

Responsible Procurement Policy



PUBLIC ENGLISH VERSION

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List of abbreviations

ARA	Autoridad Regional Ambiental / Regional Environmental Authority
CCNN	Comunidades Indígenas / Indigenous Communities
COC	Cadena de Custodia / Chain of Custody
COP	Conferencia de las Partes / Conference of Parties
CW	Madera Controlada / Controlled Wood
DDJJ	Declaración Jurada / Sworn Statement
FM	Manejo Forestal / Forest Management
FSC	Forest Stewardship Council
GRR	Guía de Remisión Remitente / Sender Waybill
GTF	Guía de Transporte Forestal / Forest Transport Permit
GTR	Guía de Remisión Transportista / Carrier Waybill
OSINFOR	Organismo de Supervisión de los Recursos Forestales y de Fauna Silvestre / Supervisory Body for Forest and Wildlife Resources
PAR	Política de Abastecimiento Responsable / Responsible Procurement Policy
PDA	Pago de Derecho de Aprovechamiento / Harvesting Fee
PO	Plan Operativo / Operational Plan / Harvesting Unit
POA	Plan Operativo Anual / Annual Operational Plan / Forest Harvesting Unit
SERFOR	Servicio Forestal / National Forest and Wildlife Service
SIGO	Sistema de Información Gerencial del OSINFOR / OSINFOR Database of field supervision results

1. Introduction

Upon the approval of the regulations of the new Forest law in Peru in September 2015, Inversiones La Oroza decided to acquire more forest concessions to have more direct access to timber as raw material and to have a better control over the sustainable management of the forests.

However, our company today still depends very much on external providers for its procurement of round wood and sawn timber as its main inputs. Hence, the necessity to elaborate a responsible procurement policy as an institutional declaration through which the frame work is established to construct a culture of responsible sourcing in the influence zone of the company.

The present document is the result of an internal process of discussions and learning inside the company during the second and third trimester of 2017. During this process, we detected the need to specify the policy more detailed, to include the procurement from our own concessions, to define the commitments and targets of the company better and, above all, develop a methodology for measuring the progress in the implementation of the policy.

2. The route towards responsible procurement

As company, we have defined the following route towards responsible supply. At the end of the route La Oroza is supplied from own forest concessions that will all have the FSC certificate. From the beginning of 2016 we do already implement a supplier’s evaluation to minimize the risk of illegal timber (figure 1.)

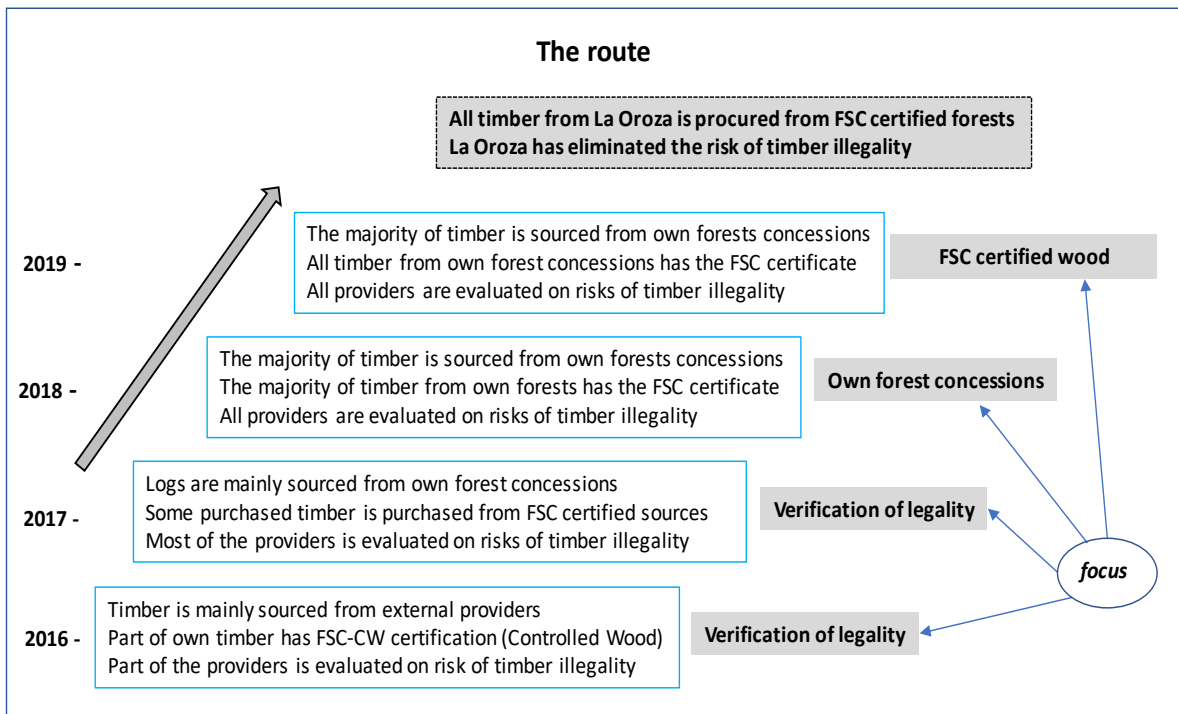


Figure 1. La Oroza’s route towards responsible supply.

For Inversiones La Oroza S.R.L. responsible procurement means sourcing timber, taking into consideration environmental and social criteria, that guarantee that the forest product is of legal origin, that it has been harvested through sustainable practices, without infringing on the rights of native communities, and without doing harm to ecosystems and the ecosystem services that they provide.

3. Objectives of the Responsible Procurement Policy.

Main objective of the responsible procurement policy is to develop and promote transparency regarding the origin of the lumber with which La Oroza works.

Transparency needs a process from within the company towards the outside. In selected personnel capacities are developed, and a tool is used and related language to convey relevant information and messages clearly and professionally towards people outside the company.

The policy also serves to stress and specify the company's environmental commitment and its respect for the present forestry norms in force towards providers, authorities and the general public.

We know the current legal standards and it is our duty as company to stay informed about modifications in regulations, executive orders, and procedures emitted by the forestry authorities, be it at national (SRFOR, OSINFOR) or at regional level (Regional Program for Wildlife and Natural Resources Management).

Finally, the responsible procurement policy contributes to capacity building and strengthening working ethics among employees of the company in general.

Our personnel are our main resource. Through continuous capacity building and learning processes we shape attitudes and develop qualities needed in a modern company with ambitions to penetrate more in the national and international markets.

4. Scope, validity and use of the Responsible Procurement Policy

The responsible procurement policy was elaborated by Inversiones La Oroza S.R.L. with its headquarters in Iquitos, as a company that procures timber to process it in its timber industry, and finally to commercialize processed timber or timber products.

The company procures timber from its own forest concessions in the Loreto region but also through providers in the three Amazon regions of Peru, therefore the scope of this of this responsible procurement policy is nationwide.

The validity of the responsible procurement policy is as of September 1, 2017.

Main users of the responsible procurement policy are the following actors (figure 3.).

Space:	User:	Specific use of the Responsible Procurement Policy
INTERNAL	Management	Creates focus in management and in communication with business and / or institutional relations
	Purchase department	Procedure for evaluations of risks for illegality of timber from providers; Helps in complying with the requisites according to the forest law and its regulations
	Sales department	Supports proving legality of the product; Helps in complying with the administrative requisites according to the national and International law
	Control department	Is the format for measuring progress in the implementation of the policy; supports implementing the Chain of Custody (COC).
	Personnel in general	Maintain the image of La Oroza transparent and responsible
EXTERNAL	Providers	Is the source of conditions for buying timber by La Oroza
	Buyers	It is an input for their implementation of a due diligence
	Forest Authorities	Supports coordination of supervision activities in the forest
	Auditors	Is the source of procedures and commitments by the company
	The general public	Specifies the ambitions and conduct of La Oroza regarding its timber sourcing

Figure 3. Users of the Responsible Procurement Policy

5. Other existing company commitments

Apart from this Responsible Procurement Policy La Oroza also has committed itself to comply with the following conventions:

- Principles and Criteria of FSC: La Oroza engages on the long term in an economically viable Forest management, socially beneficially and environmentally responsible, according the 10 principles and 56 criteria of good forest management as formulated by FSC (Forest Stewardship Council) and the national FSC standard for forest management in the Peruvian Amazon.
- FSC Chain of Custody FSC: Inversiones La Oroza does comply with the FSC-STD-40- 004-V3 standard for Chain of Custody (COC), which guarantees that FSC certified material and products are identifiable and will remain separated from no certified products during the whole value chain from harvest, transport, sawing, processing and shipment.
- Pacto Nacional por la Madera Legal (National Covenant for Legal Timber): Committed to responsibility for sound management of the Peruvian Amazon forests, La Oroza participates in a joint platform of public and private actors called “Pacto Nacional por la Madera Legal” that was created during the International Conference of Parties (COP) on climate change in 2014 (COP20) in Lima and which promotes a national market for timber from legal verified sources. La Oroza is adherent to the covenant as producer and registered on the 6th of October 2016.

Besides, La Oroza implements various policies that influence the daily well-functioning of the company. Some of them are the following:

- Corporate policy of La Oroza: The corporate policy is a set of internal policies comprising different elements, from complying with present legislations to sustainable forest management, community relations, and benefits for personnel of the company.
- Internal work regulations: The internal work regulations stipulate the working guidelines for all personnel of the company and besides, specifies rights and duties of both the company and the employees. The ethical duties of the employees and the formal procedures for filing complaints can also be found in this regulation.

6. The principles of responsible procurement of La Oroza

La Oroza applies three principles in managing the responsible procurement policy. Each principle implies commitments and obligations for the company as explained below.

Principle 1: Use timber from managed forests

Complying with the Peruvian law, the main principle is exclusive use of timber from managed forests.

Commitment 1.1: La Oroza prioritizes the use of timber from its own forest concessions

Presently the company harvests timber based on approved management plans for its own concession La Oroza (17.014 ha) located in the Maniti river basin and for its timber concession Matahuayo (17.500 ha) located in the sub basin of the Motahuayo river, adding to a total of about 34.500 hectares of managed forest concession.

In 2016 the company acquired three management units (16.984 ha) and in August 2017 the company acquired 6 management units also in the Maniti river basin (31,248 ha), and another 8 in the basin of the Mazan river (47.895 ha). This means that the company currently owns 130.695 ha of forest concessions. With a future total of about 130.000 ha of managed forest concessions, the company will be able to supply most of its timber needs.

Targets:

*At the end of 2017 La Oroza supplies **more than 50%** of its timber needs from own concessions.*

*At the end of 2018 La Oroza supplies **more than 80%** of its timber needs from own concessions.*

*At the end of 2018 La Oroza supplies **more than 90%** of its timber needs from own concessions*

Base line: The percentage of timber La Oroza has sourced from own forest concessions in 2016.

Commitment 1.2: La Oroza produces FSC certified timber

The concession La Oroza (17.014ha) had a FSC-CW certificates (Controlled Wood) from February 2015 until June 2017. The concessions La Oroza and Matahuayo presently are in a FSC-FM/COC certification process. The emission of the certificate is foreseen for the last trimester of 2017. During the next years the newly acquired Forest concessions Will be gradually incorporated in the La Oroza FSC-FM/COC group certificate.

Targets:

*By the end of 2017 La Oroza has **34.514 ha** of its forest concessions FSC-FM/COC certified.*

*By the end of 2018 La Oroza has more than **50%** of its forest concessions FSC-FM/COC certified.*

*By the end of 2019 **100%** of La Oroza Forest concessions hold FSC-FM/COC certificates.*

Base line: Total area of La Oroza FSC certified forest concessions at the end of 2016.

Principle 2: Apply selection criteria for providers

The providers of La Oroza can be grouped according to the following table.

Type of Provider	Timber origin	Regions
La Oroza (Group)	Forest Concession	Loreto
Forest title holder	Forest Concession	Loreto, Ucayali and Madre de Dios
Intermediary	Forest Concession	Loreto and Ucayali
	Indigenous Community (CCNN)	Loreto and Ucayali
	Local Forest (Bosque Local)	Loreto and Ucayali

Figure 4: Type of timber providers of La Oroza

La Oroza applies the following selection criteria on its providers:

La Oroza prioritizes:

- Providers with FSC certification FSC (FSC-FM/COC and/or FSC-CW/COC)
- Providers that are title holders (have own forest concession)
- Providers that are intermediaries harvesting timber in forests of title holders (forest concession, Indigenous Community or Local Forest)

La Oroza avoids:

- Providers that have track record of having been involved in illegal timber harvesting or trading, in fiscal embezzlement, in environmental issues, or in security and health issue.
- Providers that are intermediaries, but don't themselves harvest timber in forests of title holders.
- Providers without FSC certificate that don't apply a system of timber traceability from its origin.

Commitment 2.1: La Oroza prioritizes timber sourcing from forests with FSC certification

Where ever possible and commercially viable round wood or sawn timber is sourced from providers with FSC-FM/COC and / or FSC-CW/COC certification. The timber (product) is sold with or without FSC logo, depending on the specific requirements of the client.

Targets:

*During the year 2017 at least 5% of the timber purchased by La Oroza is from FSC sources.
 During the year 2018 at least 20% of the timber purchased by La Oroza is from FSC sources.
 During the year 2019 at least 35% of the timber purchased by La Oroza is from FSC sources.*

Base line: The percentage of timber purchased by La Oroza in 2016 from FSC sources.

Commitment 2.2: La Oroza prioritizes sourcing timber from title holders

In sourcing both round wood and sawn timber La Oroza prioritizes purchasing direct from title holders with forest concessions over sourcing from intermediaries harvesting in forests of a third party (concession holder or indigenous community).

Targets:

By the end of 2017 La Oroza procures at least 40% of its needs direct from concession holders.

By the end of 2018 La Oroza procures at least 60% of its needs direct from concession holders.

By the end of 2019 La Oroza procures at least 80% of its needs direct from concession holders.

Base line: The percentage of timber procured direct from concession holders in 2016.

Principle 3: Avoid purchasing of illegal timber

With non FSC certified timber providers the following procedures are applied in order to avoid purchasing illegal timber:

Commitment 3.1: La Oroza always consults the SIGO database

Before purchasing any timber La Oroza consults that SIGO database which is the Management Information system of OSINFOR (Supervisory Body for Forest and Wildlife Resources) that published on timber sources with or without risk according to forest title holder, management unit and harvesting year for all forest concessions and forest harvesting permits in Peru. The SIGO database is accessible publicly and can be found on www.osinfor.gob.pe.

Targets:

In 2017 La Oroza has evidence of SIGO consultation for 50% of the timber volume purchased.

In 2018 La Oroza has evidence of SIGO consultation for 80% of the timber volume purchased.

In 2019 La Oroza has evidence of SIGO consultation for 100% of the timber volume purchased.

Base line: Percentage of evidence of SIGO consultation for timber volume purchased in 2016.

The result of a SIGO consultation can be the following:

- 1) **Green** – Timber without risk to buy legal timber according to determined forest harvesting unit or harvesting year; timber suitable for purchase.
- 2) **Red** – Timber with risk to buy legal timber according to determined forest harvesting unit or harvesting year; timber not suitable for purchase.
- 3) **Forest title holder or harvesting unit does not appear in the SIGO system:**

In case title holders don't appear in the SIGO database La Oroza follows the next procedures:

Commitment 3.2: La Oroza checks the background of the provider with ARA

La Oroza requests the submission of documents which sustain that the provider complies with its obligations, verifying the legality of forest operations and approval of timber transport.

Commitment 3.3: La Oroza implements an evaluation of the traceability system applied.

La Oroza checks whether the timber offered is accompanied by a traceability system starting from timber origin (forest harvesting unit) and whether the harvesting and transport documents are approved and coincide with the information from the traceability system.

Targets:

In 2017 La Oroza avails of evidence of the evaluation of a traceability system for 50% of the purchases that did not appear in the SIGO system (risk group D).

In 2018 La Oroza avails of evidence of the evaluation of a traceability system for 100% of the purchases that did not appear in the SIGO system (risk group D).

In 2019 La Oroza avails of evidence of the evaluation of a traceability system for 50% of the purchases that did not appear in the SIGO system (risk group D).

Base line: The percentage of purchases with evidence of evaluation of a traceability system for purchases that did not appear in the SIGO system (Risk group D) in 2016.

Commitment 3.4: La Oroza finds out whether the title holder is expecting a forest inspection by OSINFOR

In case doubts remain on traceability La Oroza requires that the title holder requests a field inspection by the respective authority OSINFOR (preferable together with ARA) before mobilizing any timber outside the forest.

Commitment 3.5: La Oroza demands a legal statement from the provider

For all timber that belongs to this category (harvesting unit does not appear in the SIGO database) providers sign a sworn statement (Declaración Jurada) declaring under oath that the timber is of legal origin.

Annex 3 shows a graphic scheme of the risk evaluation process as implemented by La Oroza.

7. Review and update of the policy

La Oroza guarantees that the policy and its related documents will be revised and updated correspondingly whenever needed but at least once a year. The company evaluates progress of the implementation of the policy once every six months.

8. Communication and dissemination of the policy

La Oroza guarantees that this public version of the policy is available (also in English) through its web site for the public and will be communicated to providers and interested parties upon request.

Annex 1.

FSC-COC Certificate (Chain of Custody)



Annex 2.

FSC-FM/COC Certificate (Forest Management)

- To be inserted -

Annex 3.

Risk evaluation process of timber sourcing as implemented by La Oroza

