Commitment to Living Wage

In line with INTERHOLCO’s Code of Conduct, Responsible forestry and procurement policy Commitment to the ILO core labour requirements and with the United Nations’ ambition to protect and respect human rights, including by fighting poverty caused by low wages in the supply chain (in particular, UN Sustainable Development Goal 1, 5 and 8),¹ INTERHOLCO is committed to paying all workers at least a living wage in all countries in which INTERHOLCO operates, namely, Belgium, Cameroon, the Republic of Congo and Switzerland.²

This commitment applies to all companies in the INTERHOLCO Group as well as to subcontractors.

A living wage differs from a (national) minimum wage, in that the latter can be lower than what is required for a basic quality of life, which leaves the worker to rely on government subsidies for additional income. No single agreed-on definition of living wage exists. We adopted the Global Living Wage Coalition’s definition:

Remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transportation, clothing, and other essential needs including provision for unexpected events.³

In order to establish whether even entry level workers receive a living wage at INTERHOLCO, we looked for an existing countrywide baseline, where available. Then, we calculated the ratio between the living wage in each country of operations and our entry level wage.

To do so, INTERHOLCO has joined the United Nations Global Compact. The UN Global Compact encourages companies to promote and provide a living wage as an essential aspect of decent work to ensure all workers, families and communities can live in dignity: https://www.unglobalcompact.org/what-is-gc/our-work/livingwages

² INTERHOLCO’s companies, along with countries of operations, are described on this link: https://interholco.com/images/pdfs/Information_on_INTERHOLCO_AG_July_2020.pdf. Bahrain has been excluded as it only hosts a representation office with no workers attached.

³ The Global Living Wage Coalition: https://www.globallivingwage.org/about/anker-methodology/ The living income community of practice, which includes several Global Living Wage Coalition members, has adopted this definition to refer to ‘living income’, i.e. the cost of living for a family. The concepts of ‘living wage’ and ‘living income’ are both about achieving a decent standard of living for households. The idea of a living wage, however, is applied in the context of hired workers (in factories, on farms, etc.), whereas living income is discussed in the context of any income earner, such as self-employed farmers.

INTERHOLCO – Commitment to Living Wage
As the above-mentioned definition highlights, salary is not the only thing to consider when checking whether a company meets the basic requirement for a living wage. Many workplace benefits may be factored in. As such, they are entitled to a comprehensive package covering annual paid leave, maternity leave, a health insurance, pension scheme, access to electricity and clean, drinking water.

Our living wage commitment by country of operation

1. **INTERHOLCO AG, Switzerland**
   The living wage in Switzerland is estimated at USD 2,442 per worker (2020 data, The Living Cost database). According to the OECD (Organization for Economic Co-operation and Development), Switzerland has high annual wages, but also high annual living costs. To date, Switzerland has no countrywide minimum wage. In 2020, voters in Geneva (one of Switzerland’s most expensive cantons) approved the world’s highest minimum wage which provides a monthly salary of CHF 4,000. Although differences exist amongst the various cantons in terms of cost of living, we decided to adopt CHF 4,000 as average net living wage per worker for year 2021, as called for by aid organisations, trade unions and political parties in their collective effort called ‘Ein Lohn zum Leben’ (German for ‘A wage to live on’) towards securing a minimum wage aligned with actual living costs. In 2021, the monthly minimum wage paid by INTERHOLCO AG, including the company’s benefit package but excluding overtime and paid leave, was 45% above the living wage in Switzerland. In 2021, INTERHOLCO AG had no sub-contractors.

2. **INTERHOLCO Belgium, Belgium**
   Belgium has a living wage estimated between EUR 1,419 (2020 data, source: Cost of Living) and EUR 1,180 – 1,410 (2020 data, source: WageIndicator) per worker.

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4 Data retrieved from The Living Cost database: [https://livingcost.org/cost/switzerland](https://livingcost.org/cost/switzerland)
Last accessed on 17 May 2022.

5 In 2020, 17,000 full-time workers in the city of Zurich earned around CHF 4,000 a month, before taxes i.e. far less than the average annual wage of CHF 65,000 before taxes. Between 2020 and 2021, local initiatives sought to introduce a local minimum wage of CHF 23 i.e. a monthly wage of CHF 4,000 in the cities of Winterthur, Zurich, and Kloten (all in canton Zurich). Other cantons have recently adopted a minimum wage, such as Neuchâtel (CHF 20.08, since 2022), Jura (CHF 20.28, since 2022) and Ticino (CHF 19.75 to CHF 20.25, since end 2021).

6 In 2021, INTERHOLCO’s financial statements across all group companies were audited by a third party external auditor and were found to be in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and to comply with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA).

7 Data retrieved from The Living Cost database: [https://livingcost.org/cost/belgium](https://livingcost.org/cost/belgium)
The calculation method is explained [here](https://livingcost.org/cost/belgium). Last accessed on 17 May 2022.

8 Data retrieved from the Wage Indicator Foundation: [https://wageindicator.org/salary/living-wage/archive-no-index/belgium-living-wage-september-2020](https://wageindicator.org/salary/living-wage/archive-no-index/belgium-living-wage-september-2020)
Last accessed on 17 May 2022. As costs are provided in EUR, no currency adjustment was necessary.

Established in 2000, the Wage Indicator Foundation aims for transparency. This means publishing free info about wages, Minimum Wages and Labour law throughout the world in national languages on national (popular) Wage Indicator websites - now with operations in 140 countries. Data collections are overseen by a group of universities. Data to estimate Living Wage Benchmarks is collected continuously through online and face-to-face surveys. Their methodology is summarised [here](https://wageindicator.org/salary/living-wage/archive-no-index/belgium-living-wage-september-2020). WageIndicator living wages are recognised by IDH.
average minimum wage reported by ILO\(^6\) for Belgium in 2021 is a gross monthly wage of EUR 1,626, which we took as our basis.\(^{10}\)

In 2021, the monthly minimum salary paid by INTERHOLCO Belgium including the company’s benefit package but excluding overtime and paid leave,\(^{11}\) was about 120% above the countrywide living wage. In 2021, INTERHOLCO Belgium had no subcontractors.

3. **Industrie Forestière de Ouesso (IFO), Republic of Congo**

We needed to carry out our own calculation (available in Annex 1),\(^2\) because no living wage baseline is publicly available for the Republic of Congo. We used the Anker methodology,\(^3\) starting from the minimum expenditure basket (MEB)\(^4\). The MEB served as a key input in the initial set of indicators, addressing essential needs.\(^5\) We do realise that employees have more complex needs than those which MEBs, typical of emergency situations aimed at surviving rather than thriving, would identify as relevant. Therefore, we adopted the Anker methodology applying higher standards than those implied in the concept of ‘essential’ needs, especially as regards to food (our indicators go beyond what constitutes a nutritious and healthy diet) and housing conditions (our indicators go beyond what constitutes basic living standards).

According to our calculations, XAF 152,914\(^{16}\) reflects the net monthly living wage in the village of Ngombé for one full-time worker in 2021.

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\(^6\) The International Labour Organization (ILO) is an agency of the United Nations: [Home - ILOSTAT - The leading source of labour statistics](https://www.ilo.org/ilostat/).


\(^3\) In 2021, INTERHOLCO’s financial statements across all group companies were audited by a third-party external auditor and were found to be in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and to comply with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA).

\(^4\) As with Cameroon, we disregarded the Cost of Living dataset for the Republic of Congo (please see Note 22, below). A breakdown of our calculation for the Republic of Congo, with details on methodological aspects pertaining to food, housing, etc. is available in the table in Annex 1, Costs refer to year 2021.

\(^5\) The Anker Research Institute (ARI), which is responsible for Anker Methodology Benchmark studies, is part of the Global Living Wage Coalition (GLWC), a unique knowledge-action partnership working to enable collaborative action to achieve a decent standard of living for working people and their families worldwide. For a description of the Anker methodology, recognised by IDH, please see the Global Living Wage Coalition web site: [https://www.globallivingwage.org/about/anker-methodology/](https://www.globallivingwage.org/about/anker-methodology/) as well as IDH fact sheet: [Full-fledged anker_methodology](https://www.idhsustainabletrade.com/).

\(^6\) The MEB methodology is used by international organisations such as the World Food Programme, UNICEF as well as civil society organizations. The MEB methodology looks at the needs that are covered, partially or fully, through the market. It sets a monetary threshold, which is defined as what households require in order to meet their essential needs.

\(^5\) The ILO report on the 1976 World Employment Conference defined basic needs in terms of household private consumption of goods such as food, clothing and housing, and services such as water and sanitation provision, education and public transportation. Since then, basic – or essential – needs have been broadly defined in several analytical frameworks as the essential goods and services required on a regular or seasonal basis by households to ensure survival and minimum living standards, without resorting to negative coping mechanisms or compromising their health, dignity and essential livelihood assets.

\(^5\) As costs are provided in XAF (or Central African CFA franc), we applied the following exchange rate: 1 XAF = 0.00152449 EUR. XAF is the currency of six independent states in Central Africa: Cameroon, Central African Republic, Chad, Republic of the Congo, Equatorial Guinea and Gabon.
In 2021, the monthly minimum wage paid by IFO including the company’s benefit package\textsuperscript{17} was about 55\% above the living wage. A sub-contractor’s monthly minimum wage and benefit package was about 5\% higher.

Our assessment assumed a standard household of 4 people (2 adults and 2 children), where both parents together work 150\% (i.e., 1.5 are full-time workers). We excluded single-standing families and especially large or joint families. We sought to make our assessment as location specific as possible, based on the reality on the ground of the village of Ngombé, located in the Sangha department of the Republic of Congo.

Our social team is local i.e., resides in Ngombé, which allows for direct access to expenditure data aligned with the actual prices of food and housing on the local market. To obtain a measure of the minimum cost of essential needs, we considered the actual consumption priorities of IFO employees residing in the village of Ngombé, based on prices collected in Ngombe’s shops and Ngombe’s market.

Household expenditure data was analysed and triangulated with sector-based needs information. For items outside the food and housing categories, we adopted the official expenditure data released by the Republic of Congo’s Ministry of Planning, Statistics and Regional Integration (\textit{Annex 2}), selecting 2021 values relative to the city of Ouesso i.e., the city nearest the village of Ngombé (both located in the Sangha department). We also took into account the survey on average household prices in the city of Pointe-Noire by the Union of forestry companies (UNICONGO, 2018 – \textit{Annex 3}) and the \textit{United Nations study on the effects of the COVID-19 pandemic in the Republic of Congo}.

Cost per item per capita was scaled up to arrive at a cost for a typical family of 4 residing in the area. We added 10\% more to allow for extras such as unforeseen events. We added a 2.1\% inflation rate to account for the rise in living costs in year 2021, as drawn from official statistics available for the city of Ouesso (\textit{Annex 2}). To arrive at the living wage estimate, the total cost for a family of 4 was then divided by the number of income generating workers i.e. 1.5 in our case scenario.

\textsuperscript{17} In 2021, INTERHOLCO’s financial statements across all group companies were audited by a third-party external auditor and were found to be in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and to comply with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA).
4. Logistique Congo Cameroun (LCC), Cameroon

Cameroon’s living wage estimate, between XAF 104,623 (2020 data, source: ALIGN) and XAF 101,797 (2022 data, source: Global Living Wage Coalition) per worker, is only available for rural contexts. The minimum wage in Cameroon is set by law at XAF 36,270 per month. The living wage estimate is thus almost 3 times higher than the national minimum wage. Given the large variation in incomes and poverty rates across Cameroon, we considered both the ALIGN and Anker Living Income reference value to be too low for the wealthier city of Douala, where most of the economic activity of the country is concentrated and companies are located, including LCC. Mindful of the caveat inherent in the Cost of Living methodology when applied to developing countries, we retained the conclusions of a scientific study published in 2021, specifically targeting young earners in Douala. We retained the intermediate earners interval reported in the conclusions of the study as the one which most closely reflects decent living parameters, based on the indicators addressed by the study. We added a 2.3% inflation rate for year 2021, as reported by Cameroon’s National Institute for Statistics (INS in French). We thus arrived at an average of XAF 154,473 as monthly living wage for a worker based in Douala in 2022. In 2021, the monthly minimum wage paid by LCC (including the company’s benefit package, excluding overtime and leave) was about 10% above the net living wage. In 2021, LCC had no subcontractors.

Baar, May 2022

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18 Data retrieved from https://align-tool.com/source-map/cameroun Last accessed on 17 May 2022. ALIGN is an initiative developed by Hivos and Fairfood (co-founders of the Living Wage & Income Lab) and Rainforest Alliance, with support of the German Federal Ministry for Economic Cooperation and Development, implemented by GIZ. The platform is built on the endorsement and expert contributions of the Living Income Community of Practice, the Global Living Wage Coalition and Fairtrade International.


20 Costs are provided in XAF (or Central African CFA franc), the local currency.

21 One of the limitations identified by the Cost of Living platform as regards their methodology is stated as follows: “In some least developed countries, maintaining our reference lifestyle becomes a problem because of the lack of infrastructure and poor access to goods. The cost of living there for locals may be inexpensive, but its quality will be unacceptable. And since we aim to evaluate the cost of the same lifestyle in different countries, and since our crowdsourced data for these countries come mostly from expats who expect to have a decent quality of life no matter where, the cost of living in these least developed countries might seem too high.” Retrieved from: https://livingcost.org/about Last accessed on 17 May 2022. By means of an example, the cost of living in Douala is estimated at USD 571 per worker (2020 data, source: Cost of Living), with the median after-tax salary being USD 188, only sufficient to cover living expenses for 0.3 months.


24 In 2021, INTERHOLCO’s financial statements across all group companies were audited by an external third party auditor and were found to be in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and to comply with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA).