Introduction

Maderera Bozovich S.A.C., founded in 1973, is a leading company in the Peruvian market within its field: trading and manufacturing (at national and international level) of FSC®-100 % certified timber, FSC® controlled timber, and timber from legally operated and managed forests.

Our supply model is based on the principles set forth in this Responsible Procurement Policy, in order to ensure the legal origin of the timber, which must come from forests that comply with all the legal norms established by our country.
Responsible Procurement Policy

To generate a competitive advantage through a transparent, efficient and innovative management (recognizing the environment as our main partner) in order to obtain environmental, social and economic benefits.

Our ultimate objective is to purchase, process and commercialize FSC®-100 % certified timber, FSC® controlled timber, and timber from other certification systems and from legally operated and managed forests.

Our priorities are the following:

→ To improve the quality as well as the industrial and ethical development of our suppliers.
→ To promote excellence in our employees, seeking their welfare and that of society.
→ To exceed the expectations of our customers.

THE COMPANY
<table>
<thead>
<tr>
<th>RESPONSIBLE PROCUREMENT POLICY</th>
<th>Date of Creation:</th>
<th>Jan 2016</th>
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<tbody>
<tr>
<td>Due Diligence Management System</td>
<td>Updated:</td>
<td>08/31/2016</td>
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POLICY MISSION:

This Management System is a tool that enables us to meet our responsible procurement policies, in search of timber supply which ensures the organization that it is manufacturing and distributing timber of legal origin.

This document is intended for all those in charge of the Supply Chain of the company, suppliers, direct and indirect customers, and other stakeholders.

Objectives

✓ To improve our purchasing sources by increasing our timber supply coming from FSC®-100 % certified forests and forests with FSC® Controlled Timber.

✓ To promote controlled timber certified schemes to our suppliers, seeking to improve our legal sources.

✓ To purchase timber from legal sources, verifying the traceability of our products from the forest of origin.

✓ To ensure our customers that we commercialize timber of legal origin, thus defining policies and procedures for responsible procurement.

Our Certifications

➤ FSC® Chain of Custody Certification Number  SGS-COC-002228
   Since 2006.  SGS-CW-002228

FSC® (Forest Stewardship Council) is an accreditation and certification non-governmental organization based in Bonn, Germany.
FSC® Perú, is an association made up of various institutions and individuals who are interested in promoting forestry management and voluntary forest certification, from the perspective of economical, social and/or environmental interests and which has been recognized and accredited by the Forest Stewardship Council (FSC®) as the National Bureau of Forest Certification since 2010.

➢ BASC Certification, for secure international trade, Number PERLIM00283-1-9. Since 2008.

BASC (Business Alliance for Secure Commerce), is a nonprofit international business alliance that promotes a secure commerce in cooperation with governments and international organizations through the implementation of a Control and Security Management System for the continuous improvement of security standards.

BASC PERU is the national chapter of the WBO (World BASC Organization) founded in December 1997, with the mission of promoting a culture of security prevention in the supply chain of Peruvian foreign trade.

➢ Participation in the “National Pact for Legal Timber” (Pacto Nacional por la Madera Legal) since its launch in 2015.

It is an initiative launched by the Peruvian Government in alliance with NGOs under the leadership of WWF (World Wildlife Fund), forest producers, private enterprises, indigenous organizations, the financial sector and civil society, with the purpose of increasing the trade of timber of legal origin, aligning the views of all stakeholders directly related to the supply chain of timber forest products (public and private), in order to achieve a legal and sustainable forestry sector.
Scope:

In order to strengthen its procurement policies, Maderera Bozovich SAC decides to document, implement, maintain and continually improve a due diligence management system, in accordance with:

- The standards established in the Peruvian Legislation.
  - Forestry Act 29763 and its regulations.
  - Legislative Decree Regulations Number 1085
  - Other state regulations (tax, customs, regional and any other to be created) that have impact on the procurement and selling process of timber products.

- The legal requirements of the European Union
  - EUTR REGULATION (EU) No 995/2010 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, October 20th of 2010, which sets forth the obligations of operators commercializing timber and timber products

- US legal requirements – LACEY ACT.
  - In 2008, the US Congress approved a new law that declared illegal the interstate or international import, export, transport, sale, receipt, acquisition or procurement of any plant extracted or that is subject to trade against the US laws, any US state laws or any relevant international laws.
    https://www.fws.gov/le/pdfiles/Lacey.pdf

- The legal requirements of the Australian Act N° 166-2012, as amended, to prohibit illegal logging.
  - On November 30th of 2012, the Australian Act that prohibits illegal logging - 2012 came into force, as result of five years of extensive discussions with the
participation of the Timber Industry (from Australia and the main timber provider countries) and NGOs.


The due diligence procurement policies apply to all raw materials and timber products acquired by our company throughout the Peruvian territory.

Within our supply sources, we identify two procurement groups:

A. **Procurement of FSC® Certified Timber**
   1. FSC® 100% Certified Forests
   2. FSC® Controlled Timber Forests.

   Both through the use of our FSC® Chain of Custody.

B. **Procurement of Non-Certified Timber**

   With 100 % verification in the Osinfor Management Information System (*Sistema de Información Gerencial del Osinfor, SIGO*). This is an online tool that the Supervisory Agency of Forest Resources and Wildlife (*Organismo de Supervisión de los Recursos Forestales y de Fauna Silvestre, OSINFOR*) puts at public service on its website [www.osinfor.gob.pe](http://www.osinfor.gob.pe), from which emerges three sub-groups:

   1. **Green** – Secure timber to be purchased as legal timber, according to the Annual Operative Plan (POA, in Spanish) and Zafra. Timber authorized for purchase.

   2. **Red** – Non-secure timber to be purchased as legal timber, according to the Annual Operative Plan (POA) and Zafra. Timber not authorized for purchase.

   3. Operating permits that are **not listed** in SIGO – OSINFOR Observatory
If they submit supporting documentation about their compliance with all their forestry obligations, among others, the purchase takes place knowing the supplier, verifying the legality and traceability from its origin.

All timber within this category requires a Supplier’s Affidavit, attesting under oath that the origin of the timber is legal.

Take into consideration that these operating permits are awaiting the respective inspections by OSINFOR.

**CONTROL SYSTEM**

Each timber lot entering Maderera Bozovich S.A.C. goes through a strict documentary and physical control in accordance with the selection procedures detailed above, ensuring that it meets the requirements of the Peruvian legislation. Failure to comply with the requirements of our management system will result in non-acceptance of such timber lot.

The overall responsibility for the compliance with this management system and the updating of the same lies with the Supply Deputy Management.

**Human resources involved:**

The personnel directly involved in the activities of the Responsible Procurement Policy to supply the company are the:

- Supply Area Personnel

The personnel indirectly involved in the activities of the Responsible Procurement Policy to supply the company includes the:

- General Management
- Supported by the Administrative Personnel of other areas, such as:
• Security Area
• Financial Area
• External Logistics Area
• Accounting Area

✔ Supervised by external legal counseling.

Training, awareness and competencies:

All personnel involved in supply activities is duly trained, informed and must be competent to implement the due diligence management system.

Records and documentation:

All records of due diligence are virtually stored in our management system, and the custody of our physical documents is in charge of the following areas:

→ Supply
→ Foreign Trade
→ Accounting

Among the records and documents we have:

✔ A Procurement Protocol, where all documents involved in each purchase and the responsible procurement procedures are specified.

✔ Registration of 100 % of the purchases in our commercial system.

✔ Supplier’s due diligence file, in order to “know our supplier”

1. Company Details
   All data are obtained from the website of the National Superintendence of Tax Administration (SUNAT, in Spanish): www.sunat.gob.pe (1)
The legal representatives are identified in the website of the National Registry of Identification and Civil Status (RENIEC, in Spanish): [www.reniec.gob.pe](http://www.reniec.gob.pe) (2)

In both cases, the inquiries are printed.

2. **Contact Information**
   The supplier provides the information of those people with whom the company establishes and would establish a permanent contact.

3. **Commitment of the Supplier Performing the Sale**
   The supplier is aware of our procurement policies, and is committed to being diligent with the sales and to maintaining a healthy business relationship within the existing legal framework.

4. **Timber Sources**
   These are macro data about the timber’s area of origin.
   This information is updated annually, and if it is necessary before the end of the year, while maintaining the due diligence; therefore, the file is expanded through attached questionnaires.
   The personnel collecting the supplier's information, which is a representative of MBS, is identified.

- **Other documents:**
  - **Accounting Documents**
    Purchase Invoices; Sender Waybills (GRR, in Spanish); Carrier Waybills (GRT, in Spanish); invoices for additional services such as transportation, commission, timber rearrangement, etc. that are included with each acquisition and which are managed and stored by the Accounting Area. The Supply Area stores the copy of the documents abovementioned.
  
  - **Traceability and Legality Documents**
    Forest Transport bills (Guia de Transporte Forestal - GTF, in Spanish) with all the necessary documentation that allows the verification of timber’s traceability from its origin and determines its legality, and which custody is in charge of the Supply Area and the External Logistics Area.
Internal and Additional Documents

Proof of Verification of Weights and Measures (CVMP, in Spanish), Affidavits (DDJJ, in Spanish), tallies, etc, which are stored in the archives of the Supply Area.

Implementation and operation of the Due Diligence Management System:

Forestry Act 29763 and the regulations that establish the sector’s standards.

- **Information provided by Maderera Bozovich SAC about its timber.**
  
  All information regarding the timber’s origin and legality required by the Forestry Law, and at the request of our customers, is compiled as mentioned in our procurement protocol.

- **Identification of legal requirements and others.**
  
  It is important to comply with all national legal requirements and with the proper updates, thus minimizing the risks for the company.

  Due diligence is based on the Peruvian Forestry Law, the certification Standard requirements and international laws such as the US LACEY ACT, EUTR REGULATION (EU) No 995/2010 and the Australian Act Number 166-2012, as amended, for the banning of illegal logging.

  To have all the documents that certify the traceability and legality of transactions.

- **Assessment of parameters for risk of origin:**
  
  An annual risk rating will be scheduled, based on updates of State, organizations, sanctions, resolutions and other sources.

  Definitions:
→ Very low risk – Timber from FSC® 100 % certified regions or FSC® Controlled Timber.

→ Low risk – Regions with active government presence, short supply chain, high level of traceability.

→ Non-specified risk – Timber with no immediate guarantee, so the review needs to be examined in greater depth.

→ Unacceptable risk – Timber coming from POAs/Zafras with Injunctions and/or Expiration Dates.

In the first three cases, after a thorough review of the documentation related to the legality and traceability, the existence of risk is eliminated and the procurement proceeds.

✓ Assessment of parameters for risk of supplier:

The assessment for risk of suppliers is based on a detailed evaluation of the supplier’s sources, and will result in the classification of the supplier as of high, medium or low risk.

Verification of the legality and traceability of timber through supporting data (forest concession contract or harvesting permit, resolutions approving annual operational plans [POA], authorization of permits, check list for each load, etc.).

Additionally, a review of the information is done by analyzing the supplier’s FILE and its performance history.

Prior to the procurement, the information provided by the supplier will be crosschecked with OSINFOR tools that are available to the public (SIGO and SISFOR), where all operation permits inspected by them may be compared, and whose result may have led to the expiration or injunction of the operation permit. Suppliers without such information and who do not provide any information about the traceability and legality of their timber are classified as high risk suppliers; therefore, no purchase will be performed until obtaining the requested information.
and classification of the supplier as of medium risk. We will also work together with suppliers to reclassify them from medium to low risk.

✓ **Assessment of parameters for product risk:**

Following with the risk assessments, we proceed according to the category of timber / product purchased, which are as follows:

- **FSC® 100 % Certified Timber or FSC® Controlled Timber**
  - Visits to the supplier’s website.
  - Visits to the FSC® website. [www.fsc.org.pe](http://www.fsc.org.pe)
  - Checking certified timber:
    - Chain of Custody (include this information in the invoice)
    - Code of Forestry Certification (indicated on the invoice)
    - Request a copy of the certificate

- **Non FSC® Forest Timber or Non FSC® Controlled Timber**
  - Conduct in greater depth the evaluation of due diligence regarding the legal origin and traceability.
  - Encourage the supplier to obtain a Controlled Timber Certificate or legal verification by third parties (FSC, VLC Controlled Timber)
  - Encourage the supplier to request inspections prior to those performed by OSINFOR.
  - When timber is not certified and the operation permit does not appear in SIGO, Maderera Bozovich SAC, after the due diligence process, requires the submission of a signed “Affidavit” (DDJJ) regarding its legality, and which will be signed by the supplier or their representatives, certifying that the timber being commercialized is from legal origin.
✓ **Risk assessment results:**

Regarding our Company:

The control and improvement of procedure programs seek the mitigation of risks and to improve our performance as environmental partners, supporting government entities such as OSINFOR and SERFOR.

Regarding our suppliers:

1. For suppliers who are part of the supply chain, such as merchants, traders, commission agents, they must make sure that they have the necessary and supporting documentation for the legality and traceability of timber from its origin.

2. For suppliers who are concessionaires and directly extract timber from their forests, they must ensure the control of the legality, the control of their operations; and should also be part of a continuous improvement, based on the implementation of management systems.

**Improvement objectives of Maderera Bozovich SAC:**

1. Maderera Bozovich SAC has the specific goal to promote quality standards for its suppliers that allow the certification of their forests as FSC® Controlled Timber or other Sustainable Forest Management certification systems.

2. To encourage suppliers to carry out voluntary inspections prior to those performed by OSINFOR regarding the operation permit to be used.

The monitoring, measuring, auditing and reviewing our supply chain ensures a continuous improvement.
✓ Auditing and monitoring

External:
A previous external auditing of our Responsible Procurement Policy will be performed by an Independent Certification Company in the next months. Subsequently, periodic external audits of our responsible procurement policy will be conducted by Independent Certification Companies.

Internal:
Visits and interviews to our suppliers will take place, which are carried out to verify the information provided by the same. An interview with a supplier regarding the legality will give us an indication of the reliability of the information provided. This information is cross-verified with that registered in state agencies, and with other suppliers and stakeholders.

The visits are scheduled by regions and according to our projection of annual purchases.

Second part internal audits will be carried out in order to verify the operation of the Due Diligence Management System of our suppliers and to determine the necessary adjustments for a continuous improvement.

An internal audit involves an overall assessment of the supplier (supplier’s file), and if he/she does not meet the requirements of the legality verification of their sources, they are classified as medium or high risk suppliers; therefore, the respective actions must be taken to eliminate the sources for which the risk category are unacceptable in its supply chain in order to eliminate such risk.

Finally, in order to verify the compliance with our Responsible Procurement Policy set forth in this document, periodical internal audits of the Supply Area will be scheduled.
✓ Non-compliances, corrective and preventive measures

Based on the findings of the internal and external audits, corrective and preventive actions will be recommended and which shall be recorded in the suppliers’ files for further monitoring, if appropriate.

It is important to note that, as a result of the preventive and corrective actions, a continuous improvement is achieved.

✓ Due Diligence Management System Reviews to ensure a continuous improvement.

Managers related to the Supply Area and all the employees of the Supply team must participate in the annual review of due diligence system, taking into account the following considerations:

1. Second part random audits of the supplier’s files for each region.
2. Verify the compliance with the Due Diligence Management System.
3. Measure its efficiency.
RAW MATERIAL PURCHASE FLOWCHART

Our goal is to verify the legality of timber that we are buying, thus reducing risks for the Company

Risk Assessment

Obtaining the documentation
1. Check List (internal document)
2. Sender Waybill (GRR, in Spanish) – Sunat
3. Carrier Waybill (GRT, in Spanish) – Sunat
4. Proof of Verification of Weights and Measures (CVPM, in Spanish – Sutran/MTC
5. Details of timber measurements
6. Forest Transport Bill (GTF, in Spanish)

<table>
<thead>
<tr>
<th>FSC® 100 % Certified Timber/ FSC® Controlled Timber</th>
<th>Non-certified Timber</th>
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<tbody>
<tr>
<td>Purchased</td>
<td>SIGO Review</td>
</tr>
<tr>
<td></td>
<td>(POA / Zafra)</td>
</tr>
</tbody>
</table>

- GREEN: Purchased
- RED: Timber Not Purchased
- NOT INDICATED: Needs to be examined in greater depth

Additional Documents Review
- GTF at natural state
- List of logs
- POAs approval resolutions
- Forest concession contract or harvesting permit
- Review of the list of expiration dates or injunctions

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<tr>
<th>Approved</th>
<th>Not approved</th>
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<tbody>
<tr>
<td>Purchase</td>
<td>Not Purchased</td>
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</table>

Not necessary

Required
MADERERA BOZOVICH S.A.C.
Chain-of-Custody

Issue 7

Detailed scope

The purchase of FSC 100% and FSC Controlled Wood, lumber for storage, processing, drying and selling lumber, decks, floors, moldings, and wood tiles FSC 100% and FSC Controlled Wood (Transfer System) in a multi site certification for their production facility at Lima (Peru), their warehouse in Queretaro (Mexico), office in California (USA), outsourced warehouses (USA) and trading office (British Virgin Islands).

La compra de madera aserrada FSC 100% y Madera Controlada FSC para el depósito, procesado, secado y venta de madera aserrada, decks, pisos, molduras y wood tiles FSC 100% y Madera Controlada FSC (Sistema de Transferencia) en una certificación multisitio de su planta en Lima (Perú), almacén en Querétaro (México), oficina en California (Estados Unidos), almacenes tercerizados en Estados Unidos, y oficina de comercialización en Tortola (Islas Vírgenes Británicas).

Additional facilities

Maderera Bozovich S.A.C.
Las Ponceñas 333, Santa Genoveva
Lima - Perú

BOZOVI USA - Bozovich Timber Products Inc. (BTP)
23128 The Old Road, Suite 304.
Stevenson Ranch, CA 91301

BOZOVI MEXICO - Bozovich S.R.L. de C.V. (BZM)
Av del Conde #4, Int 3, Parque Industrial El Marqués
CP. 76240 Querétaro - México

The mark of responsible forestry

FSC
www.fsc.org

Certificate SGS-COC-002228, continued
SGS-CW-002228

This document is issued for the Company subject to the General Conditions of Certification Service, accessible at www.fsc.org, and, consequently, the liability is done to the limitations of liability, indemnification and protection

documents.pdf

MBS
MADERERA BOZOVICH S.A.C.
World BASC Organization

Certifies that:
Certifica que:

MADERERA BOZOVIICH S.A.C.  
Calle F Parcela 24 - Urbanización Santa Genoveva - Lurín - Lima

Has been evaluated and approved in reference to BASC Standards Version 4-2012  
RMS C-TPAT under the Standard: Exporter.  
Scope: Exporter of Wood in Lima, Peru.

Ha sido evaluada y aprobada con respecto a la Norma y Estándares BASC Versión 4-2012  
RMS C-TPAT bajo el Estándar: Exportador.  
Con el Alcance: Exportador de Madera en Lima, Perú.

This certificate is subject to the achievement of the International Security Standards of World BASC Organization in accordance with the certified company.  
Esta aprobación está sujeta al cumplimiento de los Estándares Internacionales de Seguridad de World BASC Organization, en acuerdo con la empresa certificada.

Certification / Certificación N° PERLIM00283-1-9

Valid/ Expedición: Enero 31 de 2016  
Expires/ Vencimiento: Enero 31 de 2017

Luis Fernando Duque Sáqueza  
Director Ejecutivo  
World BASC Organization

Raúl Saldías Haettenschweiler  
Presidente del Consejo Directivo  
BASC Perú

César Augusto Venegas Núñez  
Director Ejecutivo  
BASC Perú

Security Code WBO: 26091
DECLARATION OF INTENT

NATIONAL PACT FOR LEGAL TIMBER

The Peruvian government in alliance with forest producers, private enterprises, indigenous organizations, the financial sector and civil society, launches the initiative named: "National Pact for Legal Timber", which aims to ensure that by 2021 ALL timber produced in Peru, be it for domestic trade or exportation, comes only from verified legal sources.

To achieve this goal, the Peruvian government as a whole, alongside those adherents to this declaration, shall design and implement a strategy to guide producers, sellers, intermediate buyers, processors and final consumers so they only sell, process distribute and acquire timber for which its LEGAL ORIGIN HAS BEEN VERIFIED.

All signatories of this initiative are committed to define protocols, so that from any of our areas of intervention, commercial activities and daily practices we are only linked to TIMBER OF LEGAL ORIGIN.

We will invite others to join this initiative and will work to involve more players that assume the commitment to produce, process, use, purchase and sell only legal timber from managed forests and forest plantations.

We will also foster sustainable forest management using low impact techniques for forest harvesting that also allow the reduction of emissions from the forest sector.

In our projects, buildings, homes, businesses and other areas where timber is used, by 2021 we will ensure the existence of TIMBER OF LEGAL ORIGIN only.
This is our commitment with the forests, the citizens of Peru and our contribution in the battle against climate change in the context of COP 20.

Lima, December 11th of 2014.

Document Signed for the National Pact for Legal Timber

Declaration of adherence to the:

"National Pact for Legal Timber"

The adherent to the "National Pact for Legal Timber", according to the nature of their activities, functions or institutional scope and objectives, is committed to:

1. Promote the incorporation of policies, practices and actions designed to guarantee that the exploitation, primary and secondary processing, transportation, commercialization and use of timber and its derivatives and, similarly, the financing of these activities are carried out solely under the compliance of procedures that allow the verification of their legal origin.
2. Carry out coordination actions (internal and external) to ensure the implementation of policies, regulations and other actions relevant to the development, implementation and strengthening of this Pact.
3. Promote the establishment of codes of conduct as well as responsible procurement and purchasing policies, where the commitment to not resort - under any circumstance - to the use of commercial practices for the purchase and sale of timber and its derivatives without observing the legal requirements.
4. Encourage the use of means of verification that allow the verification of compliance with the current regulations and guarantee that the timber and its derivative products come from verifiable legal sources.
5. Promote the progressive implementation of mechanisms and incentives that encourage the trade growth of timber and its derivatives of legal origin.
6. Carry out the activities of supervision and control –as appropriate- designed to ensure that the exploitation, primary and secondary processing, as well as transportation, commercialization and use of timber are made solely with the observance of the current regulations.
7. Publicize the initiative “National Pact for Legal Timber” and to support the implementation of a media strategy through written communication, information on institutional websites, social media, awareness campaigns and other channels made available.

[Illegible signature]
MADERERA BOZOVICH SAC

Signature IVO BOZOVICH NORIEGA
GENERAL MANAGER