

## Annex 1. DLH action plans

### I. Compensation of communities affected by illegal trade of timber from Grand Bassa and Gbarpolu counties in Liberia

### II. Improving the DLH due diligence system

### I. Compensation of communities affected by illegal trade of timber from Grand Bassa and Gbarpolu counties in Liberia

The table below summarizes the activities planned and already implemented to ensure that the communities affected by the illegal trade of timber by DLH receive compensation in compliance with the FSC conditions for ending the disassociation. Annex 2 (Background – Details of the action plan) describes in detail the ongoing and completed actions conducted to compensate the communities.

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
<i>A free, prior and informed consent of the affected communities in Liberia is ensured through an elaborated needs assessment</i>	DLH has contracted NEPCon to facilitate the compensation process – the process and work done to develop an action plan is described Annex 2	Background for DLH reassociation, and Compensation mechanism	Done	April 2015 until compensation is completed
	Identification of the affected communities – the communities where identified through communication with Global Witness (verified by SDI)	Background for DLH reassociation	Done	April–May 2015
	NEPCon has involved SDI and explained to them the intent of DLH’s compensation of the communities and the compensation mechanism	Terms of reference (ToR) for initial assessment	Done	Meeting conducted 4 May 2015 in Oslo
	FSC, DLH, and NEPCon to conduct a meeting to agree upon the compensation and the role of the different stakeholders	Minutes from meeting in Bonn	Done	Meeting conducted 25 June 2015 in Bonn
	SDI implements basic awareness raising for the affected communities about the DLH case and about the potential compensation	Annex 3 Basic needs assessment	Done	July–October 2015
	SDI to conduct needs assessment in Liberia and reports the results	Annex 3 Basic needs assessment	Done	July–October 2015

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
Compensation is <i>monitored by a renowned NGO</i>	NEPCon will take responsibility to monitor the progress made by the implementing organization. The implementing organization takes responsibility to realize the activities prioritized by the 3 communities	Agreements between Implementing organization and DLH	In progress	October–November 2015
<i>To compensate the communities in Liberia affected by Private Use Permits DLH was sourcing from</i>	Establish financial support. DLH will transfer in total EUR100,000 to NEPCon, which will then fund the approved project activities	Documentation of bank transfer	Planned	November 2015, after FSC approval of action plan
	Advisory committee established, consisting of representatives from DLH, SDI, and NEPCon. The committee verifies the contracts (before signature by DLH) with implementing organizations responsible for the requested constructions	N/A	Done	October 2015
	Activity 1: Construction of a total of 9 hand pumps in the 3 communities to ensure clean drinking water. Budget approx. EUR25,000	Monitoring report including community evaluation	Planned	November 2015 to March 2016*
	Activity 2: Construction of a total of 6 latrines in the 3 communities to ensure an environment with less risk of contamination by disease Budget approx. EUR10,000	Monitoring report including community evaluation	Planned	November 2015 to April 2016*
	Activity 3: Construction of 3 basic houses to be used by midwives and doctors Budget approx. EUR35,000	Monitoring report including community evaluation	Planned	January–November 2016*
	Activity 4: Construction of 1 school building with support to teachers Budget approx. EUR30,000	Monitoring report including community evaluation	Planned	January–November 2016*

\* The expected duration of implementing and completing the activities reflects the fact that merely building the facilities will not be sufficient. Informing and training the local communities in how to use the facilities will be an important part of the activities, to ensure proper implementation and to maximize the benefit for the local communities.

## II. Improving the DLH due diligence system

During 2015, DLH has focused on improving its due diligence system (DDS), procedures and policies for our two remaining business units DLH Nordic (Denmark and Sweden) and DLH France.

DLH's revenue has been reduced significantly due to the divestment of various business units during 2014 and 2015. The combined sales are now down to approx. EUR65 million. The Nordic hard wood business is among the business units sold. The divestments have significantly reduced the overall risk of illegal timber trade. With the divestment of the Nordic hardwood business, DLH Nordic no longer trades tropical timber from South America and only a small volume of legally verified or certified material from Côte d'Ivoire, Indonesia, and Malaysia.

Our approach consists of two steps. Going through major changes as a result of the divestments, we conducted internal analysis at the start of 2015 to assess our current state as step 1. In step 2, we have complimented our internal reviews with audits conducted by NEPCon. The audits have been used to find gaps and detect areas for improvements. In DLH Nordic, we have even changed our DDS from our old the Good Supplier Programme (GSP) system to a NEPCon-supported platform.

We have now reached an advanced stage in the implementation of the recommendations made by NEPCon, as shown in our action plan below.

### (a) DLH France

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
<i>... third-party verification confirms that DLH due diligence systems are meeting relevant best practice standards, both on paper and in practice, across a range of</i>	Audit by the French Timber Federation's (LSB) environmental system – the audit was important to ensure European Union Timber Regulation (EUTR) compliance	Certificate extended and valid from 23 September 2014 to 23 September 2016	Done. Conclusion: Full compliance with EUTR	June 2014
	Pre-audit for Programme for Endorsement of Forest Certification (PEFC) certificate renewal by SGS	SGS audit report (SGS Audit DLH f. 24 Feb. 2015)	Done. Conclusion: Full compliance with EUTR	24–25 February 2015
	Audit for PEFC certificate renewal by SGS	SGS audit report (SGS Audit DLH f. 27 Mar. 2015)	Done. Conclusion: Full compliance with EUTR and renewal of PEFC chain of custody (CoC) certificate	27 March 2015
	Internal assessment of DLH Nordic GSP system and procedures to identify areas for improvement	N/A	Done.	May–August 2015

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
<i>different operating high-risk locations</i>	Audit of DLH France DDS by NEPCon – organized as a basis for improving DLH France DDS	Draft report (Annex 7 DLH France LS preassess 15 DRAFT EN-comments client – LCV)	In process. Draft report submitted by NEPCon. Questions and comments submitted.	1 September 2015
	Implementation of NEPCon recommendation and updating procedures This work is done by an internal task force including French management working on the recommendations, procedures, and policies	Internal action plan	Done.	September and October 2015
	All recommendations from NEPCon audit implemented. Internal deadline agreed in order to be ready for audit related to reassociation	Internal action plan	In process. Clear recommendations under implementation	9 November 2015
	FSC reassociation process with NEPCon	N/A	Not started.	November 2015

**(b) DLH Nordic**

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
<i>... third-party verification confirms that DLH due diligence systems are meeting relevant best practice standards, both on paper and</i>	DLH Nordic hard wood business sold to Global Timber – the divestment of the hard wood business reduces the risk profile for DLH Nordic significantly as the majority of tropical timber trade was related to this department	Press release <a href="http://www.ihb.de/wood/news/DLH_hardwood_business_39216.html">http://www.ihb.de/wood/news/DLH_hardwood_business_39216.html</a>	Done	10 November 2014
	PEFC and FSC certificate audit with NEPCon. Audit detected 1 non-conformance. The issue has been corrected	Audit report from NEPCon (DLH Danmark PEFC CoC audit 14 + Annex 9 DLH Danmark FSC CoC audit 15 + Annex 10 DLH Danmark FSC CoC CVA Apr15)	Done. Conclusion: Approved PEFC and FSC audits	4 December 2014

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
<i>in practice, across a range of different operating high-risk locations</i>	Internal assessment of DLH Nordic GSP system. Internal assessment of system and procedures to identify areas for improvement	Assessment reports	Done.	January–March 2015
	NEPCon DDS audit – audit organized as a basis for improving DLH Nordic DDS. The NCR report finalized on December 4th	Audit report from NEPCon (Annex 8 DLH Denmark LS Pre-Assess Report JUN15)	Done.	21 April 2015
	Migration from old GSP system to updated DDS based on NEPCon’s Legal source documents. Decision is made that DLH Nordic will implement new system in order to strengthen the internal setup to ensure DD		In process. System installed and implemented. Pending NEPCon audit report week 44	22 April to 1 October 2015
	Implementation of NEPCon recommendation and updating procedures. An internal task force including Nordic management working on the recommendations, procedures, and policies	Annexes 4 and 5 DLH due diligence system vers1 151015 Indkøbs politik	In process – report pending	22 April to 1 October 2015
	Desk audit of legal compliance of supplier in Côte d’Ivoire initiated with NEPCon – audit was established with third-party verification as the supplier from Côte d’Ivoire posed the highest risk in DLH DDS	Report pending	In process Conclusion: Awaiting report	Started 3 June 2015. Report expected early November
	Voluntary participation in EUTR DNA trail testing with Danish Ministry of Environment, Nature Agency. DNA can verify the information regarding the species. We want to support the development of the technology for verification purposes	Report pending	Testing done. Result pending	10 September 2015
	All recommendations from NEPCon audit implemented. All information and documentation in the new system. Internal deadline in order to be ready for NEPCon audit 15 October 2015	Internal project plan	Done.	2 October 2015
	NEPCon audit of DLH Nordic DDS	NEPCon report to be received week 44, 2015	In process. Waiting for NEPCon report	15–30 October 2015

Reparatory measure	Action to be implemented by DLH	Supporting documentation	Status	Duration
	Site visit to supplier in Côte d'Ivoire by NEPCon to collect pending information. During desk audit the supplier changed responsible person for their procurement. DLH decided to organize site visit to Côte d'Ivoire to verify the information provided by the supplier	Report pending	In process	18–23 October 2015
	Internal training in procedures for handling certified material. Training in our procedures for handling certified material	Instructor: Martin Bohmann Participants: Helle Suhr, Monia Jensen, Niels Rossen	Pending	21 October 2015
	FSC ends the disassociation	Documentation and evidence as requested by FSC	Not started	November 2015