

The background of the slide features a close-up photograph of two dark-skinned hands resting on a rustic, textured wooden surface. One hand is in the foreground, with fingers slightly spread, while the other is positioned behind it. A portion of a green sleeve is visible on the left side of the frame.

SHAPING THE FUTURE

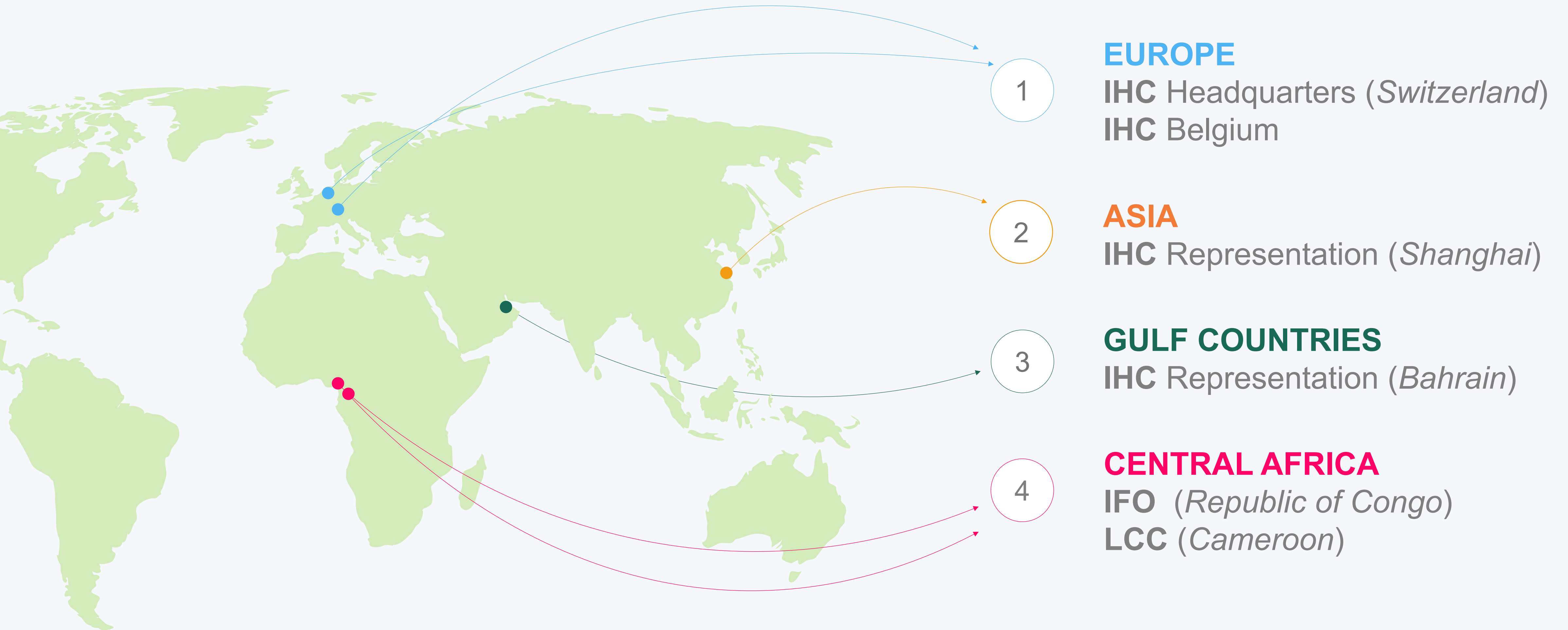
ACTING TOGETHER

EU FLEGT Independent Market Monitor Trade Consultation
Barcelona, 07th Oct. 2019



pascal.chomont@interholco.com

INTERHOLCO in the World

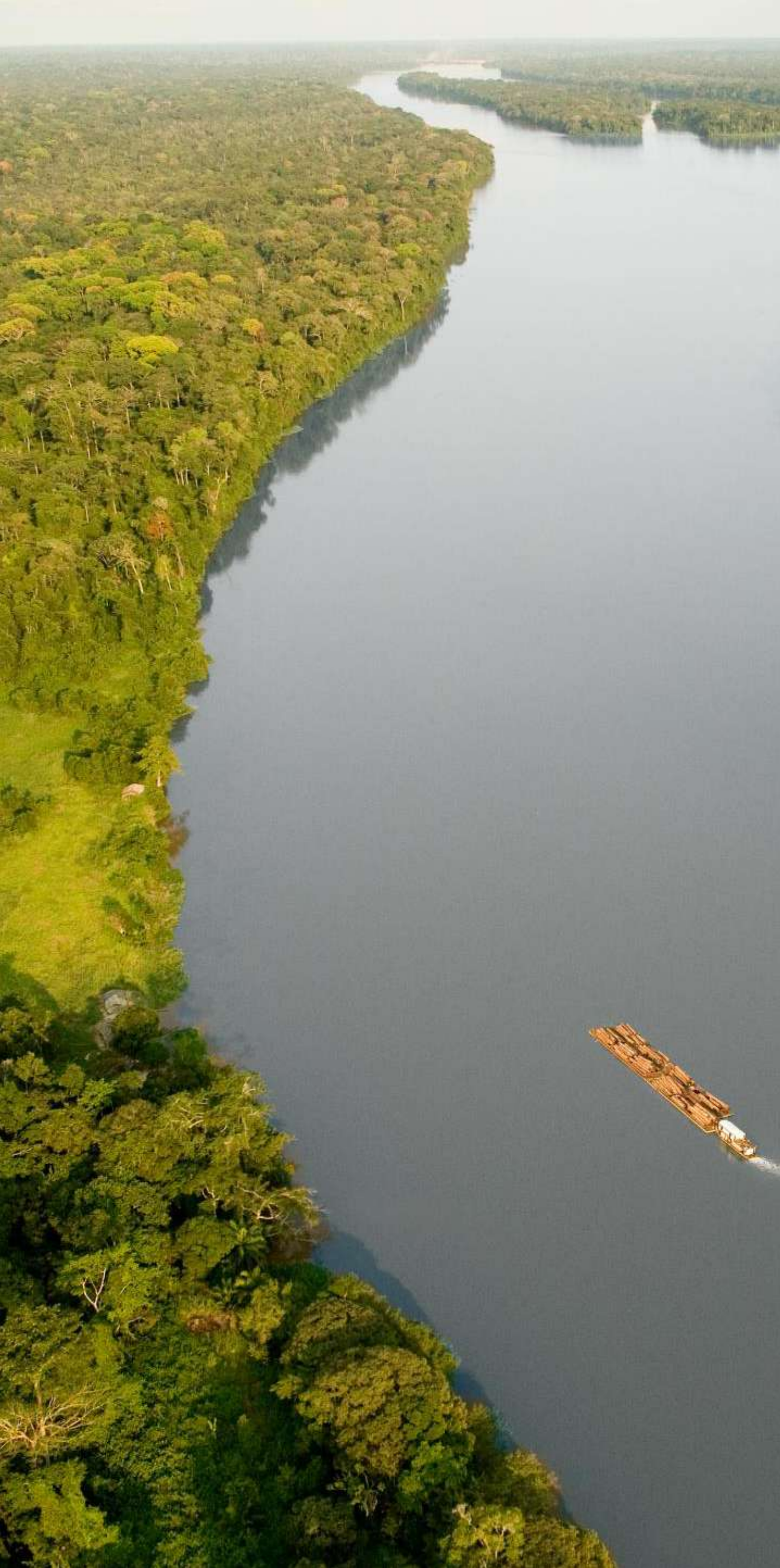


INTERHOLCO in Africa









Area of forest we manage

1'159'000 ha
11'600 km²

smaller than
Barcelona and Girona

about
1/3 of Catalonia

16'000

people living
in the forest we manage

Ca. 0.7 persons / km²

7'543'825*

people living
in Catalonia

Ca. 235.6 persons / km²

Environmental Landscape

1'159 mill. ha of Natural Capital



4'000
Elephant

source:
WCS



70'000
Gorilla

source:
WCS



300'000 ha
Protection Area

27% of total
forest surface



40
Eco-guard units
destroyed 50 poacher
camps in 2018



2
Training courses
on wildlife protection and
human rights in 2018

Tropical Forests, A Natural Capital

The IHC pilot study for the Forest Products Sector Guide of the Natural Capital Protocol

Sustainable Forest Management (SFM) is the best land-use to protect the Congo Basin's **Natural Capital**, i.e. tropical forests, from irreversible change due to conversion to other uses:

- Only 1 tree per 2 ha (2 football fields) is harvested, only once every 30 years.
- Only 6% to 10% of the annual harvest area receives temporary impact.
- 92% to 97% of Carbon stock is maintained, with reconstitution of the Carbon stock, thanks to natural regeneration.
- **SFM drives development**, creating local jobs, giving fair wages, providing free medical care, school facilities, infrastructure, clean water and electricity, fighting against poaching



How does SFM address the Natural Capital?

Tropical timber bears the cost, whilst other materials are not subject to legality and sustainability constraints

Sustainable Forest Management, SFM generates an annual **50 million EUR** economic value on 1 million ha of forest, i.e. **17 times more economic value than strict conservation**; in addition, **SFM drives development**.

With land-use conversion, palm oil may provide up to **650 times more economic value** than strict conservation, **but destroys the natural forest**.



Regulatory Landscape



National Laws

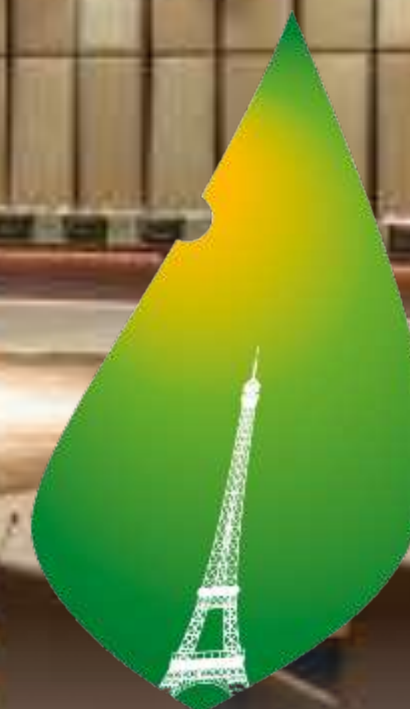
*Forest code / EITI reporting
Phytosanitary standards*



International Standards

*FSC® / PEFC™ *
GRI / UN Global Compact*

**FSC® C022952, PEFC-15-31-0084*



International Agreements

*ILO / Biodiversity & Climate
Convention / REDD+ / FLEGT*



Global Development

SUSTAINABLE DEVELOPMENT GOALS



Own wood products

100%

Legal & FSC certified



7%

**2nd party legality
verified**



Procured wood

88%

FSC certified



4%



3rd party legality verified
*e.g. OLB, Legal Source,
TLV (Control union), etc.*



Supplier Evaluation in Central Africa

Since 2012, we regularly audit all non certified suppliers based on our Due Diligence System

Field audits help detect non conformities, improving market availability & eliminating unfair competition:

- **Forest & environmental legislation:** impact of harvest in buffer-zones, trees harvested under minimum diameter, surpassing volume
- **OHS (Occ. Health & Safety):** safety equipment not compliant, no risk assessment, no OHS committee
- **Workers' rights:** lack of certain contracts, lack of organized union (*no child labor incidences seen*)
- **Refuse to cooperate/receive field audits,** for business or other reasons

Rare non conformities registered (non-compliant wood):

- No clear origin proof and likelihood of illegal origin, e.g. 'Bois Sauvage' from smallholders, community forests
- Logging outside or without a valid logging permit
- Forest management plan not finalized/ submitted within legal timeframe
- Wrong declaration of species, e.g. *Pericopsis elata* declared as Iroko
- Significant delay or non payment of taxes, without agreement



Total number of suppliers (2014-2017):

20 to 22

- Of which **certified / 3rd party verified**
14 to 16
- Of which **internally verified/audited for legality**
5 to 8
- New suppliers **accepted** per year
1 to 4
- Proportion of **potential suppliers accepted**
1 out of 3

EUTR: field verification is crucial

1. Link documents with the wood product (documents alone don't show legality)
2. Verify legality aspects **in brown**

Legality definition in EUTR compliant standards e.g. FSC-STD-40-005, NEPCon LegalSource; Control Union TLV...		EUTR Definition of Legality cf. art. 2 (h): “Applicable legislation...., in the country of harvest covering... :
1. Legal rights to harvest	1.1 Land tenure and management rights 1.2 Concession licenses 1.3 Management and harvesting planning 1.4 Harvesting permits	- rights to harvest timber within legally gazetted boundaries,
2. Taxes & fees	2.1 Payment of royalties and harvesting fees 2.2 Value added taxes and other sales taxes 2.3 Income and profit taxes	- payments for harvest rights and timber including duties related to timber harvesting,
3. Timber harvesting activities	3.1 Timber harvesting regulations 3.2 Protected sites and species 3.3 Environmental requirements 3.4 Health and safety / 3.5 Legal employment	- timber harvesting, including environmental and forest legislation including forest management and biodiversity conservation, where directly related to timber harvesting,
4. 3 rd parties' rights	4.1 Customary rights ; 4.2 Free, prior and informed consent ; 4.3 Indigenous Peoples' rights	- third parties' legal rights concerning use and tenure that are affected by timber harvesting, and
5. Trade & transport	5.1 Classification of species, quantities, qualities 5.2 Trade and transport 5.3 Offshore trading & transfer pricing 5.4 Customs regulations 5.5 CITES	- trade and customs, in so far as the forest sector is concerned.»

The FLEGT process in the Republic of Congo



FLEGT and private certification should be combined, not compete

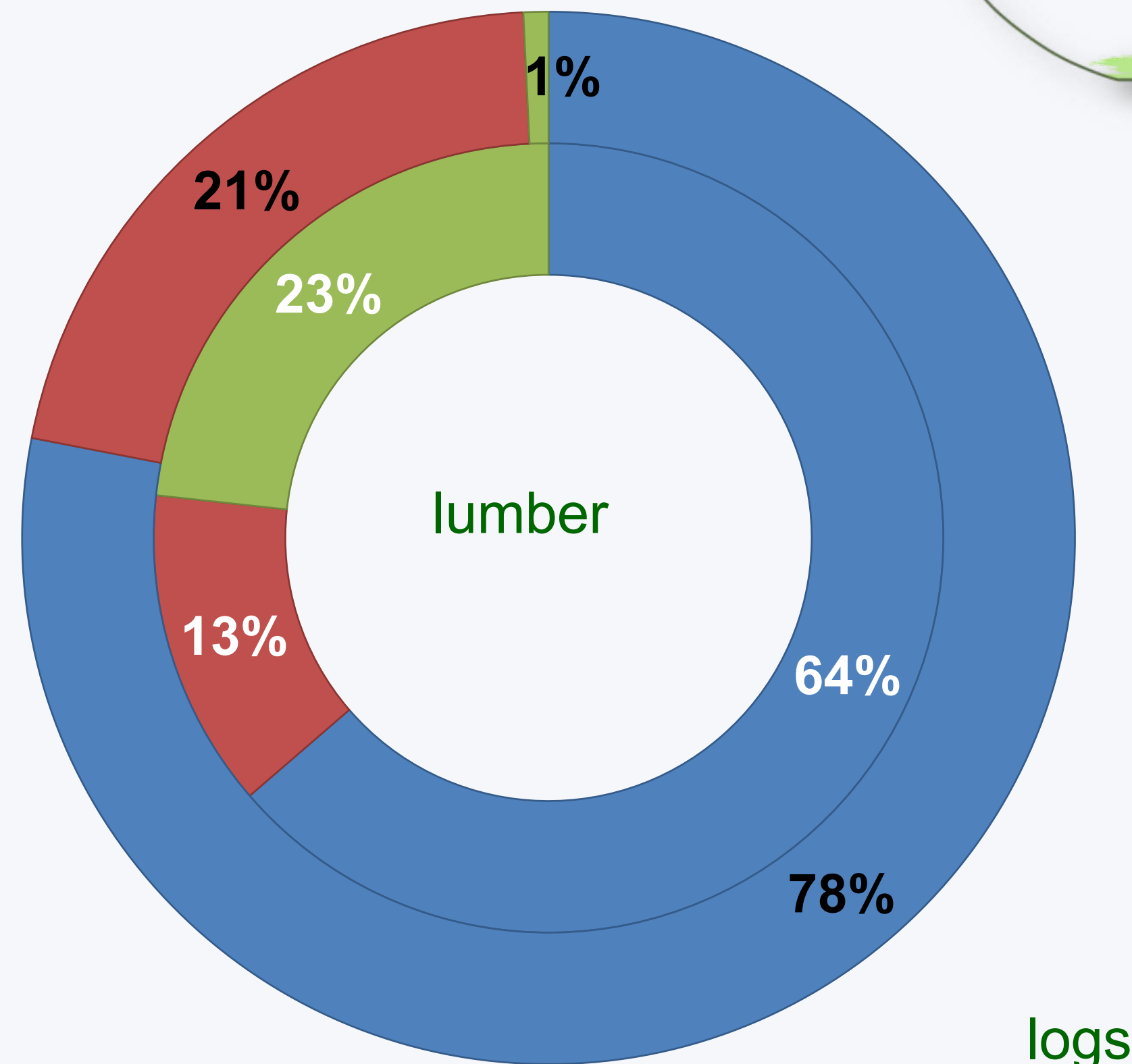
- IFO is actively involved in developing a VPA standard in the Republic of Congo: participation in meetings, definition of legality, development of a national audit standard.
- Congo is compiling a national database of timber companies, accessible in future via an electronic platform. The process takes time.
- Several pilot legality audits have already taken place, covering all timber companies active in Congo. Companies already holding private certification such as IFO, CIB came out best, with nearly 95% compliance; many companies only had 50%.
- IFO has been chosen as test company to put a Chain of Custody in place. A national traceability system is not ready yet.
- Via the FLEGT National Authority in Brazzaville, we are in touch with the relevant EU technical expert, based at the European Forest Institute (EFI), here in Barcelona.
- FLEGT and private certification could be mutually reinforcing; given the current market flows and trends, it may be time to combine them.



10 years on: shifting horizons

2008

■ Europe / N America ■ Asia ■ Africa

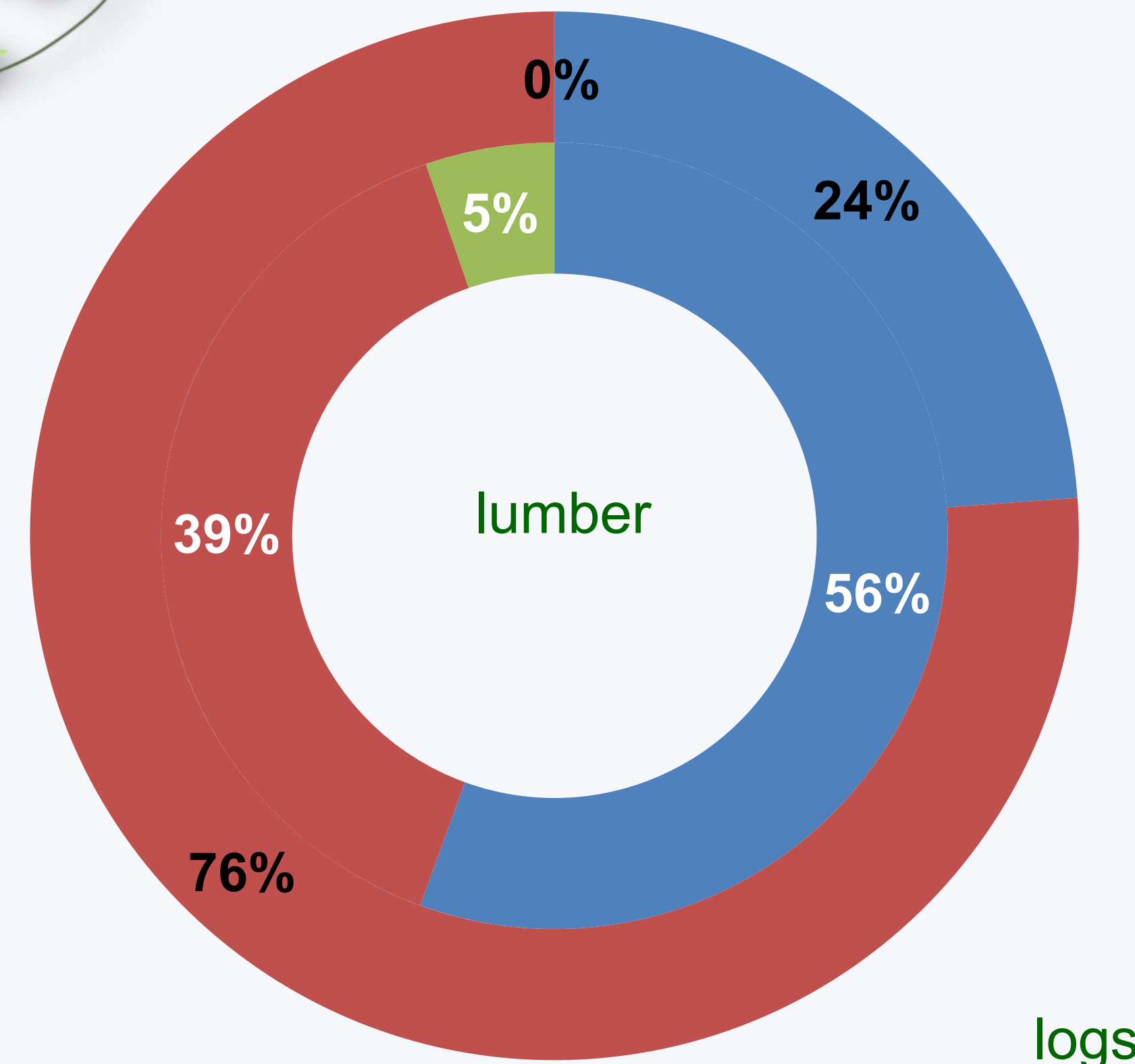


logs



2018

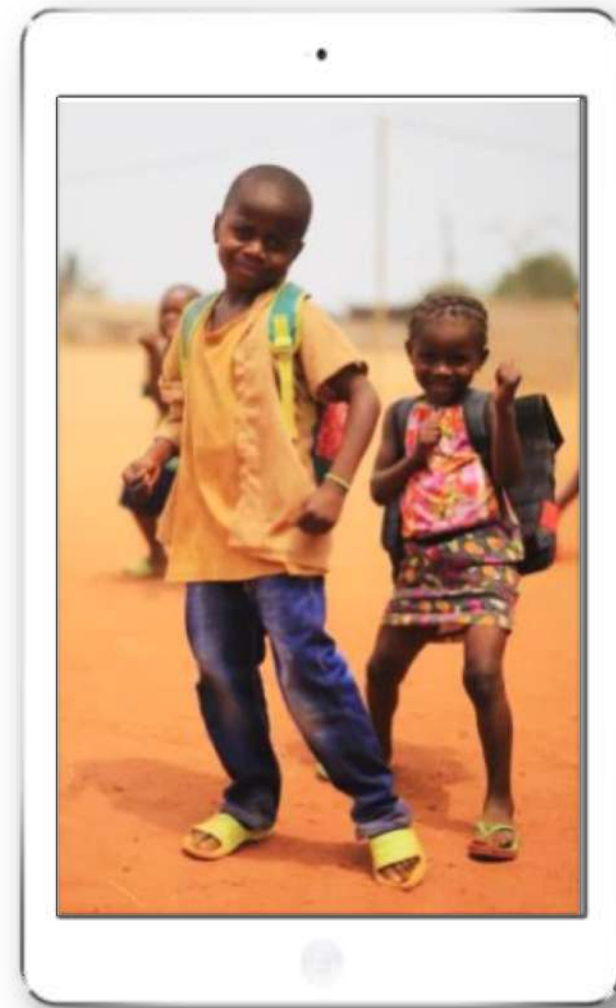
■ Europe / N America ■ Asia ■ Africa



logs

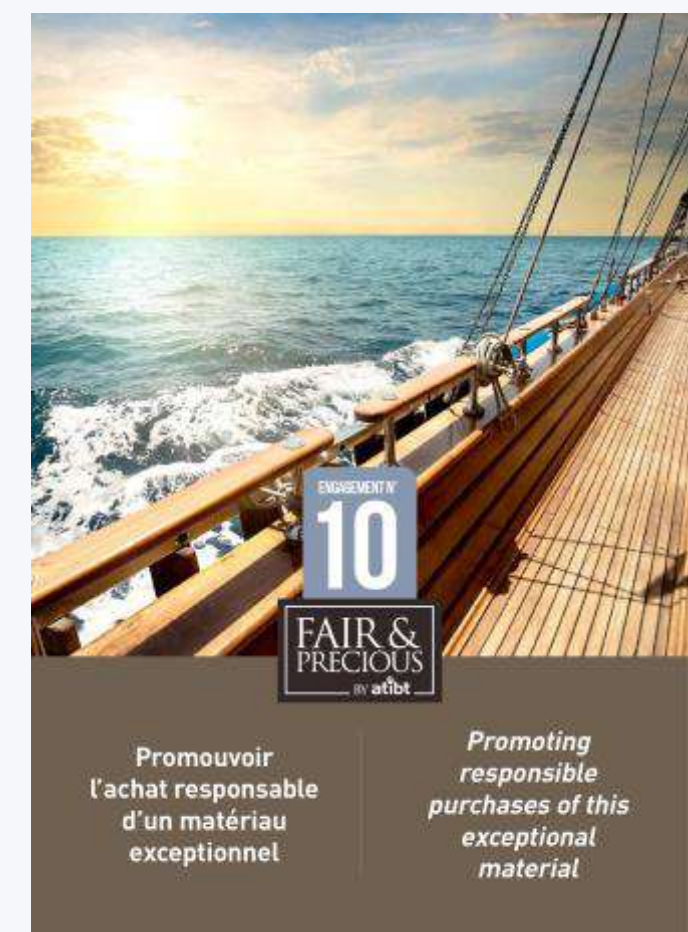
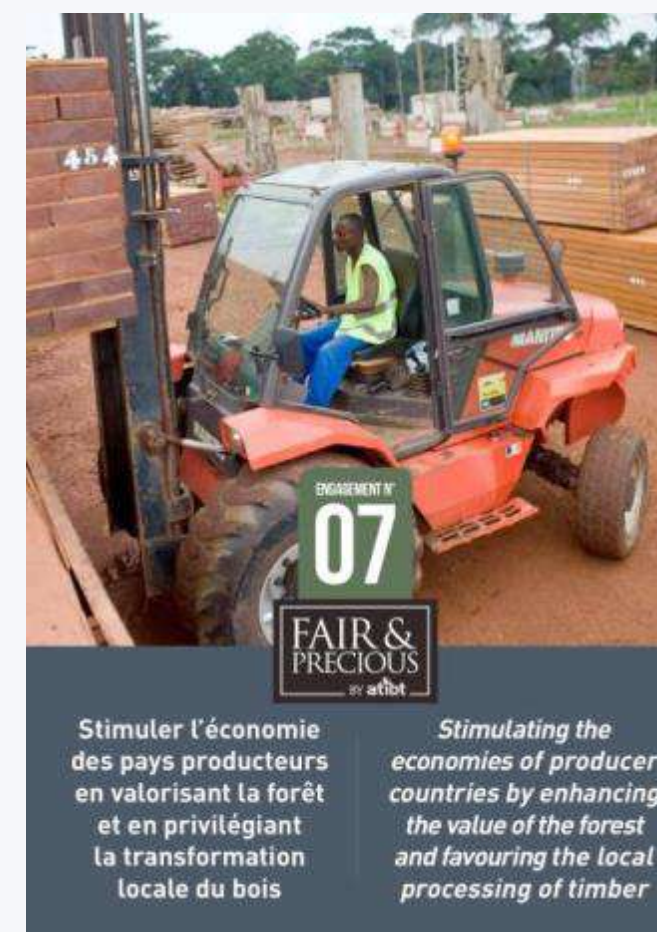
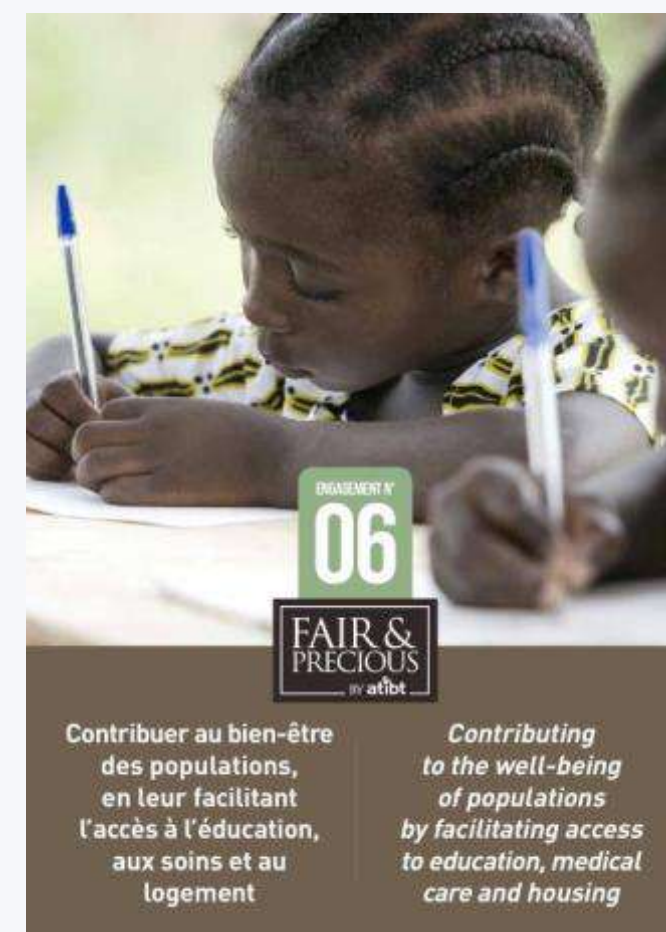
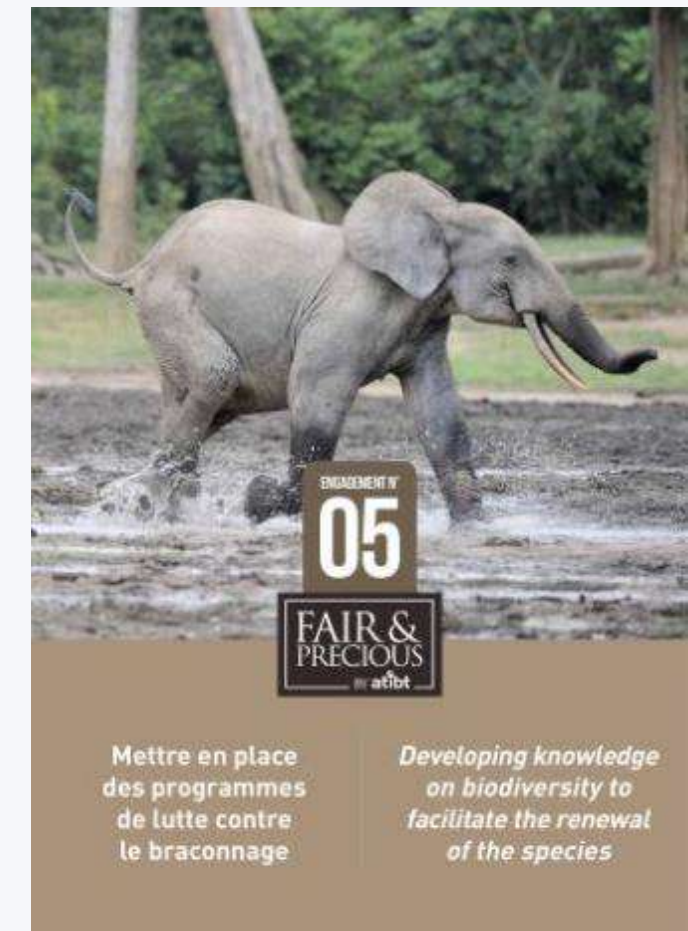
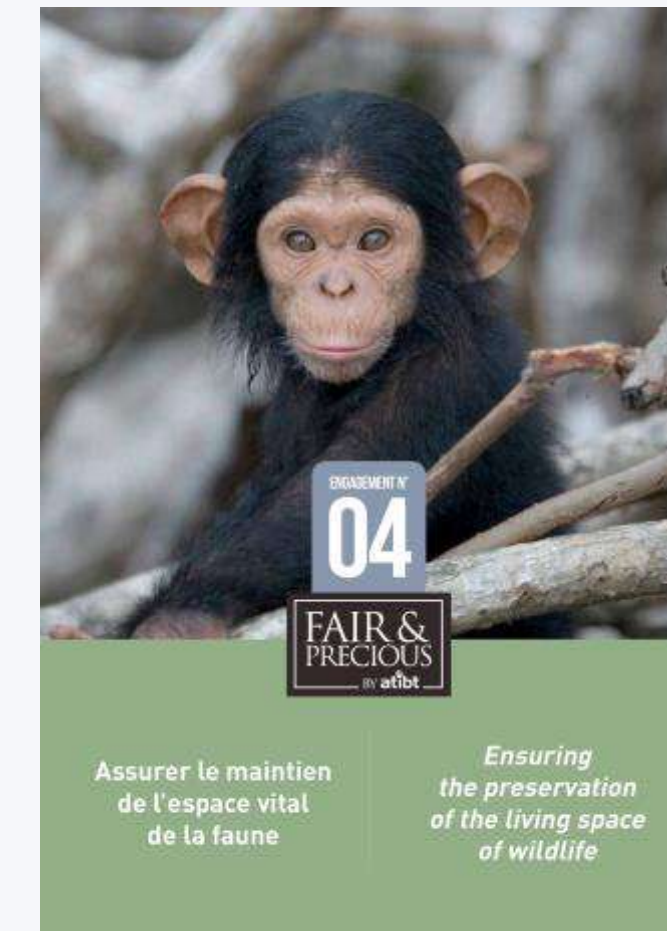
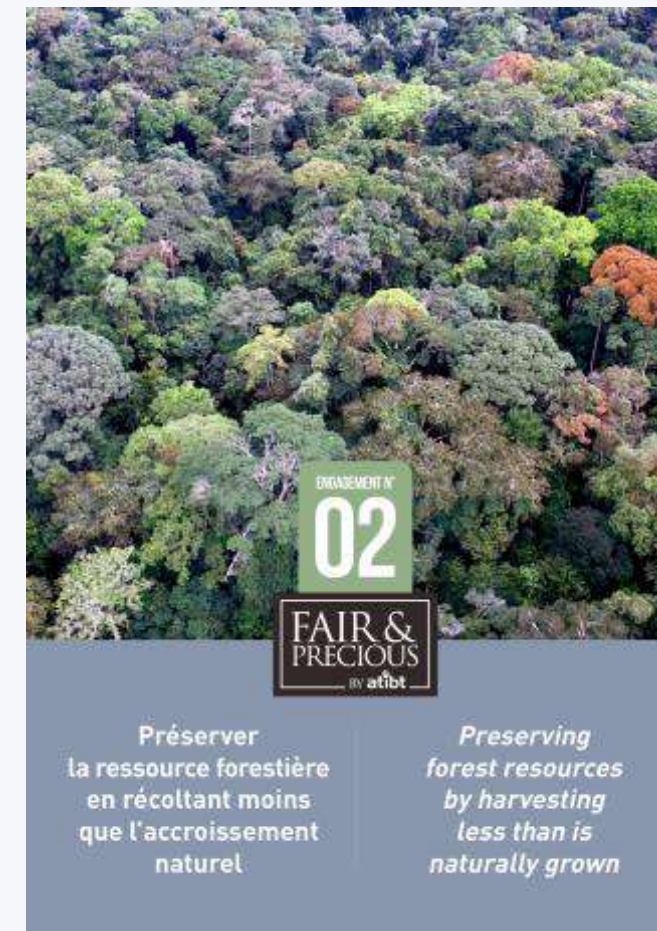
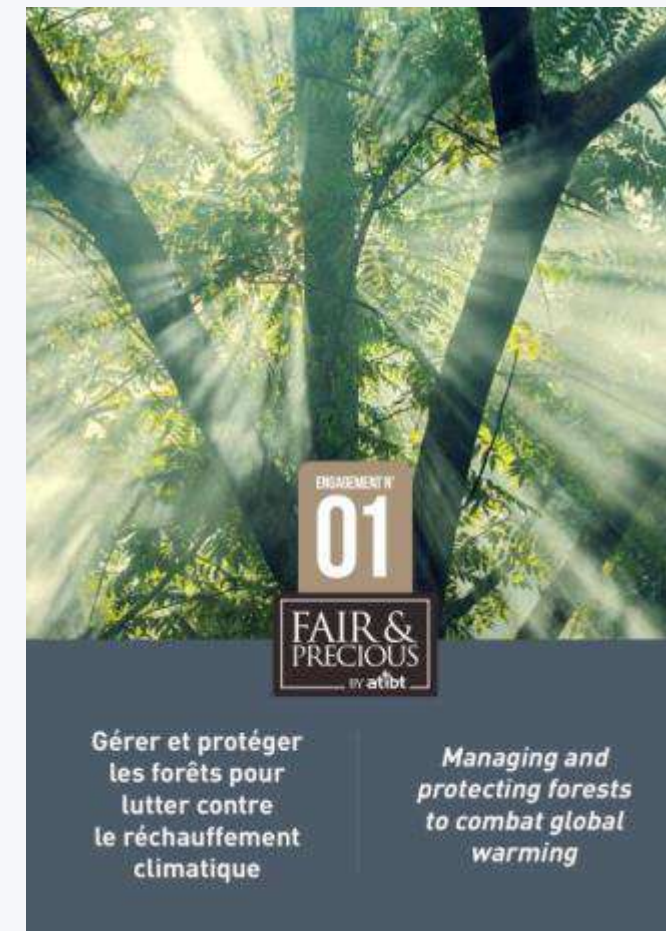
Sustainable Hardwood - 'Made in Africa'

Tell consumers the whole story!



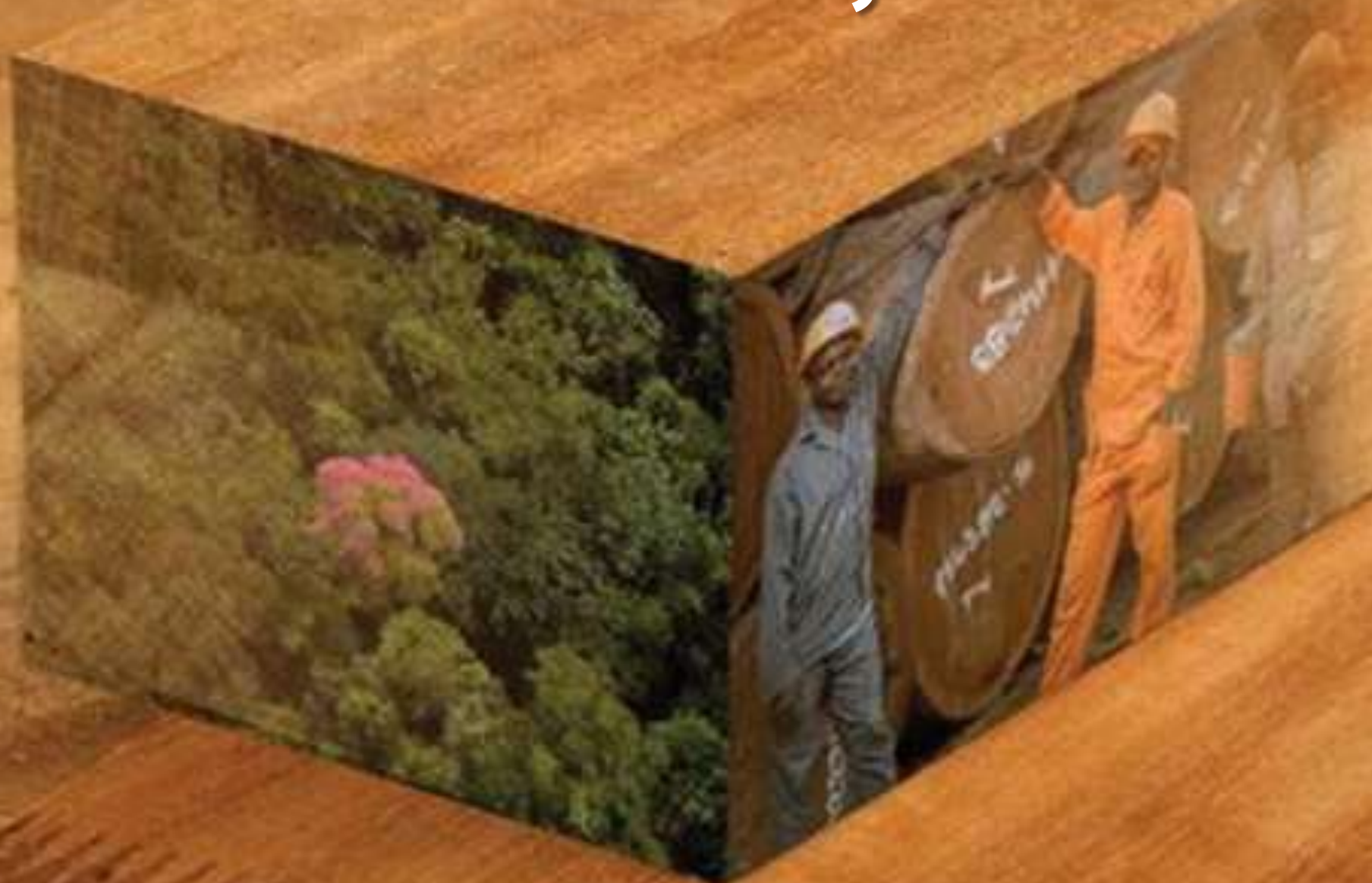
'Fair & Precious'

10 engagements
of certified timber
companies
operating in the
tropics to promote
Sustainable Forest
Management and its
associated benefits



More than wood, more than just the forest

Tropical forest management
develops timber products
loaded with
rural development &
environmental conservation



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Keep in touch with us



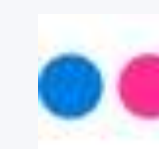
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Example of a Supplier Risk Assessment

IHC_46_05a_Due Diligence-Risk and Measures_All_v4_2018 new.xlsx p.1/2



Responsible Procurement - Due Diligence System

Conform the EU Timber Regulation, N° 995/2010 and the US Lacey Act Plant & Plant Product Declaration Form v.2, 18.04.2017

INSTRUCTION: Please fill out the information in blue, in particular for high risk sources, countries in the sheet 'Enter data'.
Then select the supplier here, to display the risk assessment. The supplier can also be a region or country, if risk is low in the whole region or country.
The risk assessment shall be updated each year and for new suppliers, new species groups or at any change in the supply chain / forest sources.

I. Access to Information (EU TR, n° 995-2010, art. 6 (1) a))

1. Supplier: select supplier to show risk assessment ►	IFO (FSC 100%)- 8600	
2. Date latest risk assessment	26.04.2018	
3. Country of origin (purchase)	Congo	
4. Country of harvest	Congo	
5. Optional, Subnational region	0	
6. Opt. Subsupplier	0	
7. Opt. Forest of harvest	UFA Ngombé	
8. Product(s) (Logs, lumber, veneer,...)	Logs, Lumber	
9. Documents available, additional to default: phyto. cert., cert. of origin, B.L., Invoice, ...	0	
10. Species (common / scientific name) - Species 1	other african species	- Species details in sheet:
11. Species 2	Sapelli	ENTANDROPHRAGMA CYLIN "Supplier purchases"
12. Species 3	0	
13. Other species	0	

II. Aspects resulting in low risk (applicable for the EU TR, n° 995-2010, art. 3)

		Risk
a) Has the country of harvest a FLEGT license system in place?	No	0
b) Is the country of origin (of purchase) a EU Country?	No	0
c) Are all species CITES listed, with valid permit?	No	0
⇒ Risk EU Timber Regulation. Not 100% applicable for Lacey Act or others.		High 3

III. Risk assessment (EU TR, n° 995-2010, art. 6 (1) b)) (*)			Risk	
a) Risk of illegal harvest of tree species (*)				
Species (as presented under I.)	other african species		High	3
	Sapelli		High	3
If a species is CITES listed, with valid CITES permit, low risk for EU TR		0		-
		0		-
b) Risk of prevalence of illegal harvesting or practices in the country and/or region of harvest, including the prevalence of armed conflict (*)				
Country of harvest:	Congo		High	3
CPI - Corruption Perception Index (*)			21	
c) Sanctions imposed by the UN Sec. Council or the Council of the E.U. on timber imports/exports (*)				
Country of harvest:	Congo		Not appl. or not evaluated	0
d) Assurance of compliance with applicable legislation (certification/3rd party-verified schemes, or low risk of region or forest of harvest)				
15. Forest/ CoC certification covering the wood supply, or, other proof of legality, low risk?	FSC 100%/Mix		Low	1
e) Complexity of the supply chain - Supply chain risk				
Country of origin (*)	Congo		High	3
CPI - Corruption Perception Index (*)			21	
16. Is the supply chain complex, high risk?	1			
17. If yes, is there risk of mixing with non verified, potential Illegal wood? (total supply chain risk)	1		Low	1
18. Remarks regarding supply chain, certification a. o.	0			
⇒ Risk. If high risk, continue			Low	1
IV. Risk mitigation measures				
Collect following documents for the country of harvest:				
low risk				
IF not certified and high risk has been identified:				
19. Have you received legality documentation, and/or was the result of an audit positive to confirm low risk?	Yes		Low	1
V. Final risk EU Timber Regulation / Lacey Act after Risk mitigation (low = negligible)				
Final Risk			Low	1
20. Final risk / remarks				

(*) The risk classification of species and countries of harvest are given in (1) "species-country of harvest" & (2) "countries risk analysis" (includes the CPI).

Good stories are linked to achievement

In 2019, SPOTT assessed 97 timber and pulp & paper companies across 10 ESG categories, >100 indicators.

The average score of companies with FSC or PEFC forest certification is 44% compared to 18% for companies with no such certification.

INTERHOLCO leads the pack for the 3rd year in a row, with a score of 94.7%.

