



# LegalSource™ Audit Report for Danzer UK Ltd

**Annual audit 2018**

**Report date: 12<sup>th</sup> April 2019**

**Certificate code: NC-LS-012324**

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## **Organisation Contact**

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## **Audit managed by**

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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:	Confidential

  

Organisation Details	
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Jurisdiction of primary legal entity:	United Kingdom
Primary Activity	Broker/trader with physical storage
Description of Organisation:	<p>Danzer UK is part of Danzer Group and is solely a trading company, with no production taking place. Danzer UK 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 DUK is beginning to work more with composite products such as engineered flooring and doors).</p> <p>In principle DUK is a multi-site organisation since storage takes place in 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>DUK is located in one office location in Maldon, Essex. Warehoused products are usually stored at an outsourced facility in Liverpool (<b>Denholm Handling Ltd</b>) or Maldon (<b>W Clarks &amp; Sons Ltd.</b>). There are two other storage facilities in the UK. In addition, there is one <b>drying facility located in the Netherlands</b> included within the scope of the certificate.</p> <p>DUK acts as a trader (taking legal possession) in 99% of its trading activity. For the other 1% it is acting as an agent (arranging purchases/sales and charging a commission). At the present time, DUK 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)
Product scope:	<p>Sawn timber and added value products (E.g. flooring, doors, mouldings, worktops) Danzer UK 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 Danzer UK to its customers, independently of whether:</p> <ul style="list-style-type: none"> <li>a. the wood originated (Country of Harvest) from within or outside the EU</li> <li>b. the wood products are sourced from companies based within, or outside, the EU</li> <li>c. the purchase is from another company within Danzer Group.</li> </ul> <p>In a few aspects, this scope extends beyond the limits of the requirements and obligations of the EUTR. Danzer UK communicated that it has chosen this approach based on the characteristics of the products and species sold by the organisation; 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:	NA
<b>Certificate Sites or Group members – details removed from public summary</b> <input type="checkbox"/> In place of below table, details are found in Exhibit	

## C. Audit Findings

Audit Conclusion:	
Organisation approved: No non-conformances issued	<input type="checkbox"/>
Organisation not approved:	<input type="checkbox"/>
Additional comments:	

Non-Conformances		
<p>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:</p>		
Non-Conformance #:	01/18 (29853)	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) v2, Requirement 1.1	
Description of Non-conformance:		
<p>The Procurement Policy is available on the Danzer Group website at <a href="http://www.danzer.com/images/company/ProcurementPolicy_EN.pdf">http://www.danzer.com/images/company/ProcurementPolicy_EN.pdf</a> and is approved by the Danzer Executive Board (see Exh 1). However, the policy is not available on the separate Danzer UK website.</p> <p>This is considered not to fully fulfil the requirements of 1.1.2.</p>		
Corrective action request:	<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>	
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 #:	02/18 (29854)
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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’s certification scheme evaluations were conducted in 2016, several of the schemes have been updated since then and this corresponds that the Organisation update its own evaluations of these schemes.</p> <p>It is also important that the Organisation states which versions of standards it has evaluated in its evaluation reports (for clarity).</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):	NOTE: NEPCon has now published its own evaluation of FSC & PEFC, available here: <a href="https://www.nepcon.org/library/standard/nepcon-certification-system-evaluation-standard">https://www.nepcon.org/library/standard/nepcon-certification-system-evaluation-standard</a> . Organisation should consider these finding as part of its own evaluation.	

## 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>	01/18
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 7.9
<b>Description of Observation:</b>	
<p>This is noted in procedures and confirmed during staff interview. All suppliers sampled were updated in the last year. Whilst the risk assessment conclusions had been updated in the Supplier 2018 tabs, a risk assessment summary page (which contains the text generated by the excel) should be generated for each supplier using the first tab and saved separately as per the organisation's procedures. It was noted that this had not been saved as a separate file in one instance. The organization should take care to follow this step as per its own procedures.</p>	

<b>Observation #:</b>	02/18
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 7.7 and 7.3
<b>Description of Observation:</b>	

It was observed that the sources of information used to inform Organisation's risk assessments were quite high level/generic. Organisations are required to draw upon relevant and specific sources of information about the risk in their supply chains. As such, the organisation could improve their risk assessments by considering more detailed sources of information and by ensuring any new sources of information are captured.

It should also be noted that the Global Forest Registry, referenced by the organisation in its risk assessments no longer exists since the risk information previously jointly published on this website by NEPCon, Forest Stewardship Council (FSC) and Rainforest Alliance, is now available on different platforms.

<b>Observation #:</b>	03/18
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 4.1
<b>Description of Observation:</b>	
Section 9 and 9.2 of the Due Diligence Manual Manual (Exh 2) covers internal monitoring. The Managing Director commented that the system is under continual review to satisfy LegalSource, FSC and PEFC certification systems audited annually. The organization uses the 'Audit Checklist: Management Systems' in the appendix of Danzer UK Procurement Manual (Exh 3) to record findings and actions taken. This document was included within procedures to address and close <b>OBS 01/17</b> raised during the last audit. However, it was noted during this audit that the completed record (Exh 4) was not dated and did not confirm whether actions recommended were taken. It is recommended that these reports are completed to a sufficient level of detail, including dates and whether actions have been taken.	

<b>Observation #:</b>	04/18
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 3.1
<b>Description of Observation:</b>	
The organisation adopted and finalised new procedures in 2018 which consist of: a) Due Diligence Manual Manual (Exh 2) and b) Danzer UK Procurement Manual (Exh 3) <b>closing OBS 03/17</b> . These procedures apply to the Danzer Group's LegalSource certification as a whole however, it was commented on by the Operations & Administration Coordinator that it could be simplified now that only Danzer UK is the NEPCon LegalSource certification as some of the procedures are not applicable to Danzer's UK supply chains. This is not viewed as impacting Danzer UK's ability to implement current procedures as responsibility and procedures are unchanged by Danzer Group's certificate termination.	

<b>Observation #:</b>	05/18
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 7.6
<b>Description of Observation:</b>	
The Organisation is well versed on checking certificates and product claims, as described during interview. The certificates of the 9 suppliers sampled during the audit were checked and found to be valid and scope was correct.	
It should be noted that VLC certificates are going through a process of moving to NEPCon Legal Source certificates. A public database of VLC certificates no longer exists, instead NEPCon should be contacted to check the validity and scope of certificates in the future (OBS 05/18)	



## 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>Non-Conformance #:</b>	01/17 (19864)	
<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 4.4	
<b>Description of Non-conformance:</b>		
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.		
<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>	The organization provided an updated version of the Due Diligence Manual. Procedures meeting the requirement 4.4 had been added into Section 8.4.4.	
<b>Findings for Evaluation of Evidence:</b>	The auditor reviewed Section 8.4.4. of the Due Diligence Manual Manual (Exh 2) and found it to be in compliance with requirements 4.4. Danzer staff demonstrated a working knowledge of the procedures during interview.	
<b>NCR Status:</b>	<b>CLOSED</b>	
<b>Comments (optional):</b>		

<b>Non-Conformance #:</b>	02/17 (19865)	
<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 7.5	
<b>Description of Non-conformance:</b>		
The Organisation has conducted an evaluation for 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 *"Action to solve partial noncompliance:*

*Evaluation of 'acceptable sources', wood mixed with OLB timber, showed compliance. Nevertheless, as precautionary approach, following actions are taken:*

- 1. Evaluate if suppliers use the mix system. Request from BV to update the standard.*
- 2. In the meantime, no wood from mix system is used for suppliers in Africa where OLB wood is purchased.*

*BV is changing the standard to assure full compliance with EUTR"*

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 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" (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>

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, the other two were not willing to share them (Exh 9 – 12). Whilst this action is reassuring it was taken after the material had been purchased (and sold).

<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>	<ul style="list-style-type: none"> <li>• Supplier statements declaring OLB Mix is not used.</li> <li>• Supplier OLB certificates.</li> <li>• The Organisation's Certificate Evaluation of OLB</li> <li>• The Organisation's Certificate Evaluation of MTC</li> <li>• TLAS certificate</li> </ul>
<b>Findings for Evaluation of Evidence:</b>	<p>The organization received statements from its OLB suppliers saying that they do not use OLB's mixed system. Supplied audit reports which confirmed this. For suppliers unwilling to share their audit report the Organisation used the suppliers Certificates to confirm that 100% of the supplier's forest was certified OLB and therefore mixing was not possible. The claims on the certificates were reviewed by the auditor during the audit.</p> <p>Supply chains certified under the MTC certification scheme were also evaluated to check that actions identified through the Organisation's Certificate Evaluation of MTC had been followed. The audit found the Organisation's action to mitigate gap identified (recommendation to collect a valid TLAS certificate from supplier) had been followed.</p>

<b>NCR Status:</b>	<b>CLOSED</b>
<b>Comments (optional):</b>	

#### Closed 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
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 4.1
<b>Description of Observation:</b>	
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.	

<b>Observation #:</b>	02/17
<b>Standard &amp; Requirement:</b>	NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 1.2
<b>Description of Observation:</b>	
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.	

<b>Observation #:</b>	03/17
<b>Standard &amp; Requirement:</b>	LegalSource Standard (LS-02) v2, Requirement 3.1
<b>Description of Observation:</b>	
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 finalized 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.	