

CORPORATE SOCIAL RESPONSIBILITY REPORT 2011

IMPROVING DUE DILIGENCE



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FOREWORD



Improving due diligence

In 2011, DLH continued with the implementation of the Go To Market strategy aimed at strengthening DLH's position as a global leading timber wholesaler. We also continued with our commitment to implementing the principles of UN Global Compact. To help better embed our CSR policies into core business operations, we integrated the CSR & Environment Department into the group's Global Sourcing unit. The integration is already showing benefits. One example is that Global Sourcing together with CSR & Environment have developed a tropical hardwood plywood that meets market demands for quality, price and environmental standards for known origin and legality.

Ten years ago we introduced our first risk-assessment tool, the Good Supplier Programme (GSP), aimed at collecting information on the origin of the timber sourced. In 2011, we developed and pilot tested an improved and more comprehensive GSP that will help us better manage our forest footprint, meet our customers' responsible procurement policies and international regulations.

The new GSP will serve as the basis for improved supplier due diligence and will enable DLH to comply with the new European Union Timber Regulation which becomes effective in March 2013.

By improving supplier due diligence, we can ensure our customers and stakeholders that we will continue to be the leading wholesaler of responsible timber.

Kent Arentoft
CEO Dalhoff Larsen & Horneman A/S

ABOUT DLH

DLH at a glance

- ✓ Since its foundation in 1908, Dalhoff Larsen & Horneman A/S (DLH) has been trading in timber and timber products worldwide.
- ✓ DLH's ambition is to strengthen its position as a global leading wholesaler of timber and timber products manufactured in accordance with environmental and social standards.
- ✓ DLH supplies products primarily to the building and construction industry and to the furniture industry.
- ✓ DLH is headquartered in Høje Taastrup, Denmark, and operates globally, being the major sales markets Europe, USA and Russia and the major sourcing markets South America, Africa and Asia.
- ✓ DLH has sales and procurement offices in the main markets and employs approximately 650 people worldwide on continuing businesses.
- ✓ The consolidated revenue for continuing businesses in 2011 is about DKK 3 billion.
- ✓ Distribution via warehouses accounts for 75% of the group's sales revenues while direct trading accounts for the remaining 25%.

Highlights 2000-2011

2000: DLH among the first ones in the industry to obtain FSC Chain of Custody Certification.

2002: DLH establishes the Good Supplier Programme.

2005: DLH obtains PEFC Chain of Custody Certification.

2006: DLH cooperates with Rainforest Alliance to develop the VLO system, in order to verify the legal status of its wood sources in Sabah.

CIB, DLH's subsidiary, becomes the 2nd FSC-certified forest in the Congo Basin.

2007: DLH begins cooperation with suppliers to assist them in obtaining third-party verification of legality or certification.

2008: DLH starts a partnership with DANIDA to launch an HIV/AIDS Prevention Programme at CIB, Congo-Brazzaville.

2010: DLH joins UN Global Compact.

Corporate Governance

- ✓ DLH A/S is a Danish listed company, quoted in the Copenhagen Stock Exchange.
- ✓ The Management structure consists of a Supervisory Board, integrated by six members elected by the General Assembly and three members elected by the employees; and an Executive Board, presided by the CEO of the group.
- ✓ Once a year, DLH holds an Annual General Assembly, where all shareholders -including minority shareholders- can participate, express their opinions and thereby influence decision making processes.

For more information on DLH's organizational profile, see the Annual Report 2011 or visit the [website](#).

For more information on DLH's corporate governance and share capital structure, visit the [website](#).

Highlights 2011

May: DLH begins working with Track Record on a new GSP.

Dec: New GSP is pilot-tested with success in Northern Brazil.

Dec: DLH recognized as leader in its sector by the Forest Footprint Disclosure Annual Review 2011.



Peter Kristensen, Vice-President CSR & Environment, receives recognition as sector leader by the Forest Footprint Disclosure Annual Review 2011.

ABOUT THE CSR REPORT

Report Profile

The aim of our Corporate Social Responsibility (CSR) report is to provide stakeholders with an overview of our strategies, initiatives and results within CSR. The report is a key communication tool, part of our commitment to openness and accountability.

The report is thus intended to serve as our Communication on Progress (COP) report to UN Global Compact and ensures compliance with section 99a of the Danish Financial Statements Act regarding corporate responsibility reporting.

DLH's Annual Report and CSR Report complement one another, as the former provides an insight into the group's financial statements while the CSR report provides an overview of non-financial statements material to our business.

DLH's Annual Report 2011 can be downloaded from the [website](#)



Reporting Period and Cycle

The reporting period is the calendar year 2011 and the reporting cycle is annual. The CSR Report is published together with DLH's Annual Report at the end of the first quarter.

DLH has on previous years communicated progress on its CSR work. The most recent publication is the CSR Report 2010 published on 9 March 2011 in accordance with: a) section 99a of the Danish Financial Statements Act regarding corporate responsibility reporting; and b) UN Global Compact's requirements for communication on progress.

The CSR Report 2010 can be downloaded from [here](#).

Reporting Guidelines

DLH follows the Global Reporting Initiative's (GRI) guidelines for the group's corporate responsibility reporting. By following GRI guidelines we seek to conduct reporting in accordance with globally applicable principles developed and agreed by a multi-stakeholder network.

Furthermore, Global Compact recommends the use of GRI guidelines for COP reporting due to the complementary roles played by both initiatives. Thus, by following GRI guidelines the same report can double as DLH's Annual CSR Report to stakeholders and the group's Annual COP report to Global Compact.

We follow GRI G3 Guidelines. The expanded G3.1 guidelines – published in March 2011- are not relevant for our current level of reporting.

For an overview of the GRI profiles included in this report and their correspondence to UN Global Compact Principles, see p.23.

Reporting Principles

- Materiality and Stakeholder Inclusiveness:

The report is organized on three main sections, which refer to the three policies integrating our CSR strategy. These policies ensure that our business grows responsibly within key areas of interests for the Group, the industry and the communities in which we operate. They are as follows:

- o Environment,
- o Social and Human Rights, and
- o Business Integrity.

The concrete issues for which we report in each section have been selected based on the group's strategy and priorities set out for 2011 and upcoming years, as well as on inputs received from various stakeholder groups on an on-going basis. Stakeholder groups include investors, NGOs, and business customers, among others.

- Sustainability Context:

Each section starts with a short overview of the main challenges the industry faces on the specific area covered, namely Environment, Social and Human Rights and Business Integrity, thus seeking to provide a framework for the group's performance in the wider context of Environmental Stewardship, Labour and Human Rights and Anti-corruption.

- Completeness:

This report addresses the programmes implemented and results achieved in relation to Environment, Social and Human Rights and Business Integrity in various degrees of detail, thus reflecting the level of advancement of the group's CSR policies.

We see the integration of our CSR policies into our daily businesses as an on-going process. In 2010, we aligned our CSR strategy with the principles of UN Global Compact and further developed our CSR policies. In 2011, we worked on the development of a new and innovative Good Supplier Programme, which is the group's supplier risk-assessment tool. As we strengthen our CSR work, our reporting will benefit from improved progress measuring and performance communication.

Reporting Scope and Boundary

Unless otherwise noted for specific data, the report addresses all DLH's sales, procurement offices and warehouse facilities worldwide. For a list of facilities, please see p. 102-103 on the Annual Report. The report also addresses our relations with suppliers with regards to the implementation of The Good Supplier Programme.

The CSR Report 2011 has the same content structure and design of the previous year's report. Stakeholders will therefore be able to follow progress easily.

STRATEGY & ENGAGEMENTS

Corporate Social and Environmental Responsibility at DLH

At DLH, we have long-term standards. We were among the first ones in the industry to introduce an environmental policy in 1991, and we have on an on-going basis revised and developed our CSR strategy. We take seriously our role in protecting the world forests, as they provide a number of highly valuable resources and services to the global community.

Our Values

At DLH, we conduct our daily business with respect for social and ethical values, as illustrated in our "House of Values".



Responsibility forms the roof of our global and multicultural company. Therefore it is the group's ambition not only to strengthen its position as a global leading wholesaler of timber and timber products, but also to be a leader in the wholesale of timber and timber products manufactured in accordance with environmental and social standards.

Our business relies upon wood

We operate globally and source wood from tropical, temperate and boreal forests, whose preservation is important for the future of the entire global community.

Therefore we have a social and environmental responsibility for promoting sustainable forestry.

Our products are based on the raw material "wood" and, as such, our business relies upon the availability of wood.

Therefore we have a commercial interest in ensuring responsible management of the world forests.

Our CSR Strategy

Our CSR strategy rests on three pillars: the Environmental Policy, the Social and Human Rights Policy and the Business Integrity Policy.

These policies are framed within the principles of UN Global Compact. The backbone of DLH's Environmental Policy and Social and Human Rights Policy is the Good Supplier Programme (GSP), which is a tool used to collect and evaluate information on how suppliers produce, process and trade timber.

CSR Governance 2011

Having aligned our CSR policies with UN Global Compact principles in 2010, this year we have sought to find ways to better embed CSR into sourcing and distribution (the group's core business operations). Therefore, the CSR & Environment department was integrated into the Global Sourcing unit after having been a staff function for many years.

"Since we no longer own forest and production activities, our CSR work must set focus on the supply chain. Therefore integrating CSR & Environment into Global Sourcing was the right thing to do in order to facilitate the anchoring of CSR into core business operations". Poul Leineweber, Executive Vice-President, Global Sourcing & Global Trading.

On the next page we exemplify the benefits of integrating CSR into key business operations.

Goal	Action 2011	Status	UN Global Compact Principle
<p><u>Strategic CSR Management:</u></p> <p>To facilitate the integration of CSR into core business operations.</p>	<p>To integrate the CSR & Environment Department into the Global Sourcing department.</p>	<p>Implemented in January 2011.</p>	<p>Actions taken to implement P1-P10.</p>

Integrating CSR into core business operations

Sourcing red face plywood

Being an integrated part of the group's core operations is already proving to have concrete benefits for business development. In 2011, as an initiative of the Product Manager, CSR & Environment and Global Sourcing worked together in the development of a new product that meets both market demands and environmental standards.

Sourcing red face plywood in China can be highly risky, as it is usually not possible to know where the tropical hardwood used for the outer layer – known as face- comes from.

DLH's environmental policy states that it is not allowed to source plywood from China made of materials other than local poplar, eucalyptus, pine or okoumé unless the origin is known. This rule has sometimes been seen as a commercial hinder for market growth in sheet material, which is one of the fastest growing product portfolios of DLH.

From risk to opportunity

In 2011, what was seen as a risk and a hinder became a business opportunity. The CSR & Environment department and Global Sourcing cooperated in the development of a red sapelli face plywood with 100% known origin. FSC certified sapelli logs originating in West Africa are sourced by DLH Hong Kong and delivered to the plywood factory in China. The factory manufactures red sapelli face plywood and sells the final product back to DLH.

DLH has taken advantage of its global presence to develop a product that overcomes the long-standing challenge of sourcing tropical hardwood plywood, i.e. knowing the origin and verifying the legality of the tropical hardwood used in their manufacturing. The first shipment is scheduled for March 2012 to DLH France that will sell the product to customers in France.



Our Engagements

DLH partners with Track Record Global

In May 2011, DLH partnered with Track Record Global Ltd. for the development of a web-based system for *GSP version 2012*, DLH's new supplier risk-assessment tool for due diligence. Track Record has extensive experience in traceability and due diligence and specializes in the development of web-based solutions for supplier and product risk-assessment for companies with complex supply chains like DLH.

DLH sources timber from a vast range of countries and works with over 800 suppliers. Track Record is assisting in the development of an effective and innovative web-based GSP to manage the group's international supply chain.

DLH participates in EUTR Stakeholder Meeting

In April 2011, DLH participated in the Second EU Timber Regulation (EUTR) Stakeholder Meeting held in Brussels. The purpose of the meeting was to discuss best options for risk assessment and risk mitigation procedures in the framework of the regulation. DLH was able to provide direct input as well as exchange views with representatives of the EU commission and other participants.

For more information on EUTR, please visit [EU's website](#).

We care about our impact

At DLH we care about our environmental and social impact and we support certification schemes that aim at ensuring that timber and timber products come from well managed sources.

We support the Forest Stewardship Council ([FSC](#)) and believe its principles provide the best global guidelines for responsible forest management. These principles have been developed and agreed by diverse stakeholder groups, such as NGOs, corporations, indigenous people's organizations, community forestry groups and certification bodies.

DLH is a member of FSC International and of the FSC National Initiative in Denmark. We have been on the board of the Danish National FSC Initiative since 2007.

We care about our industry

DLH is an active member of several Timber Trade Associations in Europe. Participation in these associations enable us to channel our opinions and to lobby collectively on national and international level. As in 2010, EUTR has also been this year's main discussion point on the agenda.

Our dialogue with NGOs

DLH has an open dialogue policy towards stakeholders, including NGOs. We meet a few times a year to discuss issues of mutual concern. We also include them in our consultations on our policies and programmes. Together, we have lobbied at EU level for the implementation of stricter public timber procurement policies favouring legal and sustainable timber, as well as regarding the new EU Timber Regulation. It is our policy to continue engaging in dialogue with NGOs and other stakeholders willing to work with us.

Our professional partners are important

Over the last decade, we have benefitted from our collaboration with the independent certification body [Rainforest Alliance](#) and its partner [NEPCo](#), and the independent certification body [Société Générale de Surveillance](#) (SGS). Their services have contributed greatly to the progress made in the management of our supply chain. Our active collaboration with Rainforest Alliance on verification of legality, led to the development of their standards for verification of legal origin (VLO) and legal compliance (VLC). Below is a list of our offices, their corresponding chain of custody codes and certification bodies:

Certification Body	DLH Offices	Chain of Custody Code
Rainforest Alliance	Dalhoff Larsen & Horneman A/S	SW-COC-001521
	DLH Denmark A/S	SW-COC-005747
	DLH Poland Sp.	SW-COC-004607
	DLH Finland Oy	SW-COC-004299
	DLH Sverige AB	SW-COC-002509
	DLH, USA	SW-COC-001627
SGS	DLH Indufor NV, Belgium	SGS-COC-000793
	DLH France	SGS-COC-000946
	DLH Nederland B.V.	SGS-COC-001100

ENVIRONMENT

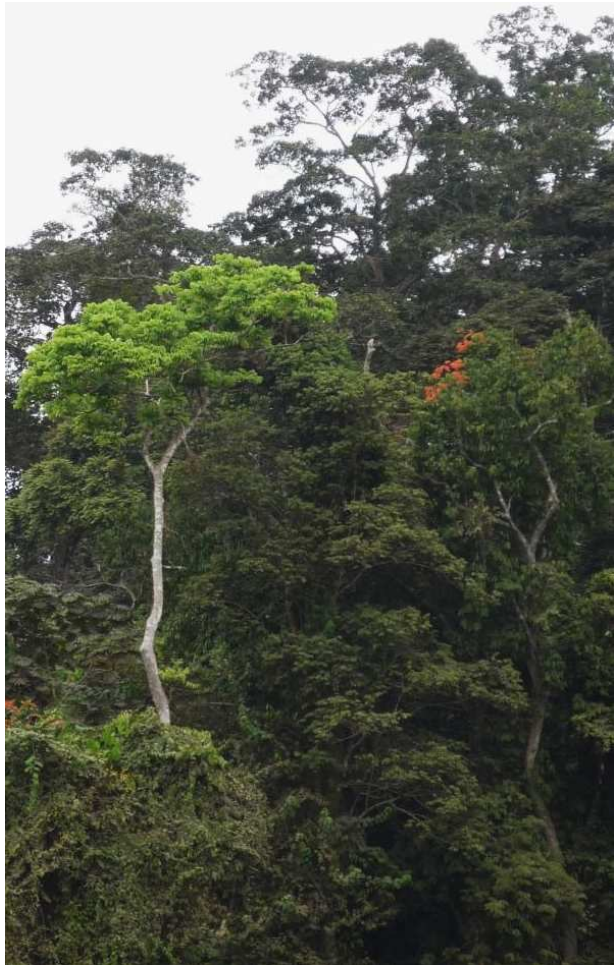
The world's forests

Every year large areas of tropical forests are being converted to commercial agriculture due to the increasing demand and rising prices for food, plants oils and biofuels. Deforestation is thus one of the major contributors to climate change accounting for 18% of global carbon emissions.

Illegal and destructive logging activities also threaten the conservation of forests. But forestry activities, if conducted in accordance with local laws and international environmental standards, do not contribute to deforestation. Well-managed forests are forests that can continue to perform the numerous valuable services they provide to the global community: climate regulation, natural carbon sinks, biodiversity protection and contribution to the livelihood of 1.6 billion people.

2011 was declared the International Year of Forests by United Nations. The theme chosen for the year was 'Forests for People' to highlight the interdependence between people and forests, and the responsibility we all have in ensuring that they are well-managed and conserved.

Therefore, ensuring that the timber we source has been legally harvested constitute one of the major challenges of our business. Our overriding goal is to contribute to the conservation of the world's forest and battle against climate change by promoting legality and sustainable forest management. We explain how in the following paragraphs.



Our Suppliers

Quick Facts about DLH's Environmental Policy on Suppliers

- ✓ All our suppliers must commit to and comply with DLH's environment policy.
- ✓ In countries where there is a potential risk of non-compliance with this policy, we implement the Good Supplier Programme (GSP, which is the group's risk-assessment tool. Participation in GSP is a pre-requisite for becoming a DLH Supplier.
- ✓ In some supply countries, as a result of a country risk assessment, we have taken extra measures to avoid unacceptable wood. In other cases, we have stopped sourcing completely. The current list of countries with special sourcing guidelines includes Brazil, Burma, Cameroon, Democratic Republic of Congo (Kinshasa), Liberia, Malaysia (Sarawak), Nigeria, Papua New Guinea (PNG) and Sierra Leone.
- ✓ We will work with our suppliers on knowledge sharing and capacity building. We will use our position as one of the market leaders in certified tropical hardwoods in order to support them in achieving VLO and FSC certification.
- ✓ DLH will investigate the origin of all timber originating in risk countries. Origin is defined by DLH as the forest in which the timber has been harvested.

DLH's Environmental Policy can be found in the CSR Section on our [website](#) or downloaded from [here](#).

The Good Supplier Programme

The Good Supplier Programme –also known as GSP- is a tool used to collect and evaluate information on the origin, legality, verification and certification of the timber and timber products we source. GSP serves as a risk-assessment tool covering all tropical countries as well as Russia, Belarus, Ukraine and China. More than 500 suppliers participated in the programme in 2011.

GSP 2011

In 2011, 99% of all purchases from risk countries were covered by GSP - a 3% improvement from the previous year. The three-point improvement is significant in terms of purchasing volume covered by GSP despite being below the group's target of 100%. We aim at fulfilling the target next year.

DLH had information on the origin of 92% of all timber procured from risk countries covered by GSP. The result shows a 5% improvement from the previous year but it is below the target of 95% for 2011. Gathering information on the origin of timber -understood as the forest of harvest- continues to be the group's major challenge. This is mainly due to the recent divestment of forestry activities and the number of current suppliers with long supply chains. By focusing on supplier due diligence, we expect that the new GSP will enable DLH to soon meet the target.

GSP 2012

Since the introduction of the first GSP ten years ago, the tool has proven to be a very valuable tool for knowing and understanding our suppliers. In 2010, DLH adopted a new corporate strategy, divesting itself of production activities whilst focusing business on sourcing and distribution. The new strategy requires more effective supply chain management and therefore we began working on the revision of the current GSP.

In May 2011 we partnered with Track Record Global, a company that provides support to businesses with regard to supplier and product risk assessment. Track Record is assisting in the development of an innovative web-based system for the new GSP.

The web-based system will enable the collection, management and evaluation of data from suppliers in a more accurate and efficient manner. It will also facilitate data sharing between DLH offices and data updating.

The new GSP is more comprehensive with regard to data gathering and risk assessment. It covers origin, legality, verification, certification and working conditions, and it will serve as the basis for a thorough evaluation of suppliers based on DLH social and environmental criteria.

Why launching GSP 2012?

The main purpose of GSP is to serve as the basis for supplier due diligence. We believe it will be a key service we can provide our customers in the upcoming years.

For DLH it is critical that effective procedures are in place to minimize the possibilities of illegal timber entering our supply chain. As mentioned earlier, this constitutes the timber industry main challenge and DLH wants to ensure stakeholders that the group is at the forefront of timber due-diligence.

In 2010, the group committed to integrating the ten principles of UN Global Compact into business operations. The implementation of a new and improved GSP is therefore essential for translating commitments into actions. The new GSP will also enable DLH to comply with the European Union Timber Regulation (EUTR) which will come into force in March 2013. Although detailed recommendations for due diligence are yet to be defined by the European Commission, the new GSP incorporates the guidelines available to date.



Virginia Dundas, CSR & Environment Department, verifying the origin of timber logs at a forest in the state of Pará, Brazil.

Testing GSP 2012 in Brazil

In December 2011 we conducted a pilot test of the new GSP with 10 suppliers in Northern Brazil. Suppliers were asked to test GSP online by answering questions and providing documentation. The staff in Brazil assisted suppliers during the process and reported back to the CSR & Environment department on a regular-basis.

The overall results of the test have been positive. Suppliers were able to access and navigate the web-based system easily. One of the major goals has been to design a user-friendly system and we believe we have succeeded in this regard. The attachment of documentation on-line proved to be a challenge in some cases since it is a new feature. We believe that, as we continue with the implementation of the new GSP, suppliers will become acquainted with the new task.

Another pilot test will take place in Cameroon in March 2012. As communicated in the CSR Report 2010, we expect the new GSP to be fully implemented by the end of the first half of 2012.



Log with traceability. The code makes it possible to trace the log back to the specific area of the forest in which it was harvested.

Our Products

Quick Facts about DLH's Environmental Policy on Product

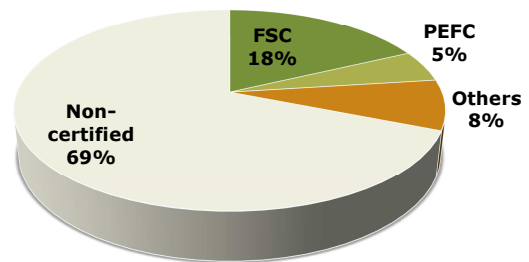
- ✓ DLH strives to purchase as much certified timber as possible and we want to continue to be the leading supplier of certified tropical hardwood in the future.
- ✓ Our long term target is to only source sustainable timber. The success of this target is dependent on many factors, few of which we have any influence on. We therefore cannot set a fixed deadline for when we will reach this target.
- ✓ Promote greater uptake of certified products.

Over the last decade, DLH's ambition has been to be a leading supplier of tropical hardwoods originating in well managed forests. Since 2000, DLH has been Chain of Custody certified and has, therefore, been permitted to trade in certified timber. Since 2008, DLH has also been Generic Chain of Custody certified and has, therefore, also been able to trade in timber with third-party verification of legal origin and legal compliance claims.

Purchases of verified and certified timber

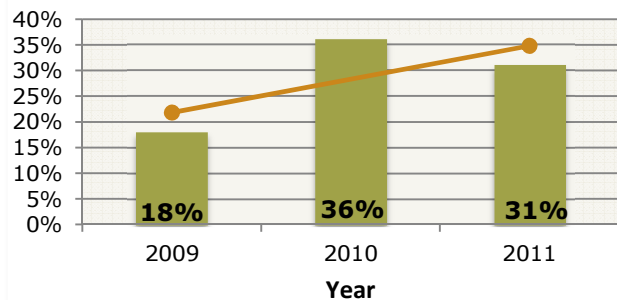
In 2011, 31% of all procured timber (volume) was third-party verified or certified. Approximately 18% was covered by the certification scheme FSC, 5% was covered by PEFC, and 8% by other verification schemes such as VLO, TLTV, MTCS and FSC CW.

Fig.1: Total Timber Purchases Third-party verified and certified



Purchases of verified and certified timber continue the upward trend, as shown in figure 2. This is in line with DLH's goal of continuously increasing purchases of verified and certified timber. The result though shows a decline of 5% from the previous year. This decline was expected due to the divestment of CIB (DLH's FSC certified forest concession in Congo-Brazzaville) and Carl Ronnow (DLH's subsidiary in Malaysia and main supplier of verified legal timber).

Fig. 2: Procurement of verified and certified timber 2009-2011 ⁽¹⁾



(1) Due to changes in DLH's product structure, no comparative figures are available for 2008 and previous years.

Promoting sustainable forestry and the use of certified products

In May 2011, DLH released a new edition of the Verification and Certification Guide with the name 'Green Guide'. The Guide draws on the success of the initial edition published in 2008 and uses simple language and illustrations to describe the various verification and certification schemes available in the timber industry.

How does sustainable forest management work? What is the difference between a verification scheme like OLB or VLC and a certification system like FSC? Should you, as a customer, choose

verified timber, certified timber or FSC controlled wood?

These are often complex topics and the Green Guide provides suppliers, customers and general readers with a good -yet simple- understanding. The Guide is available in English, French, German and Dutch and we have distributed it amongst our suppliers and customers.

Click on the picture to download the Green Guide in English. For other languages visit our [website](#).



Our Climate

As part of the group's continuous commitment to openness and transparency, DLH reports on carbon and forest footprints in 2011.

Our Forest Footprint

DLH was recognized as leader in its sector in the Forest Footprint Disclosure (FFD) Annual Review 2011. This is the second year the group is awarded such recognition for the management of its forest footprint. In 2010 DLH was recognized as joint leader in this sector.

Companies participating in FFD are required to disclose the procedures and programmes they implement to manage the impact that their business activities and supply chains have on the world's forests (more precisely on forest cover and loss due to land conversion). Forest risk commodities such as timber, soy, palm oil, cattle products and biofuels are part of the supply chain of many companies, and FFD aims at helping companies and investors understand the importance of knowing and managing their footprints.

DLH participated in FFD Annual Review 2011 by reporting on the management of its timber supply chain. FFD Annual Review 2011 is available [here](#).

Our Transport Carbon Footprint

Starting in 2011, DLH will report only on emissions resulting from the international transport of timber and timber products. This has been decided on the ground of the reporting principle of materiality, which refers to the degree of relevance of the subject to the group's stakeholders.

The 2010 carbon figures show that international transport is the largest single contributor to the group's carbon footprint, accounting for more than 90% of total emissions.

DLH does not own production facilities or forest concessions, and therefore direct emissions from the use of corporate cars and warehouse vehicles (Scope 1 in the Carbon Footprint Disclosure Report), and those resulting from the purchase of electricity, heat or steam in offices (Scope 2 in the Carbon Footprint Disclosure Report) are rather low compared to transport carbon emissions. As such, reporting on these emissions is not material for a company like DLH.








Nonetheless, for an international timber wholesaler like DLH, carbon emissions from international transport are relevant. Although the group does not have direct operational control over transport routes, we believe it is important to monitor and disclose the transport footprint to our stakeholders.

DLH's total transport carbon footprint 2011 adds up to approximately 81 kg /CO₂ per cubic meter of timber traded.

Total International Transport Carbon Emissions ¹	International Transport Carbon Emissions / m ³ timber traded ²
69,278 Tonnes CO ₂	81 Kg CO ₂ /m ³

(1) Total emissions calculation based on the average emissions of the containers shipped from the top ten origins in 2011.

(2) Emissions calculation based on the total timber volume trade in 2011.

Goal	Action 2011	Status	UN Global Compact Principle
<p><u>Environment:</u></p> <p>To minimize the risk of having negative impacts on the world's forests.</p> <ul style="list-style-type: none"> - To monitor our supply chain regarding uphold of our Environmental Policy. - To promote greater uptake of FSC certified products and other third-party verified and certified products. - To monitor and communicate our forest footprint. - To monitor and communicate our carbon footprint. 	<ul style="list-style-type: none"> - To launch a new and improved GSP. - 100% of all timber from risk countries will be covered by GSP by the end of 2011. - DLH will know the origin of 95% of all timber purchased in risk countries by the end of 2011. - To constantly increase purchases of third-party verified and certified timber. - Promote sustainable forestry and the purchased of certified timber. - Report to Forest Footprint Disclosure Project. - Report on the international transport carbon footprint of DLH's timber and timber products. 	<ul style="list-style-type: none">  Revision completed in 2010. Programme development and pilot test carried out in 2011. Implementation planned for first half of 2012.  99% of timber from risk countries covered by GSP. Goal reset for 2012.  92% known origin of timber. Goal reset for 2012.  30% of total timber procured is verified or certified. Upward trend continues.  Launch of new edition of Verification and Certification Guide in May 2011. Target groups: customers, suppliers and general readers.  Report submitted October 2011. DLH recognized as leader in its sector in the Annual Review for 2011.  Figures disclosed in the CSR Report 2011. 	<p>Actions taken to implement P 7, 8 & 9; and outcomes from implementing P8 & P9.</p>

SOCIAL & HUMAN RIGHTS

Doing business in diverse countries

DLH is a global company doing business in countries with diverse business and cultural practices, as well as legal frameworks, regarding the respect and uphold of labour and human rights recognized in the Universal Declaration of Human Rights and in the core conventions of the International Labour Organization. Approximately 50% of our sourcing activities are conducted in countries considered of risk. Therefore it is our responsibility to ensure that we do not directly or indirectly benefit from, contribute to, endorse, or in any way facilitate violations.

2011 was a milestone year for business and human rights. In June, the UN Human Rights Council endorsed the "Guiding Principles on Business & Human Rights", written by the UN Special Representative John Ruggie. Shortly after, the Guiding Principles were incorporated into the revised OECD Guidelines for Multinational Enterprises, the revised International Finance Corporation (IFC) Sustainability Policy and the corresponding Performance Standards, and the ISO 26000. In Denmark, the Danish Government introduced a bill for the creation of a 'Liaison and Grievance Institution' which will seek to mediate and resolve disputes involving Danish Companies alleged to have violated the newly updated OECD guidelines. Therefore, the Guiding Principles have become a global reference framework for the management of business and human rights challenges.

As stated by John Ruggie, the "appropriate response by an enterprise to the risk of contributing to human rights abuse through its supply chain is for it to conduct due diligence on its supply chain relationships to identify risks of actual and potential adverse impacts, and to prevent or mitigate both risks and impacts where they arise"¹.

In light of these events, DLH aims at being able to conduct more systematic human rights due diligence within the next few years with the aid of a new and improved GSP, which is the group's supplier risk assessment tool.



¹ Ruggie, John. 2010. The Corporate Responsibility to Respect Human Rights in Supply Chains. Discussion paper. 10th OECD Roundtable on Corporate Responsibility. Paris, France, 30 June 2010. New York: United Nations. Available at OECD website. Please follow this [link](#) [Accessed 02 January 2011].

Quick Facts about DLH's Social and Human Rights Policy

- ✓ DLH supports the UN Universal Declaration of Human Rights and the core ILO conventions.
- ✓ DLH is a global company with a multicultural workforce and we recognize diversity as strength. We will work actively to ensure a work environment that is culturally respectful. DLH shall not engage in, or benefit from the use of child labour and DLH prohibits any kind of forced labour.
- ✓ When investing or sourcing in areas with existing or occurring conflicts, we will remain alert to possible violations of human rights and conduct risk assessments to ensure that we do not directly or indirectly benefit from, contribute to, endorse or in any way facilitate such violations.
- ✓ We expect our suppliers to work actively to ensure fair, good and safe working conditions for their employees and to respect basic human rights in accordance with our Social and human rights policy.

DLH's Social and Human Rights Policy can be found in the CSR Section on our [website](#) or downloaded from [here](#).

Our Suppliers**GSP 2012**

In 2010, we revised DLH's supplier risk-assessment tool -GSP- with the aim of launching a new programme in the first half of 2012. In 2011 we focused on to the development of a web-based system for the new GSP. We have done so with the assistance of Track Record Global Ltd.

GSP 2012 will not only cover legality and environmental issues, but also working conditions at supplier level. In doing so, GSP will serve as the basis for systematic due diligence in the area of social and human rights. DLH also relies on the expertise of local staff and the work of international NGOs for human rights assessment. Over decades, the group has been present in the major sourcing markets. The local staff has a solid understanding of local culture and practices and are in regular contact with suppliers. GSP 2012 in combination with 'DLH's local knowledge' will enable the group to perform human rights due diligence more thoroughly.

As mentioned in the Environment Section, GSP is and will continue to be implemented in all tropical





countries, Russia, Belarus, Ukraine and China. Based on reports from internationally recognized organizations regarding the risks of illegal logging

and violation of social and human rights, we consider them "risk-countries" to be covered by GSP.

Testing GSP 2012 in Brazil

In December 2011, the new GSP was pilot tested in Northern Brazil with 10 suppliers. The new GSP requires suppliers to disclose detailed information on labour practices, health and safety and community relations, which represents a big challenge for many suppliers. We were nonetheless pleased to see that Brazilian suppliers were willing to disclose such information. The support provided by DLH staff in Brazil to suppliers has been key in this respect.

The new GSP will be implemented during the first half of 2012. For more information, please read the Environment Section of this report.

Goal	Action 2011	Status	UN Global Compact Principle
<p><u>Social and Human Rights:</u></p> <p>To minimize the risk of directly or indirectly contributing to, benefiting from, endorsing, or facilitating violation of labour and human rights at supplier level, by:</p> <ul style="list-style-type: none"> - Improving the group's risk-assessment tool, GSP. - Collecting information on the performance of suppliers on labour and human rights. 	<ul style="list-style-type: none"> - To launch a new GSP. <ul style="list-style-type: none"> o Revision of GSP. o Programme Development of new GSP, including web-based system. o Pilot testing of new GSP. 	<ul style="list-style-type: none">  Completed in 2010.  Programme development carried out in 2011.  Pilot-test conducted in Dec 2011 in Northern Brazil.  Information will be available once the new GSP is fully operational. 	<p>Actions taken to implement P1 –P6.</p>

BUSINESS INTEGRITY

Working against corruption

Corrupt practices have devastating effects on the development of societies by weakening democracy, contributing to poverty, and creating social and environmental problems.

Corrupt practices have also negative effects on business, as they undermine the rule of law by distorting competition and creating unfair business environments.

Advancing anti-corruption policies can be challenging for global companies due to cultural differences. Nonetheless the abuse of entrusted power for private gain is unacceptable in all cultures and societies.

In view of this, DLH is committed to work for the advancement of ethical practices and against corrupt practices. We will do so by building awareness through the implementation of our Business Integrity Policy.



Our Policy

In 2011, DLH focused on ensuring the sustained implementation of the Business Integrity Policy launched the year before. The policy covers all countries in which DLH operates and it includes DLH's position regarding corruption in all its forms.

This has been attained primarily through follow-up training of country managers during field visits, and the application of information and

communication procedures to monitor the implementation of the policy.

Follow-up training sessions were conducted in Vietnam, Indonesia, Brazil, Gabon and Cameroun by the CSR & Environment Department. Training of Managers is important since they are responsible for the local implementation of the policy.

Goal	Action 2011	Status	UN Global Compact Principle
<p><u>Business Integrity:</u></p> <p>To engage in the work against corruption worldwide, by:</p> <ul style="list-style-type: none"> - Formalizing a group-wide position regarding corrupt-practices. 	<ul style="list-style-type: none"> - To conduct follow-up training of Country Managers. 	<p> Follow-up training conducted in Vietnam, Indonesia, Gabon, Brazil and Cameroun during 2011.</p>	<p>Actions taken to implement P10.</p>

FUTURE PERSPECTIVES

In 2011, DLH developed and pilot tested a new and improved GSP, which will be implemented in 2012. This new development is part of the group's growing CSR commitments, which began in 2010 with the alignment of the CSR policies with the principles of UN Global Compact.

With the new European Union Timber Regulation entering into force in 2013, the 2008 amendments to the US Lacey Act, and the Guiding Principles on Business & Human Rights endorsed by UN in 2011, new guidelines have been defined for responsible business. They consider due diligence to be the appropriate action that responsible companies should exercise in order to manage and mitigate environmental, social and human rights risks.

With the implementation of the new GSP in 2012, which will serve as the basis for improved supplier due diligence, DLH will be better equipped for the time ahead. It is our goal that the new GSP will help the group consolidate its market position as the preferred supplier of responsible timber.



GRI INDEX TABLE

This report follows the Global Reporting Initiative (GRI) guidelines G3, application level "C". This application level is self-declared. For further information on GRI application levels, see [here](#).

The GRI index table below provides an overview of disclosures and indicators covered in this CSR

Report, as well as their correspondence with the principles of the UN Global Compact.

We also indicate where to find the information (Annual Report 2011: AR; CSR Report 2011: CSR; Website: website) and the extent of our reporting (full or partial).

GRI Profile	Reference	Comments	Reporting	Global Compact Principle
STRATEGY AND ANALYSIS				
PD 1.1 – Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	CSR, p.3.		Full	Statement of continued support.
ORGANIZATIONAL PROFILE				
PD 2.1- Name of Organization.	AR, p.2. CSR, front and back pages.		Full	
PD 2.2 - Primary brands, products, and/or services.	AR, p.2; 11-17.		Full	
PD 2.3 - Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR, p.102-103.		Full	
PD 2.4- Location of organization's headquarters.	AR, p.2. CSR, back page.		Full	
PD 2.5- Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR, p.102-03. CSR, p.10, 15, 17.		Full	
PD 2.6- Nature of ownership and legal form.	AR, p. 31-32, 103.		Full	
PD 2.7- Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR, p.11-17, 58-59. CSR, p.4.		Full	
PD 2.8- Scale of the reporting organization.	AR, p.6.		Full	
PD 2.9- Significant changes during the reporting period regarding size, structure, or ownership.	AR, p.97 (N. 26) AR, p.98-101 (N. 29)		Full	
PD 2.10- Awards received in the reporting period.	CSR, p.12.		Full	
REPORT PARAMETERS				
PD 3.1– Reporting period (e.g., fiscal/calendar year) for information provided.	CSR, p.6.		Full	
PD 3.2 – Date of most recent previous report (if any).	CSR, p.6.		Full	
PD 3.3 – Reporting cycle (annual, biennial, etc.).	CSR, p.6.		Full	
PD 3.4 – Contact point for questions regarding the report or its contents.	CSR, back page.		Full	
PD 3.5 – Process for defining report content.	CSR, p.6.		Full	
PD 3.6 – Boundary of the report.	CSR, p.6.		Full	

PD 3.7 – State any specific limitations on the scope or boundary of the report.	CSR, p.6.		Full	
PD 3.8 – Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	CSR, p.6.		Full	
PD 3.10 – Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	None.		Full	
PD 3.11 – Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		Due to changes in the IT system, there is no data available for purchases of verified/certified tropical hardwoods available, as in previous years.	Full	
PD 3.12 – Table identifying the location of the Standard Disclosures in the report.	CSR, p.19-21.		Full	
GOVERNANCE, COMMITMENTS & ENGAGEMENT				
PD 4.1- Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	AR, p.22-24. CSR, p.4. Website		Full	P1-10.
PD 4.2 - Indicate whether the Chair of the highest governance body is also an executive officer.	AR, p.2.		Full	P1-10.
PD 4.3 - For organizations that have a unitary board structure; state the number of members of the highest governance body that are independent and/or non-executive members.	AR, p.2, 25-26.		Full	P1-10.
PD 4.4- Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR, p.25-26. CSR, p.4.		Full	P1-10.
PD 4.8- Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Economic: AR. Environment: CSR, p. 9-13. Social: CSR, p. 14-15. Business Integrity: CSR, p. 16-17.		Partial	P1-10.
PD 4.12- Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	CSR, p. 8.		Full	P1-10.
PD 4.13- Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	CSR, p. 8. Website		Full	P1-10.
PD 4.14- List of stakeholder groups engaged by the organization.	Website		Full	P1-10.
PD 4.15- Basis for identification and selection of stakeholders with whom to engage.	CSR, p. 8. Website		Full	P1-10.
ECONOMIC				
Disclosure on Management Approach.	AR, p.58.		Full	P1, 4, 6, 7.
EC1 – Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	AR, p.6, 37-43.		Full	
EC2 – Financial implications and other	CSR, p.9-13.		Full	P7.

risks and opportunities for the organization's activities due to climate change.				
EC3 – Coverage of the organization's defined benefit plan obligations.	AR, p.76-78 (N.19)		Full	
EC4 – Significant financial assistance received from government.		No financial assistance received.	Full	
EC6 – Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		DLH has no specific policy on this matter.	Full	
EC7 – Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		DLH has no specific policy on this matter.	Full	
ENVIRONMENTAL				
Disclosure on Management Approach	CSR, p.9-13. Environmental Policy .		Full	P7-9.
EN17 – Other relevant indirect greenhouse gas emission by weight.	CSR, p. 12.		Full	P8.
EN26 – Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CSR, p. 9-11.		Full	P7-9.
HUMAN RIGHTS				
Disclosure on Management Approach.	CSR, p.14-15. Social and Human Rights Policy .		Full	P1-6.
HR6 – Operations identified as having significant risk for incidents of child labour and measures to contribute to eliminate child labour.	CSR, p.14-15.		Full	P1, 2, 5.
HR7 – Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour.	CSR, p.14-15.		Full	P1, 2, 4.
SOCIETY				
Disclosure on Management Approach.	CSR, p.16-17.		Partial	P10.
SO2 – Percentage and total number of business units analyzed for risks related to corruption.	CSR, p.16-17.		Full	P10.
SO3 – Percentage of employees trained in organization's anti-corruption policies and procedures.	CSR, p.16-17.		Full	P10.
SO5 – Public policy positions and participation in public policy development and lobbying.	CSR, p.16-17. CSR, p. 9.		Full	P1-10.

March 2012



YOUR FEEDBACK IS IMPORTANT TO US

If you have any questions, comments or suggestions, please contact us:

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