



PRECIOUS WOODS

## Public Version

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# Timber Procurement Policy

Due Diligence, evaluation and exclusion criteria for external suppliers



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Cover page: Tree in Precious Woods Amazonian forests, Brazil

## 1. Precious Woods' Timber Procurement Policy

### 1.1. About this Policy

All Precious Woods' (PW) operations are entirely FSC and PEFC FM and CoC certified. As part of our trading activities we might trade wood from third parties, and we must ensure that this supply does respect certain requirements and does not violate any applicable legislation. This Timber Procurement Policy does lay out the basic requirement that all timber from third parties processed or traded by PW must comply with.

As we are PEFC and FSC FM and CoC certified, we do base this policy on the PEFC Due Diligence requirements<sup>1</sup> and the requirement of the FSC Controlled Woods standard<sup>2</sup>.

### 1.2. Scope of this Policy

This policy does only cover timber and wood products that are purchased from third parties for trading or processing. No other products are covered.

### 1.3. General Exclusion Criteria

We do not accept any wood or timber supply to our processing or trading activities that is:

- violating international, European or national legislation relating to CITES if the products is covered by CITES Appendix I, II or III.
- violating UN, EU or national government sanctions restricting the export or import of the product.
- originating from potentially illegal or controversial sources as defined by PEFC ST 2002:2013 § 3.9 a), b) and d),
- harvested in violation of traditional and human rights<sup>3</sup>
- harvested in forests in which High Conservation Values (HCV) are threatened by management activities
- harvested in forests being converted to plantations or non-forest use
- originating from forests in which genetically modified trees are planted
- originating from war zones or conflict areas

### 1.4. Responsibilities

This Policy has been approved by the Chef Executive Officer who is overseeing the application of this policy by all PW employees.

All PW employees that are purchasing or trading timber from third parties must apply this policy.

### 1.5. Communication

Some parts of the Annexes containing the documentations and checklists for supplier assessments are not shown in the publicly available version of this policy, they are only part of the full version and for internal use only.

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<sup>1</sup> PEFC ST 2002:2013

<sup>2</sup> FSC-STD-40-005 V3-1

<sup>3</sup> According to the UN Declaration on Human Rights

## 2. Evaluation of Suppliers

### 2.1. Assessments and Suspension of Suppliers

- Every supplier must be assessed before products are purchased or traded for the first time.
- Every supplier must be assessed annually. Country or product category specific procedures can require more frequent assessments.
- Re-assessments can be performed as often as necessary for current suppliers, new suppliers and suspended suppliers.
- New Suppliers failing to pass the assessment are not accepted. Transition periods are not accepted.
- Current suppliers that fail to pass the annual assessment are immediately discarded. Transition periods are not accepted.

## 3. PW Due Diligence System

The PW Due Diligence System described in this chapter must be applied on all PW suppliers and consists of the three main steps gathering of information, risk assessment and risk mitigation. The aim of this due diligence is to assure that a product has a negligible risk for illegal activities throughout the supply chain.

### 3.1. Gathering of Information

The following information must be gathered in a first step:

1. Identification of the product including its tradename and type
2. Identification of the tree species included in the product (common name and scientific name)
3. Country of harvest, depending on the country in-depth information on sub-region or concession of harvest

If this information cannot be obtained, the assessment cannot be continued, and the supply cannot be accepted at that stage.

### 3.2. Risk Assessment

If all necessary information has been gathered successfully, the country and product specific risks must be assessed. The assessment aims to identify if the risk for illegal activities throughout the whole supply chain is negligible. Therefore, the following aspects are assessed.

1. Corruption and transparency in the country of origin
2. Occurrence or risk of armed conflict
3. Forest governance and law enforcement
4. Risk of illegal activities
5. Supply chain
6. International sanctions and legislation
7. CITES compliance

If the assessment reveals that only one aspect does not present a negligible but considerable risk the supply cannot be accepted at that stage. An in-depth risk mitigation must take place.

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### 3.2.1. Shortcut FSC and PEFC FM and CoC certification

Forest Management (FM) and Chain of Custody (CoC) certifications of the Forest Stewardship Council (FSC) and the Project for the Endorsement of Forest Certification (PEFC) are the strictest forest certifications schemes worldwide. If a company is certified against one of these standards, their wood does fulfil all legal requirements and much beyond. Thus, if a company has their products 100% FSC or PEFC FM or CoC certified, they automatically fulfil our DDS requirements. Products with a PEFC Controlled Source, FSC Mix or FSC Controlled Wood claim are not accepted for this shortcut.

### 3.2.2. Shortcut FLEGT-Licence

If the product is sold under a FLEGT licence issued by a country that has a fully operational EU-VPA, this product does automatically fulfil PW DDS requirements.

## 3.3. Risk Mitigation

### 3.3.1. General Requirements

If the risk has not been rated as negligible, a risk mitigation process must be started consisting of two main activities.

1. The supplier must provide all necessary information to identify the forest management unit and the entire supply chain (until the step in the chain where the risk can be assessed as negligible).
2. Verification of these information and associated risks by PW staff or PW consultants including:
  - a. Identification and verification of the forest management unit and the supply chain
  - b. One-site verification if needed
  - c. Risk mitigation, preventive measures and corrective actions.

If during this mitigation process a non-compliance with PW standards cannot be excepted the supplier cannot be accepted. If suppliers carry out corrective actions suggested by PW, the supply cannot be accepted before the corrective action has been implemented and verified.

### 3.3.2. Country or Product Specific Requirements

This policy does cover general aspects that must be applied universally. Depending on country, region or product category specific requirements must be applied to run the risk mitigation process. For risk mitigation it is thus necessary to elaborate a specific requirement catalogue adapted to the specific country, region or product category in order to fulfil the PW procurement policy. Currently the following specific internal risk mitigation procedures and checklists do exist:

- PEFC CoC Manual of the Precious Woods Holding Ltd. incl. assessment check lists (**Error! Reference source not found.**)
- Risk mitigation check list for Brazil (**Error! Reference source not found.**)
- Risk mitigation check-list Nicaragua (**Error! Reference source not found.**)

## 4. Documentation

### 4.1. Documentation

Every assessment must be documented using the internal due diligence checklist in **Error! Reference source not found.** and -if applicable - the country specific check list. The completed check lists must be sent to the headquarters in Switzerland in a four-week timeslot after the assessment. The information is then archived in Precious Woods headquarters in Switzerland for ten years. This procedure is applicable to accepted and rejected suppliers.

## 5. Training

### 5.1. Training

The following staff must be informed of the existence and/or trained on the application of this policy.

Unit	Position	Inform	Train
PW Holding	CEO	x	
PW Holding	CCO	x	X
PW Holding	Sales team	x	X
PW Holding	Head Back Office	X	X
PW Amazon	General Manager	X	
PW Amazon	Certification Manager	X	X
PW Amazon	Technical Forester	X	X
PW CEB/TGI	General Manager	X	
PW CEB	Site Manager	X	X
PW CEB	Certification Manager	X	X
PW TGI	Site Manager	X	x

Table 1: PW employees to be trained on the policy