



## Child Labour Due diligence

### INTERHOLCO's due diligence in relation to Child labour

At INTERHOLCO, we assure traceability on our wood products based on Chain of Custody standards.<sup>1</sup> Traceability is 'the ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption'.<sup>2</sup>

Child labour<sup>3</sup> risk remains highest in the agriculture (including forestry and fisheries),<sup>4</sup> electronics, garment, mining and travel sector.<sup>5</sup> In forestry, children are most exposed to hazards and risks in the forest harvesting and wood processing phase.<sup>6</sup> Child labour is often invisible as children work as unpaid family workers in remote small-scale farms or rural enterprises. Tasks are assigned and performed according to age groups. Younger groups are often engaged in non-wood forest products collection. Older children in logging, nursery work and firewood collection. Child labour may be actively concealed by employers, facilitated by the limited reach of labour inspectors – not only in rural areas, but also in large, urban markets where the 'informal', 'artisanal' nature of woodworking prevails. Observations and feedback related to industrial forestry are very limited.

INTERHOLCO applies the principles of the United Nations Global Compact in risk identification throughout its supply chain. Priority attention is given to where the most severe impacts on children and their rights may occur (typically, the worst forms of child labour) as well as considering scale (number of children affected) and remediability (any limits on whether the impacts can be remediated).

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<sup>1</sup> Please see under 'Economic Landscape' (p. 7) in our 'Figures and Financials', available on [this link](#).

<sup>2</sup> United Nations Global Compact and Business for Social Responsibility. A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains. United Nations Global Compact Office, New York, April 2014.

<sup>3</sup> For a definition of child labour, please see art. of the [SR 221.433 - Ordinance of 3 December 2021 \(status as of 1 January 2024\)](#)

<sup>4</sup> Agriculture is the sector responsible for the largest amount of child labour worldwide. According to the Food and Agriculture Organization of the United Nations (FAO), more than 112 million children work in agriculture, including in farming, fishing, aquaculture, forestry and livestock. This accounts for approximately 70 percent of [child labourers](#) in the world (FAO, 2023). Please see:

[FAO Child labour in Agriculture | Food and Agriculture Organization of the United Nations](#)

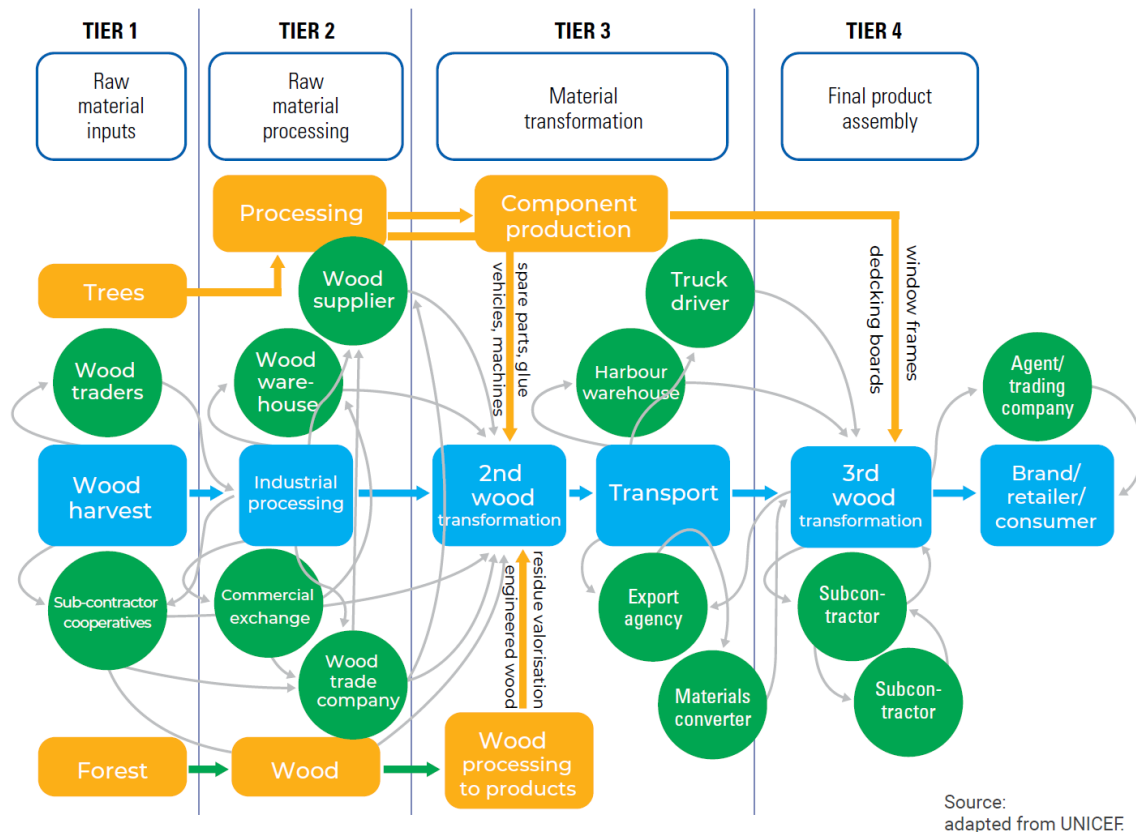
<sup>5</sup> Please see [Child Labour • Business & Human Rights Navigator](#)

<sup>6</sup> Please see [FAO framework on ending child labour in agriculture](#) , particularly Annex 4.

INTERHOLCO mapped how it could be involved in Child Labour risk (Figure 1, below). In relation to forestry, most impacts are likely to occur at the smallholder or plantation level. INTERHOLCO's [Child Labour policy](#) focuses on prevention, hence INTERHOLCO does not source wood from smallholders or plantations.

Source: adapted from UNICEF.

Figure 1. Wood supply chain



Source: adapted from UNICEF.

Figure 1: INTERHOLCO mapped risk identifying the various actors (in green) that could be involved in child labour impacts all along its value chain (Tier 1 through 4), based on how the company was connected to them. The image shows INTERHOLCO's perspective (in blue) as forest company managing tree harvesting and wood processing in its own facilities (in yellow, lower part of the image) as well as trader of wood procured from other companies and user of spare parts, glue and vehicles and machines necessary to carry out work (in yellow, higher part of the image).

INTERHOLCO supports children's right to be free from child labour. In order to prevent any harm from affecting children and their rights, due diligence is carried out prior to signing a contract<sup>7</sup> with a supplier. Carefully screening our business relationship including via on-the-ground audits based on certification or internal verification, ensures that they adhere to the same standards as we do.<sup>8</sup>

<sup>7</sup> Suppliers receive the following documentation that they need to provide proof of complying with, prior to signing a contract: [Sustainable forest management policy for suppliers](#); [Responsible Procurement / EU DR Supplier information part a](#); [Responsible Procurement / EU DR Supplier information part b](#); [Responsible Procurement / EU DR Summary](#); [Annex: Evaluation model for compliance audits](#) on [this link](#).

<sup>8</sup> INTERHOLCO has a due diligence system that includes gathering information on many aspects of the supplier and products, a method for assessing legality, traceability and sustainability risks, ensuring compliance with

By doing so, we aim to safeguard the dignity and rights of workers, individuals, local communities and Indigenous Peoples affected by our operations, particularly vulnerable groups and, of course, children:

- Our Due Diligence System for wood suppliers is [certified by Control Union](#) (Timber Legality Verification)<sup>9</sup>. All suppliers are audited in the field, by certification organisations or INTERHOLCO's audits.
- INTERHOLCO's due diligence system covers all socio-environmental safeguards, commitments and principles, as upheld by INTERHOLCO and included, among others, in its [Child Labour Policy](#), [Anti-Bribery and Corruption Policy](#)<sup>10</sup> and [Responsible Forestry and Procurement Policy](#).<sup>11</sup> This means that, suppliers who are found not to comply with our Policy, cannot sign a contract with INTERHOLCO.
- Further audits are carried out on a yearly basis, to verify that suppliers continue to comply. Where major non compliances are found (i.e. which may not be resolved within three to six months), INTERHOLCO interrupts the business relationship. Minor non compliances have to be solved until the next audit.

### INTERHOLCO's risk assessment on Child Labour 2023

With regards to upstream contractors and suppliers of products and services, in 2023 INTERHOLCO procured wood originating from Cameroon, Côte d'Ivoire, Gabon, Ghana, Central African Republic (south-western zone, excluding conflict areas), Democratic Republic of Congo (north-western and central zone, excluding conflict areas), Republic of Congo and the United States. Timber originating from Europe (Austria, Croatia, Germany and Italy) constituted less than 2% of the total wood procured.

According to [UNICEF's Children's Rights in the Workplace Index](#) the countries in which INTERHOLCO procured wood were all rated 'Enhanced' except Central African Republic (CAR, 'Heightened') and Austria, Croatia, Germany and Italy ('Basic').

As mentioned above, in the industrial forestry sector from which Interholco exclusively procures timber, and additionally forest companies that are externally verified for responsible socio-environmental practices and respect for human and labour rights, contrary to actors (including, but not limited to, smallholders) in the agricultural and so-called artisanal forestry sector, child labour risk is low. During field audits, no incidence of child labour in the forest activities of our suppliers emerged. Interholco keeps verifying these requirements through forest certification or independent field audits:

- In CAR ('Heightened'), INTERHOLCO procured wood from a wood supplier that underwent a specific field audit to verify compliance with legality, including labour rights and absence of child labour;
- In the US ('Enhanced'), INTERHOLCO only procures and sells wood products, with a low risk for child labour;

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company policies, and identifying mitigation measures. INTERHOLCO's risk analysis/due diligence system includes the criteria which may lead to the exclusion of the suppliers, and its procurement policies specifies the steps taken and timeframes for action.

<sup>9</sup> The relevant document is available on [this link](#) (in French).

<sup>10</sup> Please see on [this link](#).

<sup>11</sup> Please see on [this link](#).

- In Central African countries ranked 'enhanced', from which INTERHOLCO procures wood, our company holds well-established contacts since many years with local and international NGOs, reputable wood experts and industry actors. INTERHOLCO is thus aware of which suppliers should not even be considered for evaluation. In 2012 and 2013, INTERHOLCO did not start business or stopped working with, an average of 1 in 4 suppliers. With the implementation of the European Union Timber Regulation (EUTR) in March 2013, to be superseded by the upcoming Deforestation Regulation), many of our wood suppliers from Central Africa chose to become certified. One of our largest suppliers reached certification in 2019, another one early in 2020, with about 3 suppliers receiving donor funding to acquire certification in the next coming years;
- Switzerland, where INTERHOLCO neither produces nor procures wood, also had a 'Basic' rating;
- In European countries listed as 'Basic', INTERHOLCO only procures and sells wood products, with a low risk for child labour.

## Outcome of INTERHOLCO's Child Labour Due diligence

In 2023, key external and internal stakeholders conducted a preliminary assessment of all our direct suppliers across tier 1 to 4 (Figure 1), based on location and products supplied.

This preliminary assessment resulted in several suppliers to be identified as, high-risk:

- With regards to work performed by sub-contractors (e.g. forest harvesting, forest prospection, cleaning, maintenance, etc.), the positive outcomes of our socio-environmental and legality audits exclude any 'reasonable suspicion' of child labour.
- In order to prevent and/or mitigate risk of any negative incidence on children's rights, INTERHOLCO sourced pharmaceuticals, vehicles, machines, protective equipment, logistics services and information technology from international partners (including those with an international parent company) who publish the processes they implement against modern slavery, forced labour, etc. along similar lines as our policy, due diligence and sourcing requirements. Locally, we prefer buying consumables (e.g. water, food, etc.) from sources close to our operations, to enable key stakeholders charged with procurement to visit personally so as to recognise and report any risk, including via [our grievance mechanism](#), where needed.
- For wood suppliers located in countries holding a non-basic rating,<sup>12</sup> third-party external certification was done and field audits were carried out at least once a year at non certified suppliers to check compliance and arrive at negligible risk as outlined in [INTERHOLCO's Responsible Forestry and Procurement Policy](#). In addition to on-site audits/checks using well-established international standards, INTERHOLCO relied on information from public authorities, international organisations (e.g. ITTO) and civil society, including via the SPOTT ESG assessment;<sup>13</sup> wood and logistics experts with whom we regularly exchange information during international fora and/or fairs in order to identify, assess, eliminate or mitigate the risk of potentially adverse impacts.

In 2023, 100% of our suppliers were verified to be compliant with INTERHOLCO's sourcing policies before signing a contract or continuing operations with INTERHOLCO. Therefore, no 'reasonable suspicion' of child labour was highlighted.

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<sup>12</sup> The list of INTERHOLCO's most important wood suppliers may be consulted [on this link](#).

<sup>13</sup> Please see on [this link](#). Funded by Norway and the UK, the SPOTT initiative assesses 100 timber and pulp producers, processors and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) issues.

In addition, we were presented with no concerns with regards to causing or contributing to, child labour impacts throughout our supply chain.

## Governance

INTERHOLCO's *Child labour due diligence* will be regularly reviewed on an annual basis for effectiveness and relevance by the INTERHOLCO management.

INTERHOLCO will use its leverage to prevent or mitigate the risk that the impact continues or recurs. Where we face conflicts as regards child labour between internationally recognised human rights standards and national laws, INTERHOLCO will follow processes that seek ways to honour the principles of international human rights.

External expertise will be sought to respond to such conflicts and decisions will be taken at an appropriately senior level.

Baar, May 2024