

## Corrective Action Verification Audit (CVA) Report

Organisation:	Interholco AG
Certificate Code:	Interholco: NC-LS-000160
Report Date:	27 <sup>th</sup> June 2016

### I. AUDIT PROCESS

Auditor, Qualifications:	Debora van Boven-Flier - Debora holds an MSc in Tropical Forestry from Wageningen University and Research Centre, the Netherlands. She has participated in various lead auditor courses for FSC, PEFC, LegalSource, SAN and SBP and she has been conducting audits since 2008.	
Audit Date(s):	27 <sup>th</sup> June 2016	
CVA Type:	Desk review <input checked="" type="checkbox"/>	On-site <input type="checkbox"/> Location(s): <a href="#">Click here to enter text.</a>
Audit Overview:	Prior to the audit responsible LS person (Tom van Loon) sent evidence to close the NCR. This was studied by the auditor. The phone call took place during which Tom described the steps he undertook to close to address the root cause: which adjustments in the procedures and in practice.	
Changes to Scope since last Audit:	-	

### II. NON-CONFORMITY REPORT (NCR) EVALUATION

<b>Issued for: Interholco</b>			
<b>NCR: 03/15 (02913)</b>	<b>NC Classification:</b>	<b>MAJOR</b>	<b>Minor X</b>
<b>Standard &amp; Requirement:</b>	LegalSource Standard 7.1 The organisation shall assess and specify the level of risk of illegal forest products entering the supply chain, including for the following areas: ... 7.1.3 risk that the material is mixed with other material of illegal or unknown origin somewhere in the supply chain during transport, processing or storage.		
<b>Report Section:</b>	Appendix B		
<b>Description of Non-conformance and Related Evidence:</b>			

Interholco maintains relatively short supply chains for material sourced from high risk areas. Interholco includes 'supply chain complexity' in the revised DGProc\_46-05a\_Due Diligence-Risk as an indication of risk.

As the current procedure only considers supply chain complexity, NEPCon finds that Interholco are not sufficiently considering the risk of legal violations *within* the supply chains in relation to trade and transport of the products, including declaration and classification of the material for customs and the risk that the material is mixed with other material of illegal or unknown origin somewhere in the supply chain during transport, processing or storage. In its current form, the procedure does not fully capture the risk that material is mixed into the supply chain.

As this was an issue raised during the 2014 assessment, and observed in the field during the audit in Cameroon, this issue has been raised as a NCR.

<p><b>Corrective action request:</b></p>	<p>Interholco shall ensure that the risk of legal violations related to forest management activities; the risk of legal violations within the supply chains in relation to trade and transport of the products, including declaration and classification of the material for customs; and, the risk that the material is mixed with other material of illegal or unknown origin somewhere in the supply chain during transport, processing or storage are evaluated during their risk assessment.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>
<p><b>Timeline for Conformance:</b></p>	<p>By the time of the next annual audit.</p>
<p><b>Evidence Provided by Organisation:</b></p>	<p><b>Exh 1</b> DanzerProc_Danzer Procurement Rules-Due Diligence System_2016 06  <b>Exh 2</b> DGProc_32-020b_Legal other requirements p country-trade export Version: 1<sup>st</sup> March 2016  <b>Exh 3</b> Exh 3 DGProc_46_05a _Due Diligence - Risk and Measures  <b>Exh 4</b> DGProc_32_01b_Legal Documents per Country_Africa_incl Trade &amp; Customs</p>
<p><b>Findings for Evaluation of Evidence:</b></p>	<p>According to Organisation this was already mentioned in their procedres (<b>Exh 1</b>) where it is stated as follows:</p> <p>'Danzer systematically evaluates the risk of legal violations in the supply chain. Danzer will assess and specify the level of risk of illegal forest products entering the supply chain, including for the following areas: ... .. risk that the material is mixed with other material of illegal or unkown origin somewhere in the supply chain during transport, processing or storage).</p> <p>Organisation has adjusted the following in their system: In the <b>Exh 2</b> file 'Criteria for Legal &amp; other RequirementsTrade and Transport - All countries in Central and West-Africa' extra focus has been placed on the Trade and Transport requirements. Already the risk on country level was assessed, but now also the risk on supplier level is assessed seperately. For non-certified suppliers where the risk is assessed as high, a seperate risk assessment is being done (<b>Exh 3</b>).</p> <p>These risk assessments contain now specifically the item 'risk of mixing with non verified, potential illegal wood' which is assessed for all, currently 3, non-certified suppliers. All suppliers receive annual audits and in these audits, specifically the risk of mixing is addressed. Audit reports of these suppliers were also sent to the auditor and confirmed the above.</p>

	In <b>Exh 4</b> the list of all Legal Documents per country in Africa have been listed and now include specifically Trade & Customs, as per the CAR above. This list is guiding during the specific supplier audits and is addressed in these audit reports.
<b>NCR Status:</b>	<b>CLOSED</b>
<b>Comments (optional):</b>	N/A

### III. CONCLUSIONS

NCRs Closed:	<input checked="" type="checkbox"/> No follow-up required related to closed NCRs
	<input type="checkbox"/> Original NCRs closed and new NCR(s) issued, see section IV below
NCRs Open:	<input type="checkbox"/> Certification not approved; conformance with NCRs required
	<input type="checkbox"/> Major NCRs not closed; suspension of certification required
	<input type="checkbox"/> Minor NCRs are upgraded to Major; see section IV below
	<input type="checkbox"/> New NCR(s) issued, see section IV below
Comments/Follow-up Actions:	Click here to enter text.

### IV. OPEN NCRs

Newly issued or upgraded NCRs:

N/A