



LegalSource™ Audit Report for Danzer UK Ltd

Annual audit 2017

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Organisation Contact

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A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by Danzer UK Ltd 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:	Ken Walsh
Address:	46 Market Hill, Maldon, Essex, CM9 4QA
Tel/Web/Email:	+44 1621 851002 / http://danzer.co.uk / ken.walsh@danzer.co.uk
Jurisdiction of primary legal entity:	United Kingdom
Primary Activity	Broker/trader with physical storage
Description of Organisation:	<p>The Organisation stands out from other organisations within the Danzer Group as it is solely a trading company, no production takes place. The Organisation's sales can be divided between sawn timber and added-value products (manufactured products such as worktops, flooring and mouldings). Most added value products are single-species products, although the Organisation is beginning to work more with composite products such as engineered flooring and doors. In principle the Organisation is a multi-site organisation since storage takes place in two separate locations, however no processing takes place, the material is simply stored. Multi-site requirements are therefore handled via the chain of custody system.</p> <p>The Organisation is located in one office location in Maldon, Essex. Warehoused products are usually stored at an outsourced facility in Liverpool or Maldon. In addition there is a drying facility in the Netherlands, along with one on the UK and another storage facility in the UK included within the scope of the certificate.</p> <p>The Organisation acts as a trader (taking legal possession) in 95% of its trading activity. For the other 5% it is acting as an agent (arranging purchases/sales and charging a commission). At the present time, the Organisation imports from all continents except South America. Approximately 25% of its purchases are from within the Danzer group.</p> <p>The vast majority of products sourced from outside of Europe/United States are purchased as certified (FSC 100%, FSC CW, PEFC) or under a private or public legality assurance verification (SVLK, OLB, MYTLAS, RA VLC).</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 type="checkbox"/> NEPCon Generic Group & Multi-Site Standard (NC-STD-02) - Although the certificate is technically a multi-site, auditing against this standard is deemed unnecessary because the sites are just storage, they are not sites with staff conducting due diligence or manufacturing.
Product scope:	<p>Sawn timber and added value products (e.g. flooring, doors, mouldings, worktops) staff described their Due Diligence System (DDS) as covering the following product scope:</p> <p>All wood products (lumber and added-value products) supplied by the Organisation to its customers, independently of whether:</p> <ol style="list-style-type: none"> the wood originated (country of harvest) from within or outside the EU the wood products are sourced from companies based within, or outside, the EU the purchase is from another company within Danzer Group. <p>In a few aspects, this ambitious scope extends admirably beyond the limits of the requirements and obligations of the EUTR. The Organisation communicated that it has chosen this approach based on the characteristics of the products and species sold; the needs and expectations of the UK market, as well as the high opportunity of sourcing <i>certified</i> or <i>legal-verified</i> among its product groups.</p>
Changes to certificate scope since last audit:	The Organisation has stopped using one drying facility in the Netherlands so this site is removed from the scope of the certificate at the 2017 audit.
Certificate Sites or Group members – details removed from public summary <input type="checkbox"/> In place of below table, details are found in Exhibit	

Evaluation Process	
Audit team:	<p>Ann Weddle – Lead auditor</p> <p>Ann has technical expertise within FSC and PEFC certification systems and timber legality due diligence auditing. Ann has over seven years' experience of working with the timber industry, mostly in the UK, Ireland and Vietnam but more recently with companies across Europe.</p> <p>Ann holds a Master's degree in Ecology and Environmental Management and is working towards one in Forestry. She joined NEPCon in 2010.</p> <p>Sarah Hickman – Auditor in training</p> <p>Sarah is a Forest Legality Specialist working for the LegalSource Assurance team. She has extensive knowledge about responsible sourcing, particularly within the timber sector and due diligence for legal timber sourcing. Sarah draws on experience working with diverse companies implementing business solutions for responsible sourcing and supply chain management.</p>
Description of Audit Process:	<ol style="list-style-type: none"> 1. Opening meeting, presentation of participants, audit programme and scope 2. Introduction by the Organisation and the current Due Diligence System (DDS) in practice. 3. Evaluation of quality management aspects of the DDS, including the documented procedures, including responsibilities, commitments made by the Organisation, procedures for internal monitoring and definition of product scope. 4. Evaluation of the general procedures for access to information, risk assessments and risk mitigation procedures adopted. 5. Evaluation of operational implementation of the DDS, including a sample of supply chains and the implementation of Due Diligence on the selected samples (access to information, risk assessment and risk mitigation). 6. Break for lunch 7. Continued evaluation of operational implementation of the DDS (see 5 above). 8. Collection of relevant evidence 9. Closing Meeting. <p>The audit was extended to a desk audit on 20th February 2018 so that Danzer Group's Head of Sustainability, Tom Van Loon, could participate to finalise the evaluation of requirement 7.5. This audit consisted of a conference call and exchange of information via email.</p>
Actions taken by Organisation prior to report finalisation:	None.
Notes for the next audit:	<p>Mid-January is the best time for the main office audit. The Managing Director plans to visit the Dutch facilities in December, this would be the opportunity to audit them.</p> <p>The Head of Sustainability should be available to be interviewed (remotely) on the day of the audit so it's best to take this into consideration during planning.</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:

Non-Conformance #:	01/17 (19864)	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 4.4	
Description of Non-conformance:		
It seems that no procedure exists for this requirement. Whilst Section 8.4.4 of the Procurement Manual (Exh 2) covers some elements of this requirement, it doesn't mention the actions to be taken in the event that non-negligible risk products are placed on the market, nor anything about notifying the Certification Body.		
Corrective action request:	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.	
Timeline for Conformance:	12 months from report finalisation date	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):		

Non-Conformance #:	02/17 (19865)	
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>The Organisation has conducted an evaluation from each certification system (see Exh 5). Mitigation actions for any identified gaps are stated in the "actions to assure full compliance" section. The OLB evaluation was the focus of this audit, 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 mean time, 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 EU TR"</i></p> <p>During the 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 25th 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" (Exh 8). This information is not publicly available on the OLB certificate database: http://www.bureauveritas.com/home/about-us/our-business/certification/sector-specific-solutions/forest-wood-products/olb/olb-certification-documents-and-standards</p> <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 (Suppliers 1 and 2), the other two were not willing to share them (Suppliers 3 and 4) (Exh 9 – 12). Whilst this action is reassuring it was taken after the material had been purchased (and sold).</p>		
Corrective action request:	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.	
Timeline for Conformance:	12 months from report finalisation date	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):	Only the OLB evaluation was inspected at this audit but the Organisation shall take steps to ensure all schemes meet the requirement.	

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:

Observation #:	01/17
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 4.1
Description of Observation:	
During interview the Managing Director explained how monitoring of internal systems takes place locally, as well as at the group level. However, records are only made where non-conformances are identified, thus there are no records of the checks that have taken place during the audit period. It is recommended that records are made for all internal checks.	

Observation #:	02/17
Standard & Requirement:	NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 1.2
Description of Observation:	
The Chain of Custody (CoC) Procedures Manual has been developed for the Organisation's FSC and PEFC certification (see Exh 6). This procedure should include references to NEPCon's Chain of Custody and Multisite Standards.	

Observation #:	03/17
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 3.1
Description of Observation:	
The Organisation is currently in a transitional period, working partly to old and partly updated procedures, given in the Procurement Manual. Since the last audit changes have been made to the information system, allowing the relevant product, supply chain and origin information, along with the risk assessment information to be more easily and efficiently accessed. The audit focused on the updated version of the procedures to ensure compliance going forward (see Exh 2). Whilst it is noted that the document is a work in progress it should be finalised as soon as possible as to fully reflect current working practices, for example, it still refers to risk assessment information being included in Lotus notes in various places.	

Observation #:	04/17
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 7.5
Description of Observation:	
The Organisation's evaluation of certification scheme evaluations was conducted in 2016, several of the schemes have been updated since then and it is recommended that the Organisation update their evaluation accordingly. It is also recommended that the Organisation states which versions of standards it has evaluated in their report.	
Additionally, NEPCon will be publishing an evaluation of some of the schemes and it is recommended that the Organisation considers the findings within their own.	

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.

Issued for: Danzer UK Ltd			
NCR: 02/16 (14767)	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 6.1.4 (Supply chain and material information) The organisation shall have and maintain the following up-to-date information about products included within the scope of the LegalSource evaluation: the country (or pool of countries) of origin;		
Report Section:	Appendix: A, 6.1		
Description of Non-conformance and Related Evidence:			
The auditor reviewed a series of supply chain information and evaluations (13), and on one occasion, the information regarding the country of origin of the timber was not specified or precise to the level required by the standard. In the case of the purchase from a European supplier of FSC 100% certified Oak, the origin of the timber was listed as "Europa". Even by considering the certified status of the timber, the reference to the origin is too wide and doesn't constitute a pool of countries (Europa is not a known and clearly defined entity).			
Corrective action request:	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.		
Timeline for Conformance:	By the next annual surveillance audit.		
Evidence Provided by Organisation:	The information held for a sample of supply chains (10) was inspected and all were found to include the country of origin, including the previously offending supply chain (see Exhibit 7). Interviews with the Procurement Manager (Ken Walsh) and Operations & Administration Coordinator (Ian Spurling).		
Findings for Evaluation of Evidence:	Staff described how they are paying more attention to the information provided by European suppliers since the last audit, along with contacting the previously offending supplier to have origin specified on their invoices, as per their procedure. The sampling did not pick up on any further discrepancies, leading the auditor to conclude that the system has been tightened up since the last audit.		
NCR Status:	CLOSED		
Comments (optional):			

Issued for: Danzer UK Ltd			
NCR: 03/16 (14768)	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 6.1.4 (Supply chain and material information) The organisation shall have and maintain the following up-to-date information about products included within the scope of the LegalSource evaluation: the country (or pool of countries) of origin;		
Report Section:	Appendix: A, 8.3		
Description of Non-conformance and Related Evidence:			
<p>In cases where Danzer is sourcing from an identified high risk country, the Environmental Manager informed the auditor that, according to Danzer Procurement Rules, they request the supplier to include the concession of origin / UFA number on the invoice.</p> <p>When reviewing suppliers' information and evaluations, it was observed that this was not checked consistently as this information was missing in several cases.</p> <p>Over the 16 invoices checked for 2016 from one of supplier sourcing timber from Ghana, only one included the necessary information. Verification of the 2015 invoices showed that the information was listed consistently that year as no invoice was lacking the UFA number.</p> <p>For timber received from another supplier, sourcing Oak in Serbia (high risk), the UFA number was not referenced either.</p> <p>Due to the certified status of the timber in both cases (FSC CW and FSC Mix), the level of illegality risk is not deemed to have been significantly impacted by the absence of the information. In effect, the statements are merely supplier declarations. However, this demonstrates an insufficient adherence to internal procedures.</p>			
Corrective action request:	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.		
Timeline for Conformance:	By the next annual surveillance audit.		
Evidence Provided by Organisation:	The Organisation has updated their Procurement Manual (Exh 2) since the last audit. Section 6.2 includes the refers to information on origin: "For all wood and wood products: → check that each invoice (or command) contains following information: 1) the country of harvest (origin); 2) the forest or district of harvest (origin), for high risk countries; 3) if applicable the certification type and Chain of custody number." Ten supply chains were sampled during the audit (see Appendix 1 and an example of origin information held on file in Exh 4).		
Findings for Evaluation of Evidence:	Information on country of harvest was held for all supply chains sampled during the audit. For high risk countries this also included concession of origin / UFA number.		
NCR Status:	CLOSED		
Comments (optional):			