



# LegalSource<sup>TM</sup> Audit Report for Interholco AG

**Annual audit 2017**

**Report date: 28 March 2018**

**Certificate code: NC-LS-000160**

**Issued date: 11 April 2014**

**Organisation Contact**

Schutzengelstrasse 36, 6342 Baar, Switzerland

**Audit managed by**

NEPCon OÜ  
Filosoofi 31, 50108 Tartu, Estonia  
Contact person: Roman Poljatschenko  
Tel: +4586180866  
Email: oc@nepcon.org



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Contact person:	Christian Sloth, Forest Legality Programme Manager
Contact email:	cs@nepcon.org

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## A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by Interholco hereafter referred to as "Organisation". The report presents findings of LegalSource auditors, who have evaluated the Organisation's systems and performance against the applicable requirements. The sections below provide the audit conclusions and follow-up actions required by the Organisation.

**Dispute resolution:** If stakeholders have concerns or comments about the LegalSource standard or the auditing body, they are encouraged to contact their closest NEPCon regional office. Formal concerns and complaints should be sent in writing.

## B. Scope

The LegalSource audit, report and certificate covers the following scope:

Report Type	
Report type:	Public Summary

Organisation Details	
Primary contact:	Tom Van Loon, Environmental & Social Responsibility Manager
Address:	Schutzengelstrasse 36, 6342 Baar, Switzerland
Tel/Web/Email:	T: +41 (0)417670381 W: <a href="http://www.interholco.com/">http://www.interholco.com/</a> E: <a href="mailto:tom.van.loon@interholco.ch">tom.van.loon@interholco.ch</a>
Jurisdiction of primary legal entity:	Switzerland
Primary Activity	Broker/trader with physical storage Broker/trader without physical handling
Description of Organisation:	<p>Interholco (IHC) was created in 1962. The company has over 50 years of experience in production in the African continent. The Organisation has its own production facility (IFO) in the Republic of Congo producing African wood (certified in FSC: RA-FM/COC-007088 and RA-COC-007087): logs, lumber, finger-joint products and more. Species like: Sapelli, Sipo, Bossé, Tiama, Iroko, Wengé, Afromosia, Tola and Khaya/Acajou, Azobé, Tali, Bilinga or Padouk.</p> <p>Interholco (IHC) has total of seven (7) sales offices in Europe, Africa and Asia.</p> <p>For the scope of this LS certificate, Interholco activity is mostly as a trader, with 2 main sites on the multi-site: Switzerland and Belgium.</p>

Certificate Scope	
Certificate Type	<input type="checkbox"/> Single site certificate <input checked="" type="checkbox"/> Group/ Multi-site certificate

Standards Evaluated:	<input checked="" type="checkbox"/> LegalSource Standard (LS-02) v2 <input checked="" type="checkbox"/> NEPCon Generic Chain of Custody Standard (NC-STD-01) <input checked="" type="checkbox"/> NEPCon Generic Group & Multi-Site Standard (NC-STD-02)
Product scope:	<p><b>Product Scope:</b> The due diligence system covers the following product scope, "wood products procured by Interholco outside EU and placed on the EU market."</p> <p>This encompasses mainly sawn-timber (see list of products below on each site description)</p> <p><b>Species and Origin Scope:</b></p> <p>Predominantly hardwood species from Africa, some Asian and US purchases (see species below on each site description).</p> <p><b>Site Scope:</b> See Organisation chart shown in previous point and full site details listed in table below. Interholco's LegalSource Certification covers two sites, one in Switzerland and the other in Belgium.</p>
Changes to certificate scope since last audit:	No change during this audit period.
<b>Certificate Sites or Group members</b> <input type="checkbox"/> In place of below table, details are found in Exhibit	
<b>Site 1:</b>	
Site name:	Interholco AG
Site Address/ Tel/Web/Email:	Schutzengelstr. 36, P.O. Box 1356 6341 Baar Switzerland Phone +41 41 7670 303 Fax +41 41 7670 300
Site Activity:	Broker/trader without physical handling
Product Scope:	Lumber 4407 Logs 4403 Dimensional products 4409 Boules 4403 Species: <i>Pericopsis elata</i> <i>Cylicodiscus gabonensis</i> <i>Pterocarpus soyauxii</i> <i>Entandrophragma candollei</i> <i>Gossweilerodendron balsamiferum</i> <i>Afzelia bipindensis</i> <i>Baillonella toxisperma</i> <i>Lophira alata</i> <i>Pterygota macrocarpa</i>

	<i>Liriodendron tulipifera</i> <i>Chlorophora excelsa (milicia excelsa)</i> <i>Entandrophragma cylindricum</i> <i>Entandrophragma utile</i> <i>Khaya ivorensis</i> <i>Intsia bijuga</i> <i>Bosse Guarea cedrata</i> <i>Mukulungu Autranella congolensis</i> <i>Tali Erythrophleum ivorense/suaveolens</i> <i>Tiama Entandrophragma angolense</i> <i>Walnut american Jugrans nigra</i> <i>Wenge Miletia laurentii</i> <i>Ayous Triplochiton scleroxylon</i> <i>Limbali Gilbertiodendron dewevrei</i> <i>Bilinga Nauclea diderrichii</i>
Site visited during audit:	<input checked="" type="checkbox"/>
<b>Site 2</b>	
Site name:	Interholco Belgium BVBA
Site Address/ Tel/Web/Email:	Villalaan 16 9320 Erembodegem Belgium Phone +32 53 650 253 Fax +32 53 650 259
Site Activity:	Broker/trader with physical storage
Product Scope	Lumber 4407 Logs 4403 Dimensional products 4409 Boules 4403 Species: <i>Pericopsis elata</i> <i>Cylicodiscus gabonensis</i> <i>Pterocarpus soyauxii</i> <i>Entandrophragma candollei</i> <i>Gossweilerodendron balsamiferum</i> <i>Afzelia bipindensis</i> <i>Baillonella toxisperma</i> <i>Lophira alata</i> <i>Pterygota macrocarpa</i> <i>Liriodendron tulipifera</i>

	<i>Chlorophora excelsa (milicia excelsa)</i> <i>Entandrophragma cylindricum</i> <i>Entandrophragma utile</i> <i>Khaya ivorensis</i> <i>Intsia bijuga</i> <i>Bosse Guarea cedrata</i> <i>Mukulungu Autranella congolensis</i> <i>Tali Erythrophleum ivorense/suaveolens</i> <i>Tiama Entandrophragma angolense</i> <i>Walnut american Jugrans nigra</i> <i>Wenge Miletia laurentii</i> <i>Ayous Triplochiton scleroxylon</i> <i>Limbali Gilbertiodendron dewevrei</i> <i>Bilinga Nauclea diderrichii</i>
Site visited during audit:	<input type="checkbox"/>

Evaluation Process	
Audit team:	<p><b>Leticia Calvo Vialettes- Lead auditor</b></p> <p>Leticia Calvo Vialettes is an experienced timber legality and certification expert with multiple responsibilities within those areas with 8 years of experience within NEPCon. Leticia coordinates NEPCon forest management certification activities in Spain and France and provides Forest Management, Chain of Custody and Legalsource auditing services to customers in Spain and France.</p> <p>She is involved in international projects within timber legality and certification, where she takes advisory or managerial roles. Leticia holds a double university degree in Forestry from Spanish and French institutions and has passed additional training in tropical forestry. She has also passed NEPCon's FSC, PEFC, LegalSource and SAN/Rainforest Alliance lead auditor courses.</p> <p>Leticia is located in Madrid, Spain.</p> <p><b>Elena Sosa del Cerro - Auditor in training</b></p> <p>Elena is part of our Responsible Sourcing team and is focused on Timber Legality, Sustainable Biomass and Responsible Sourcing of forest impact commodities.</p> <p>Elena has more than ten years of professional experience in the environmental auditing and consulting fields, notably as a Rainforest Alliance (international non-profit organisation) advisor to corporations on sustainable sourcing of commodities linked with deforestation and forest degradation.</p> <p>She holds a BSc in Environmental Sciences, MSc in Nature Management and Conservation and a MSc in Sustainability and CSR and has worked in projects in Cameroon, China, France, Indonesia, Mexico, Netherlands, Portugal, Spain, Sweden, Switzerland, United Kingdom and the United States.</p> <p>Elena is based in Paris, France</p>

Description of Audit Process:	<p>The audit followed the below general outline:</p> <ol style="list-style-type: none"> <li>1. Opening meeting, presentation of participants, audit program and scope</li> <li>2. Introduction by Interholco to the organisation of the Due Diligence system and changes on the scope.</li> <li>3. Evaluation of the documented procedures, including responsibilities, commitments made by the organization, procedures for internal monitoring and definition of product scope</li> <li>4. Evaluation of the general procedures for access to information, risk assessments and risk mitigation procedures adopted by Interholco</li> <li>5. Evaluation of operational implementation of the DD system, including: Evaluation of a sample of supply chains and the implementation of the Due Diligence on the selected samples (access to information, risk assessment and risk mitigation)</li> <li>6. Closing meeting: presentation of LegalSource audit conclusions.</li> </ol>
Actions taken by Organisation prior to report finalisation:	N/A
Notes for the next audit:	<p>The lead auditor recommends for next annual audit to assess on site how Interholco is conducting their own-verification audits (on legal aspects) for selected high risk suppliers.</p> <p>Also, the lead auditor suggests visiting other sites with material stocked (ex. Belgium).</p>



## C. Audit Findings

Audit Conclusion:	
Organisation approved: Minor non-conformance(s) issued	<input checked="" type="checkbox"/>
Organisation not approved:	<input type="checkbox"/>
Additional comments:	

### Non-Conformances

Non-conformance reports (NCRs) describe the non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR non-conformances issued during assessments/reassessments shall be closed prior to issuance of the certificate. MAJOR non-conformances issued during annual audits shall be closed within the timeline specified in the NCR, or result in certificate suspension. Where applicable, all non-conformances against standard requirements are shown below:

<b>Non-Conformance #:</b>	01/17 (19456)	
<b>Non-Conformance Grading:</b>	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 4.1	
<b>Description of Non-conformance:</b>		
<p>As part of their supplier auditing program, Interholco is implementing a procedure to assure that all suppliers of non-certified material from areas where high risk has been identified are subject to further information collection and, where necessary, field verification to evaluate risks and mitigate any potential illegal activities in the forest and throughout the supply chain.</p> <p>The auditors reviewed a large number of Supplier Audit reports from on-site verification audits and found that the system is not always implemented consistently.</p> <p>It was detected during the legality report review (exhibit 9), the following:</p> <ul style="list-style-type: none"> <li>- Legality audit number 6 of the supplier 1: NCR 01/2016 has not been addressed and corrected in a timely manner (NCR with a delay until April 2017 were not yet closed at December 2017, when NEPCon audit take place).</li> <li>- Legality audit number 6 of the supplier 2: a NCR have been raised twice on the time with the same criteria (ex. Audit number 6 of the supplier 2 – NCR 01/2017 (ex NC 05/2016).</li> <li>- Legality audit number 1 of the supplier 3: different minor and major NCRs from previous audit have not been resolved and depending on the justification some of them have been maintained as minor instead of being upgraded to a major, and another non-conformance did clearly describe the status and timeline for conformance.</li> </ul>		
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</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>	
<b>Timeline for Conformance:</b>	12 months from report finalisation date	

<b>Evidence Provided by Organisation:</b>	PENDING
<b>Findings for Evaluation of Evidence:</b>	PENDING
<b>NCR Status:</b>	OPEN
<b>Comments (optional):</b>	

<b>Non-Conformance #:</b>	02/17 (19457)	
<b>Non-Conformance Grading:</b>	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 7.2	

**Description of Non-conformance:** The Organisation has incorporated the assessment of armed conflict into its Spatial Risk assessment (DG Proc 46-04) (see exhibit 3).

During the audit one new source of wood from Central African Republic (CAR) was assessed. Interholco has evaluated the risk using this template: IHC 46 05a Due Diligence Risk and Measures (see exhibit 10). Based on the Interholco's assessment, it was shown that the concession forest is based in the South West of CAR, Forest Zone (considered based on different sources as low risk for conflict) and this is considered by Interholco to be unaffected by the armed conflict in CAR which is more prevalent in other areas. In parallel, NEPCon auditors obtained information from the concession (see XX) and compared it with the map from the official report from UCDP ([Central African Republic](#)). This confirms that the FMU is in the South West of CAR. But is clear that conflict is still leading to extra-judicial killings in this area. However, NEPCon found no evidence specifically of *conflict timber* (profits from the timber sector funding armed conflict) or any armed conflicts be linked to the particular FMU.

The report from Global Witness [Blood Timber](#), 2015, indicates that logging companies have paid millions of euros to rebel groups linked to mass murder, kidnap, sexual abuse and the forced recruitment of child soldiers. It should be noted that the Blood Timber report is dated from 2015 (2 years before the relation between Interholco and the company from CAR started). The report doesn't mention the company assessed by Interholco as being involved. In addition reports, such as the one from [Council Foreign Relations](#), indicate that after the election of President in the spring of 2016, the crisis in Central African Republic (CAR) has intensified again and violence has increased. Different alerts have been raised in the last few months, such as; UN Gives Deadline to Armed Groups in CAR (Jan 2018), Attack on Peacekeepers in CAR Kills One (Dec 2017), and Cameroon Closes Border with CAR (September 2017).

Based on the above, the information and supporting documentation shown during the on-site audit is insufficient to consider West of CAR, Forest Zone as low risk.

After the audit, the company provided to the auditors more evidence via email to justify the assessment done within their DDS about armed conflict of the country, among official reports from United Nation Mission, UNHCR-The UN Refugee Agency and opinion/experience from local auditors and consulting companies working on a forest level in the country, justifying the low risk of armed conflict in the south of the CAR. However, NEPCon maintains the NCR open because a key risk of the conflict in CAR, as highlighted in the Global Witness report (2015) is that rebel groups benefit or profit from logging operations and these risks extend through the supply chain, not just at the FM level. Risks include; payments for protection of equipment and staff; payments to pass road blocks, payments for security (armed escorts) during transportation, etc. Interholco's risk assessment was found to be insufficiently specific to these risks. It is expected that more detailed assessment of risks is conducted and clearly recorded. This may include, *inter alia*;

<ul style="list-style-type: none"> <li>• <b>Clear supply chain mapping</b> of all suppliers and supply chains sourced from CAR, back to forest origin.</li> <li>• <b>Up to date mapping of presence of areas controlled by armed groups</b> in CAR (in consultation with credible 3<sup>rd</sup> party experts) and highlighting if physical supply chain route passes through any areas occupied/ controlled/ influenced by armed groups.</li> <li>• <b>Records of Interview with stakeholders</b> in the source area to evaluate the presence of bribery and other payments to officials and/or armed groups &amp; other issues affecting conflict timber (including the FMU and companies in the supply chain, neighbouring companies, local NGOs operating in the area, international NGOs focussing on CAR, government authorities),</li> <li>• <b>On-site supply chain verification</b> to ensure that bribery and other payments to officials and/or armed groups do not occur – both at the forest gate and throughout the supply chain to the point of export. For example, risk of payments for transport from FMU to sawmill, bribery of armed groups and/or forest authorities, police or port officials.</li> </ul>	
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</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>
<b>Timeline for Conformance:</b>	12 months from report finalisation date
<b>Evidence Provided by Organisation:</b>	PENDING
<b>Findings for Evaluation of Evidence:</b>	PENDING
<b>NCR Status:</b>	OPEN
<b>Comments (optional):</b>	

Non-Conformance #:	03/17 (19458)	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 8.1	
<p><b>Description of Non-conformance:</b> In general, the Organisation was found to have sufficient risk mitigation procedures in place to mitigate the risks identified as part of the risk assessment process, and covering forest-level, supply chain-level and mixing risks. It was noted during the audit that the Organisation is making efforts to source as much material as possible with 3rd party certification (from Africa: FSC, OLB or VLC certified). However, the reality on the field showed that this is not always possible, therefore Interholco has developed a complete "Own Legal Verification Program".</p> <p>During the review and assessment of the information provided on all on-site reports done in 2017 (see exhibit 9), it has been detected that during the audit on-site, not all criteria included on the checklist (based on the Annex 1 from LegalSource) have been evaluated with the same requirement level: forest management and environmental criteria have more importance than social criteria. Example: on the onsite visit of the SUPPLIER 1 (Central African Republic), an OBS (number 04/17), has been raised on the point 5.3.4 Health and safety, explaining that no procedures/training on health and safety have been developed, and not all employees have received the EPI (Individual Equipment protection). IH risk assessment of social issues is inadequate compared to risks identified on the National Risk Assessment (see <a href="#">CAR-Sourcing</a></p>		

<a href="#">Hub</a> ), where the following risk are highlight: <i>Risk of that there are not enough qualified personnel or that they are not well equipped; Risk of lack of access to personal protective equipment</i> .	
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</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>
<b>Timeline for Conformance:</b>	12 months from report finalisation date
<b>Evidence Provided by Organisation:</b>	PENDING
<b>Findings for Evaluation of Evidence:</b>	PENDING
<b>NCR Status:</b>	OPEN
<b>Comments (optional):</b>	

Non-Conformance #:	04/17 (19811)	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 7.5	
Description of Non-conformance:		
<p>In connection with the result from the audit of Danzer in UK, we include this NCR based on the management and evaluation from each certification system done by Interholco/group Danzer globally and the mitigation actions for any identified gaps that are stated in the “actions to assure full compliance” section.</p> <p>The OLB evaluation was the focus of these audits, for this scheme the actions include avoiding suppliers that use the ‘mix system’. The “actions to assure full compliance” state “<i>Action to solve partial non compliance:</i></p> <p><i>Evaluation of 'acceptable sources', wood mixed with OLB timber, showed compliance. Nevertheless, as precautionary approach, following actions are taken:</i></p> <p><i>1. Evaluate if suppliers use the mix system. Request from BV to update the standard.</i></p> <p><i>2. In the meantime, no wood from mix system is used for suppliers in Africa were OLB wood is purchased.</i></p> <p><i>BV is changing the standard to assure full compliance with EUTR”</i></p> <p>During the UK audit the Managing Director was asked for evidence that their OLB certified suppliers are not using the mix system but was informed that this is the responsibility of the Head of Sustainability of the Danzer Group, thus, a follow-up desk audit was conducted with the Managing Director and the Head of Sustainability. The Head of Sustainability informed that these checks were made previously and forwarded on two emails dated 25<sup>th</sup> September 2015 from Bureau Veritas which state that “almost all [OLB certificate holders] have adopted the physical separation method” (translated from French “quasiment tous ont opté pour la séparation physique”. This information is not publicly available on the OLB certificate database: <a href="http://www.bureauveritas.com/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products/olb/olb-certification-documents-and-standards">http://www.bureauveritas.com/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products/olb/olb-certification-documents-and-standards</a></p>		

When the auditor noted that this email did not specify the names of the Organisation's suppliers and was over two years' old the Organisation immediately took action, contacting suppliers requesting up to date evidence. Subsequently the auditor was provided with emails from all the Organisation's OLB suppliers stating that they do not use the mix system, two of whom supplied audit report, or sections of their audit report (SUPPLIER 1 and SUPPLIER 2), the other two were not willing to share them (SUPPLIER 3 and SUPPLIER 4). Whilst this action is reassuring it was taken after the material had been purchased (and sold).

<b>Corrective action request:</b>	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 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.
<b>Timeline for Conformance:</b>	12 months from report finalisation date
<b>Evidence Provided by Organisation:</b>	PENDING
<b>Findings for Evaluation of Evidence:</b>	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
<b>Comments (optional):</b>	Only the OLB evaluation was inspected at this audit but the Organisation shall take steps to ensure all schemes meet the requirement.  Same NCR as the number 02/17 included on the Danzer UK report.

## Observations

Observations (Obs) are issued for the early stages of a problem which does not in and of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the Organisation or where general improvements may be made. Where applicable, all observations are shown below:

<b>Observation #:</b>	01/17 (19459)
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 3.1
<p><b>Description of Observation:</b> Interholco has comprehensive written procedures covering most aspects of the Organisation's due diligence system.</p> <p>It was detected that on the Interholco Responsible Procurement – Due Diligence System (page 19, section 7.4.2 Risk analysis matrix) a new procedure of checking transport and custom regulations has been added to the table 2. However, this new procedure can be different depending on the type of certified/legality verified material (FSC, PEFC, SFI, OLB,...). This new control procedure should be adapted to the type of certification/verification material.</p> <p>Also, the information listed on Table 1: Sources for risk classification, is not updated as the one presented on a separate document (where the NEPCon Sourcing Hub is one of the sources of information used). It has been detected that the company has many procedures and in some cases repeated.</p>	

<b>Observation #:</b>	02/17 (19460)
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 4.4

<b>Description of Observation:</b> The organisation has included this new requirement on their COC procedures (see point 13.2: Non-conforming products-exhibit 1b). Reviewing the written procedures, it has been detected that the last point has not been included (4.4.5 mitigate the causes and allow the Certification Body to evaluate actions taken). Also, the procedures mention a specific Certification Body (SGS) and not NEPCon as Certification Body for LegalSource certification.	

<b>Observation #:</b>	03/17 (19461)
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 7.4
<b>Description of Observation:</b> During the audit, 7 supply chains have been reviewed.  Based on the knowledge and experience on the 2 main persons in charge to verify this (Environmental & Social Responsibility Manager and the staff charge of purchases outside the EU, especially in Africa), and after interviews with them and reviewing the information provided during the audit, NEPCon auditors confirmed that most of the information provided is verifiable and valid and can be related to relevant products or supply chains.  However, for the "4th" supply chain (see Appendix 1), it has not been possible to link the information showed on the invoice with the public certification report from VLC. After the audit, the Environmental & Social Responsibility Manager, sent to the auditors, the justification coming from the RA responsible for this audit, explaining that the VLC certificate for this company includes verified FMU and contractors in general. Interholco should ensure and confirm for each purchase (even if it's VLC/OLB, FSC certified), the information from the origin (forest) can be related to the relevant product or supply chain.	

<b>Observation #:</b>	04/17 (19463)
<b>Standard &amp; Requirement:</b>	NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 1.2
<b>Description of Observation:</b> Interholco CoC procedures have been developed and shown during the audit (see exhibits 2), however no references from Chain of Custody and Multisite Standard from NEPCon have been included.	

<b>Observation #:</b>	05/17 (19464)
<b>Standard &amp; Requirement:</b>	NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 1.7
<b>Description of Observation:</b> The Organisation, before the audit, sent to the auditors the Excel with all the information of a summary of purchases. However, the dates did not correspond to the exact period between audits, only the year 2017 and therefore during the audit the responsible person prepared the complete report for the correct reporting report.  For next audit, a report with the correct dates of the auditing period should be presented.	

## D. Closed Non-Conformances

### Closed Non-Conformances

This section indicates where the Organisation has adequately addressed non-conformances issued during or since the last audit.

Any non-conformances which cannot be closed remain open and appear in Section C (above). Failure to comply with a minor non-conformance results in the NCR being upgraded to major; the specified follow-up action is required by the Organisation or involuntary suspension will take place.

<b>Issued for: Interholco</b>			
<b>NCR: 01/16</b>	<b>NC Classification:</b>	<b>MAJOR</b> <input type="checkbox"/>	<b>Minor</b> <input checked="" type="checkbox"/>
<b>Standard &amp; Requirement:</b>	NEPCon LegalSource Standard, version 1.0 Requirement 3.1		
<b>Report Section:</b>	Appendix B		
<b>Description of Non-conformance and Related Evidence:</b>			
<p>Whilst the Organisation has elaborated procedures for most elements of the risk assessment, they have not included written procedures to the Due Diligence Manual or other procedures document covering the need to collect further supply chain information and documentation in high risk countries for supply chains which are only FSC certified (not dual FSC and OLB certified).</p> <p><b>Exhibit 9:</b> Certification Scheme Evaluation for FSC (DGProc_32-05)</p>			
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</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>		
<b>Timeline for Conformance:</b>	Within 12 months of the audit report date.		
<b>Evidence Provided by Organisation:</b>	<p>Exhibit 1: IHC_Proc_Interholco Responsible procurement-Due Diligence System</p> <p>Exhibit 4: DGProc_32_01b_Legal Documents per Country_Africa_incl Trade and Customs</p> <p>Exhibit 7: DGProc_32-020b_ Legal and other requirements p country_trade and export</p>		
<b>Findings for Evaluation of Evidence:</b>	<p>Company has updated their procedures. See point 7.3.5 (exhibit 1): <i>Is ALL the timber supplied certified (FSC or PEFC or 3rd party verified legal)?</i></p> <p><i>Risk assessment for "2. 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".</i></p> <p><i>For those certification systems that do not include this in their scope, risk mitigation / verification will be done if risk was identified (e.g. sample verification of legal trade, transport, customs requirements).</i></p>		

	<p>Also, on the table 2 from the section 7.4.2 a control procedure has been added to strengthen the requirements for high risk countries for supply chains which are only FSC certified.</p> <p>During the audit, a sample of supply chains on FSC material has been reviewed (see chains 1 and 7), checked, including invoices, delivery notes, movement certificates and forest documentation, including FSC 100% claims (FM/COC).</p> <p>It was noted, through interviews with staff in charge of purchases, that this new requirement/methodology is well known and used before any purchase from high risk countries.</p>
<b>NCR Status:</b>	<b>CLOSED</b>
<b>Comments (optional):</b>	Note that this NCR (01/16) relates to having written procedures, whilst NCR 03/14 relates to inadequate implementation of <i>robust</i> risk assessment procedures.



## E. LegalSource Due Diligence Checklist (CONFIDENTIAL)

(LegalSource standard (LS-02) requirements 1 – 9)

## H. Chain of Custody (CoC) (CONFIDENTIAL)

(NC-STD-01 NEPCon Generic CoC Standard)

## I. Checklist for Group and Multi-site Certification (CONFIDENTIAL)

(NC-STD-02, NEPCon Generic Group and Multi-Site Standard)

## Appendix 1: Overview of Products/ Supply Chains Evaluated (CONFIDENTIAL)

## Appendix 2: Exhibit List (CONFIDENTIAL)