitchen Cabinets and Countertops



US Imports of Solid Hardwood Flooring





Due Diligence in the COVID-19 Era

Unless You Had Trained Auditing Staff In-Country:

- You Were Relegated To Conducting ‘Desk Assessments’
- You Were Unable To ‘Follow The White Rabbit’
 - **The ‘White Rabbit’ Is The Thread You Normally Only Find Onsite**
- You Were Unable To ‘Walk The Factory Floor’
 - **‘Walking The Factory Floor’ During Audits Provides Mountains Of Information About Your Supplier**



Remote & Remote-Assisted Audits

What Tools Are Available And How To Conduct Them:

- Use Of Technology To Conduct Audits (FaceTime, Zoom, Etc)
- Larger 'Sampling' Of Representative Documents Of Interest Are Reviewed
- Can Be Conducted With Virtually No-Notice
- Installed Customer Quality Control Staff Can Be Utilized (Additional Skill Set Development)
- Follow-up Virtual Inspections Can Be Executed Randomly & More Frequently



Technology Will Never Replace 'Boots-On-The-Ground'

Auditing A Production Facility Takes Time & Skill:

- Your Eyes On Your Supplier Are Your **FIRST LINE OF DEFENSE**
- It Is Harder To Challenge Items You Question From 1,000 Miles Away
- It Takes **TIME** – This Is Not An East Coast/West Coast 'Zoom Meeting'
- Language And Cultural Barriers Are Amplified Via 'Zoom'
- Cadence Of Communication Is Not Maintained Via 'Zoom'
- You Do Not 'See' The Full Picture – What Is Happening 'Off Camera'



COVID-19 Is Not An Excuse

AT THE END OF THE DAY, WHEN REGULATIONS ARE INVOLVED – *DOING SOMETHING* IS ALWAYS BETTER THAN DOING NOTHING!

‘Due Care’ & ‘Reasonable Prudent Precautions’ Did Not Pause With The Economy



Thank You

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