

Environmental Classification: This is a category III project according to the IIC's environmental review procedure because specific impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines and design criteria. The principal environmental and social issues related to this project include: sustainable management of the forest, protection of biological diversity, relations with local communities, disposal of solid and liquid wastes, occupational health and safety, and fire safety and emergency response.

Management of Forest: The company has obtained FSC certification for the chain of custody for their production plant in La Paz. Chain of custody is the process by which the source of a timber product is verified. In order for products originating from certified sources to be eligible to carry the FSC seal, the timber has to be tracked from the forest through all the steps of the production process until it reaches the end user. When this tracking has been independently verified as was done at the plant, the product is eligible to carry the FSC logo.

All of the wood processed at the door production plant and sawmills comes from sustainably managed forests with forest management plans and annual operating plans authorized by the Bolivian Superintendencia Forestal. In addition, the company is in the process of obtaining FSC certification for the sawmills in Riberalta and Los Indios and Los Indios forestry concession. FSC-endorsed forests are managed in a sustainable way ensuring the long-term conservation of the forest, the conservation of watersheds within the forest, as well as biodiversity and a positive social impact.

Of the 122,744 hectares of forestland, the company is setting aside approximately 28,100 hectares of preservation forests to protect and conserve biological diversity (flora and fauna) and watersheds. In addition, the company will preserve the most mature seed-bearing trees throughout the concession, which have been mapped and are included in the forest management plan. These trees are marked prior to commencing lumber extraction in any given area.

Other sustainable forestry management measures to be implemented include:

- Selective tree removal according FSC and Bolivian standards - Maximum volume allowed to be harvested depends on the size, distribution, and regeneration capacity of the species to be harvested;
- Directional felling; and
- A 20 year cutting cycle - The concession is divided into different annual cutting areas (Areas de Aprovechamiento Anuales) (AAA), each approximately 4,700 ha in size. After an AAA quadrant is selectively logged, it is conserved for another twenty years, while timber is extracted from other AAA quadrants.

Protection of biological diversity: Habitat for fauna, particularly rare, threatened, and endangered species will be preserved. The company will prohibit hunting in the forestry concession and will provide meat for workers in the forestry concession and local families involved in extraction of Brazil nuts, thereby further reducing the risk of illegal hunting. The company is also developing a plan to monitor and document the fauna sited in the concession.

Land acquisition and tenure issues: The acquisition of the forestry concession will not result in resettlement or economic displacement of any people, and there are no traditional land ownership rights to the area. The company is developing a plan to consult and come to an agreement with communities that live near the Los Indios forestry concession. This will ensure that the local people, whose livelihood depends on extracting Brazil nuts (*bertholletia excelsa*) from the forest, are not

affected by the project. The company will allow locals to extract non-timber products from the forest in a controlled manner acceptable to both the company and the local communities. However, illegal extraction of "palmito", which is obtained from the "asai" palm (*Euterpre precatória*) will be strictly controlled by the company to avoid its overexploitation by the local population.

Wastewater: Wastewater primarily consists of sewage generated at the sawmills. The company will upgrade the septic system at the plant in La Paz and will ensure that the septic system at the sawmill in Riberalta and Los Indios functions in accordance with international standards.

Solid Waste: Solid waste generated by the project primarily consists of residual wood and sawdust at the sawmills. The bark, dry chips, and sawdust will be disposed of in a new wood - and sawdust-burning boiler that will be used to heat the new kilns, eliminating the accumulation of waste.

Air Emissions: The sawmill in Riberalta will have a new boiler with filters to reduce particulate emissions. The project area for each mill is remote from human settlement, and adverse impacts on air quality are not expected to be significant.

Fire Safety: The plant and sawmill in Riberalta are equipped with a network of fire extinguishers. The company will install fire hydrants with hoses every 25 meters, as well as smoke detectors, and plans to improve signage of emergency evacuation routes in all of its facilities. The plant in La Paz has 10,000 liters of firewater stored on site, and the sawmill at Riberalta has 24,000 liters of firewater. The company will upgrade extinguishers, fire hydrants, and other fire safety devices in areas that are lacking. Training with respect to fire-fighting and related equipment will be periodically offered, and emergency/fire drills will also be performed.

Occupational Health and Safety: New dust extractors will be installed to control particulates in the workplace at the plant in La Paz. The company provides workers with the appropriate personal protective equipment for the jobs they perform. Ear protection devices will be required to be worn by all employees in areas of high noise. Staff will require further training in order to integrate safe working practices and ensure that workers use the appropriate protective gear, such as safety boots, dust masks, earplugs, and other equipment. The company will implement measures to ensure that all machinery is properly guarded. Workers are provided with health insurance, and first aid services. All work-related accidents will be recorded and analyzed continuously.

Labor: The company has a policy that persons under 18 years of age are not permitted to work. Workers at the plant in La Paz are members of the Union of Manufacturers of Bolivia (Sindicato Fabril). The company offers its employees loans in times of emergency, the cafeteria and bathroom facilities at the plant are currently being renovated, and the housing and dining facilities at the Indios sawmill are new and appear to be in good condition.

Monitoring and Annual Reporting: The sponsor will develop an Environmental Management Plan (EMP), which will include a schedule for the implementation of environmental projects and a monitoring and reporting program to ensure that their facilities are complying with national laws and IIC's environmental guidelines. The EMP will also include an Environmental Management System (EMS) based on the ISO 14000 standards. The EMS will describe who will be responsible for monitoring the implementation of environmental activities. The sponsors will submit an annual report summarizing the monitoring data related to the following: compliance with FSC certification requirements, occupational health and safety, fire safety and emergency response, disposal of solid and liquid wastes, sustainable management of the forest, protection of the biological diversity, relations with local communities, and labor issues.