

# Corporate Social Responsibility Report 2012

Taking the lead

dlh.



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# FOREWORD



## Taking the lead

In 2012, DLH continued its focus on being a leading global timber wholesaler. We also continued to implement our revised due diligence system, the Good Supplier Program (GSP). This program enables DLH to comply with the new European Union Timber Regulation (EUTR), which became effective 3<sup>rd</sup> of March 2013. With the revised GSP, DLH has taken the lead in mapping our supply chain and documenting legality. There is no doubt that EUTR will change the way timber is traded in Europe and we hope that through this the industry as a whole will experience a more level playing field in the market. During the course of 2013, we will see if EU's ambition of eliminating illegal timber from the European market is realized. It is our goal to contribute to make EUTR a success.

In 2012, DLH continued with its commitment to implementing the principles of UN Global Compact. This was done through internal training and providing the tools needed to map, assess and mitigate the risk of illegal timber entering our supply chain, as well as through an open dialogue with our suppliers.

In recognition of our hard work, we appreciate to have been recognized as the industry sector leader by the Forest Footprint Disclosure for the third year in a row.

By taking the lead in supplier due diligence, we can ensure our customers and stakeholders that we will continue to be among the leading wholesalers 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, the major sales markets being 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 2012 is about DKK 2,5 billion.
- ✓ Distribution via warehouses accounts for 67% of the group's sales revenues while direct trading accounts for the remaining 33%.

## Highlights 2000-2012

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

**2002:** DLH establishes the Good Supplier Program.

**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 2<sup>nd</sup> 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.

**2012:** Launches GSP vs. 2013

## 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 2012 or visit the [website](#).*

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

## Highlights 2012

**May:** DLH launches GSP vs. 2013

**Dec:** DLH is recognised as the industry sector leader by the Forest Footprint Disclosure for the third year in a row.



Third year in a row! – in 2012 DLH was again recognised as the industry sector leader by the Forest Footprint Disclosure

# 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 2012 can be downloaded from the [website](#).*





## Reporting Period and Cycle

The reporting period is the calendar year 2012 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 2011 published on 8 March 2012 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 2011 can be downloaded from the [website](#).*

## 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.20.*

## 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 2012 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 2012, we launched the 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 measurement 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. 91 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 2012 has the same content structure and design of previous reports. 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 2012

Having aligned our CSR policies with UN Global Compact principles in 2010, this year we have sought to improve due diligence in relation to our suppliers.

Goal	Action 2012	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>Through personal and online training as well as dialogue to make sure all staff has comprehensive knowledge of the CSR policy.</p>	<p>Implemented throughout 2012.</p>	<p>Actions taken to implement P1-P10.</p>

## DLH participates in EUTR Stakeholder Meeting

In November 2012, DLH participated in a stakeholder consultation in Brussels held by the EU Commission. The objective was to discuss the EU Timber Regulation (EUTR) guideline documents.

For more information on EUTR, please visit the 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 and Belgium. We have been on the board of the Danish National FSC Initiative since 2007.

## 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 Sverige AB	SW-COC-002509
SGS	DLH Indufor NV, Belgium	SGS-COC-000793
	DLH France	SGS-COC-000946
	DLH Nederland B.V.	SGS-COC-001100

\*All Global Sales offices operate under this certificate

### Supporting The Borneo Initiative

In March 2012 DLH country manager Steen Bach participated in a field visit to the Indonesian province of Papua organized by The Borneo Initiative (TBI). The purpose of the visit was to connect suppliers considering to become FSC certified with European customers in order to foster their engagement and commitment to the certification process. Positive results were achieved and several of the concession holders are now in the process of becoming FSC certified with the assistance of TBI. TBI has currently 3.4 million hectares in the process of becoming FSC certified in Indonesia

Learn more about TBI here:  
[www.theborneoinitiative.org](http://www.theborneoinitiative.org)



The Borneo Initiative.



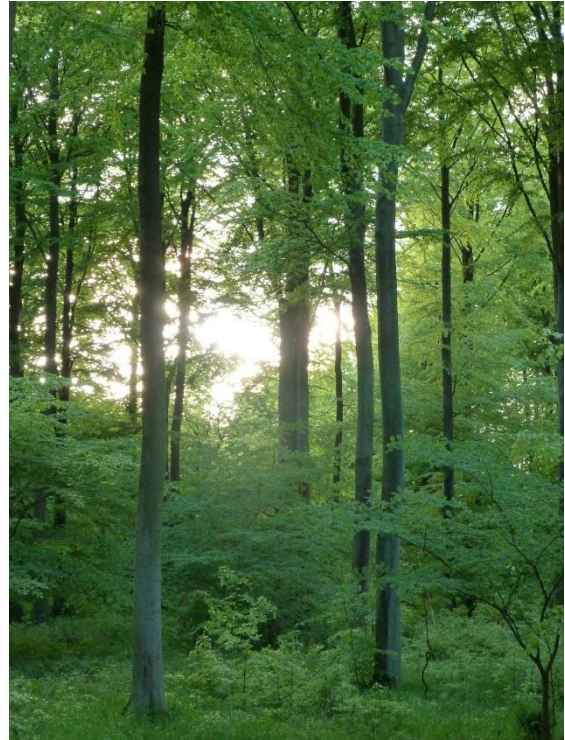
# ENVIRONMENT

## 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.

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.
- ✓ All our suppliers must complete our Good Supplier Program (GSP) questionnaire and undergo due diligence. Participation in GSP is a pre-requisite for becoming a DLH Supplier.
- ✓ 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'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 due diligence tool used to collect and evaluate information on the origin, legality, verification and certification of the timber and timber products we source. GSP is an important tool in complying with EU Timber Regulation and the US Lacey Act. All suppliers to DLH must complete the GSP assessment.

### From commitment to action: Implementing GSP v.2013

Because DLH's CSR undertakings have grown over the years, it has been necessary to improve

processes in order to materialize the new commitments.

In 2010 the company committed to implementing the principles of UN Global Compact. In the same year DLH adopted a new corporate strategy, divesting itself of production activities whilst focusing business on sourcing and distribution. In light of these developments and the new EU Timber Regulation (EUTR) requirements, we believe that the more systematic and comprehensive due diligence process, the company can perform with the implementation of GSP v.2013 provide key tangible benefits to the company, long-standing customers and other key stakeholders.



Vice President Peter K. Kristensen visiting a supplier in Gabon. Visiting suppliers is an important part of the due diligence process.

## Our Products

### Quick Facts about DLH's Environmental Policy on Product

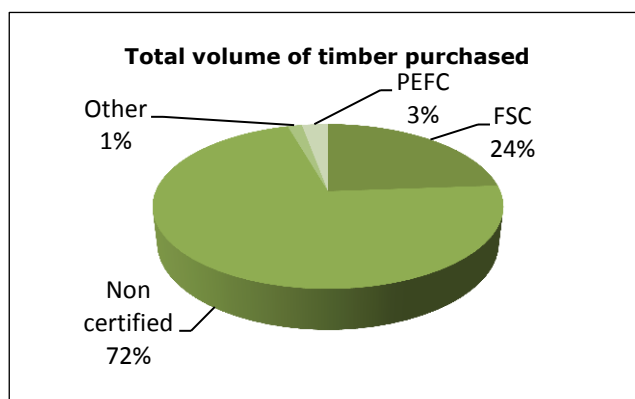
- ✓ DLH strives to purchase as much certified timber as possible and we want to continue to be the leading supplier of certified tropical hardwood in the future.
- ✓ Our long term target is to only source sustainable timber. The success of this target is dependent on many factors, few of which we have 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.

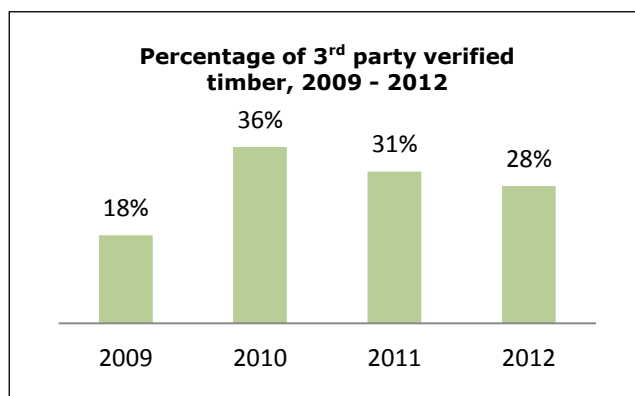
### Purchases of verified and certified timber

In 2012, 28% of all procured timber (by volume) was third-party verified or certified. Approximately 24% was covered by the certification scheme FSC – this is a 6 percentage point increase from 2011.

Approximately 3% of purchases were covered by PEFC, and 1% by other verification schemes such as VLO, TLTV, MTCS and FSC CW. These two categories have decreased from 5 and 8 percent respective share of total timber purchases in 2011.



Purchases of verified and certified timber have declined by three percentage points in the last year and by 8 percentage points since the peak in 2010. However, we remain ten percentage points higher than in 2009. After divestment of forest activities, DLH maintains its goal of continuously increasing purchases of verified and certified timber.



## Our Customers

### Promoting EUTR readiness throughout our supply chain

DLH has been working with our customers to raise awareness and understanding of the EU Timber Regulations. We have placed a priority on achieving readiness to comply with the regulation.

What does EUTR mean for your business? What products are covered by EUTR? In late 2012, we released a brochure for our customers explaining what the EUTR means for their business and what DLH has done to prepare for the regulation.

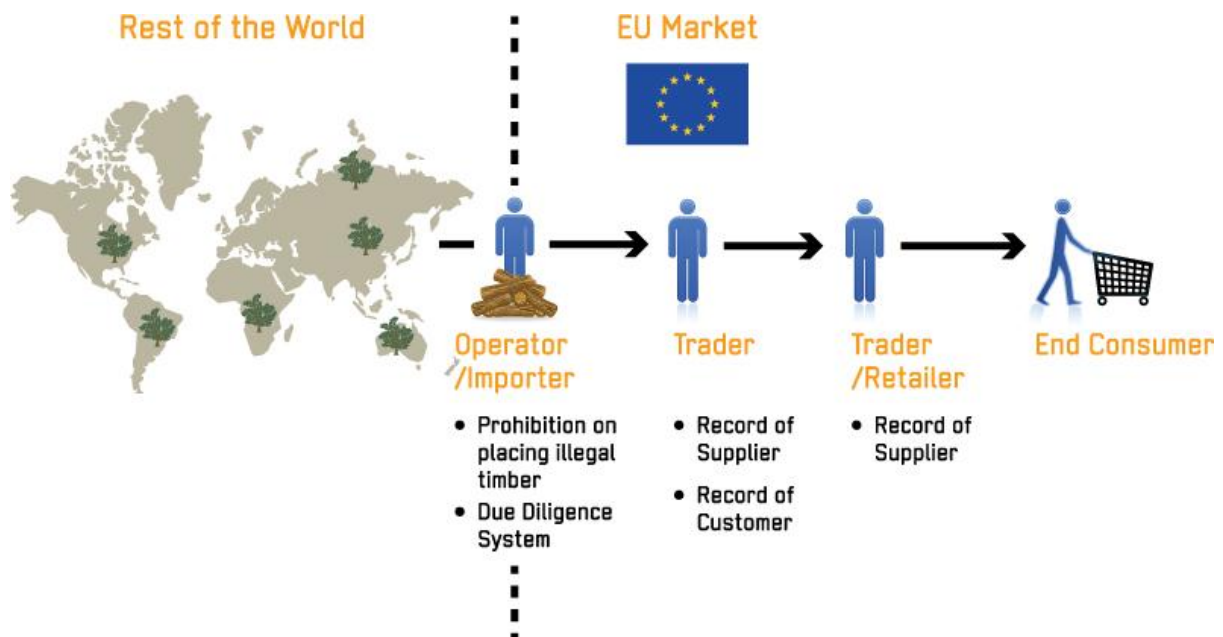
The brochure provides the necessary information for our two type of customers, i.e., those who purchase timber products that DLH has imported to EU; and those who import timber products into the EU that they have bought through DLH.

The brochure has been distributed amongst our networks of customers. We have also taken a wider approach to informing our industry partners, by publishing articles in industry magazines and speaking at conferences.

We have also conducted extensive training of DLH staff through seminars and online training to prepare them to assist our customers regarding EUTR requirements.

EUTR poses both a challenge and an opportunity to the timber industry. Ensuring clear flows of communication throughout the supply chain is essential to its success. Our programme of awareness raising hopes to help explain the complex topics and processes involved in the implementation of the regulation.

Please visit our website for more information on EUTR and to download our brochure 'EUTR: Ready for March 2013' in multiple languages.





## Our Climate

As part of the group’s continuous commitment to openness and transparency, DLH reports on carbon and forest footprints in 2012.

### Our Forest Footprint

DLH was recognized as leader in its sector in the Forest Footprint Disclosure (FFD) Annual Review 2012. This is the third year the group has been awarded such recognition for the management of its forest footprint. In 2010 and 2011 DLH was also recognized as 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 worlds’ 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 2012 by reporting on the management of its timber supply chain. FFD Annual Review 2012 is available [here](#).

### Our Transport Carbon Footprint

Since 2011, DLH has been reporting 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 showed that international transport was 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 2012 adds up to approximately 81 kg /CO<sub>2</sub> per cubic meter of timber traded.

Total International Transport Carbon Emissions <sup>1</sup>	International Transport Carbon Emissions / m3 timber traded <sup>2</sup>
58.193 Tonnes CO <sub>2</sub>	81 Kg CO <sub>2</sub> /m3

(1) Total emissions calculation based on the average emissions of the containers shipped from the top ten origins in 2012.

(2) Emissions calculation based on the total timber volume trade in 2012.



Goal	Action 2012	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"> <li>- To monitor our supply chain regarding uphold of our Environmental Policy.</li> <li>- To promote greater uptake of FSC certified products and other third-party verified and certified products.</li> <li>- To monitor and communicate our forest footprint.</li> <li>- To monitor and communicate our carbon footprint.</li> </ul>	<ul style="list-style-type: none"> <li>- To implement the new and improved GSP.</li> <li>- To promote readiness for the introduction of the EUTR in March 2013.</li> <li>- To constantly increase purchases of third-party verified and certified timber.</li> <li>- Report to Forest Footprint Disclosure Project.</li> <li>- Report on the international transport carbon footprint of DLH's timber and timber products.</li> </ul>	<ul style="list-style-type: none"> <li> Following programme development and pilot test in 2011, the new GSP was launched in 2012.</li> <li> Communications with suppliers and customers about the EUTR.</li> <li> 28% of total timber procured is verified or certified.</li> <li> Report submitted October 2012. DLH recognized as leader in its sector in the Annual Review for 2012.</li> <li> Figures disclosed in the CSR Report 2012.</li> </ul>	<p>Actions taken to implement P 7, 8 &amp; 9; and outcomes from implementing P8 &amp; P9.</p>



# SOCIAL & HUMAN RIGHTS

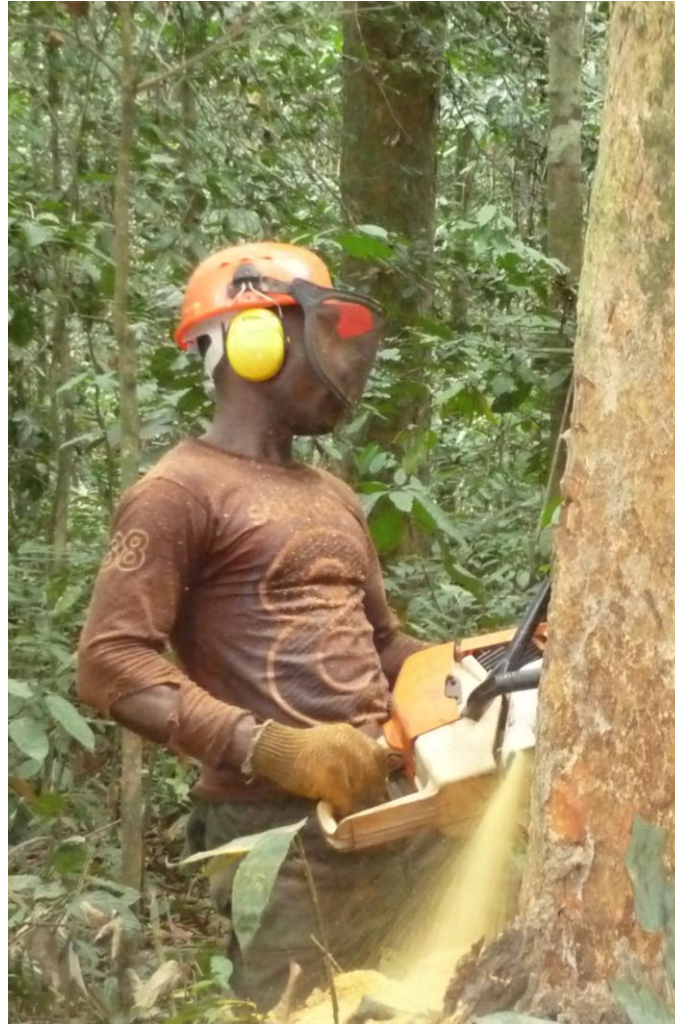
## Doing business in diverse countries

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.

DLH recognises the importance of the UN Human Rights Council's "Guiding Principles on Business & Human Rights", written by the UN Special Representative John Ruggie. We therefore support that the Guiding Principles is 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. The Guiding Principles have in other words 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"<sup>1</sup>

With the launching of the new GSP in 2012, which is the group's supplier risk assessment tool, DLH aims to conduct more systematic human rights due diligence in the upcoming years.



<sup>1</sup> Ruggie, John. 2010. The Corporate Responsibility to Respect Human Rights in Supply Chains. Discussion paper. 10<sup>th</sup> 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.

GSP 2012 covers not only 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.

For more information, please read the Environment Section of this report.

Goal	Action 2012	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"> <li>- Improving the group's risk-assessment tool, GSP.</li> <li>- Collecting information on the performance of suppliers on labour and human rights.</li> </ul>	<ul style="list-style-type: none"> <li>- To implement a new GSP.</li> <li>- To implement a new GSP.</li> </ul>	<ul style="list-style-type: none"> <li> GSP implemented in 2012.</li> <li> GSP implemented in 2012.</li> </ul>	<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 2012, DLH continued conducting training to ensure the sustained implementation of the Business Integrity Policy. 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, India, Hong Kong, Gabon, Ivory Coast 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"> <li>- Formalizing a group-wide position regarding corrupt-practices.</li> </ul>	<ul style="list-style-type: none"> <li>- To conduct follow-up training of Country Managers.</li> </ul>	<p> - Follow-up training conducted in Vietnam, Indonesia, Brazil, India, Hong Kong, Gabon, Ivory Coast and Cameroun during 2012.</p>	<p>Actions taken to implement P10.</p>



# FUTURE PERSPECTIVES

With the implementation of the new and updated GSP system in 2012, DLH has now a tool to perform thorough and systematic supplier due diligence. The program 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.

It is our goal that the new GSP will help set an industry standard and assist the group to consolidate its market position as the preferred supplier of responsible timber. In other words, DLH wants to take the industry lead.



# 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 2012: AR; CSR Report 2012: CSR; Website: website) and the extent of our reporting (full or partial).

GRI Profile	Reference	Comments	Reporting	Global Compact Principle
<b>STRATEGY AND ANALYSIS</b>				
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.
<b>ORGANIZATIONAL PROFILE</b>				
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; 8-13.		Full	
PD 2.3 - Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR, p.90.		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.90.		Full	
PD 2.6- Nature of ownership and legal form.	AR, p. 16, 90.		Full	
PD 2.7- Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR, p.8-13, 53-54. CSR, p.4.		Full	
PD 2.8- Scale of the reporting organization.	AR, p.3.		Full	
PD 2.9- Significant changes during the reporting period regarding size, structure, or ownership.	AR, p.86-88 (N. 28)		Full	
PD 2.10- Awards received in the reporting period.	CSR, p.4, 13		Full	
<b>REPORT PARAMETERS</b>				
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.	None.		Full	
PD 3.12 – Table identifying the location of the Standard Disclosures in the report.	CSR, p.22-24.		Full	
<b>GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>				
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.26-28. CSR, p.4. <a href="#">Website</a>		Full	P1-10.
PD 4.2 - Indicate whether the Chair of the highest governance body is also an executive officer.	AR, p.19.		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, 18-19.		Full	P1-10.
PD 4.4- Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR, p.18-19. 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. 9-14. Social: CSR, p. 15-17. Business Integrity: CSR, p. 18-19.		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. <a href="#">Website</a>		Full	P1-10.
PD 4.14- List of stakeholder groups engaged by the organization.	<a href="#">Website</a>		Full	P1-10.
PD 4.15- Basis for identification and selection of stakeholders with whom to engage.	CSR, p. 8. <a href="#">Website</a>		Full	P1-10.
<b>ECONOMIC</b>				
Disclosure on Management Approach.	AR, p.53.		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.3, 32-39.		Full	

EC2 – Financial implications and other risks and opportunities for the organization’s activities due to climate change.	CSR, p.9, 13.		Full	P7.
EC3 – Coverage of the organization’s defined benefit plan obligations.	AR, p.72-73 (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.9-14. <a href="#">Environmental Policy</a> .		Full	P7-9.
EN17 – Other relevant indirect greenhouse gas emission by weight.	CSR, p. 13.		Full	P8.
EN26 – Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	CSR, p. 9-14.		Full	P7-9.
HUMAN RIGHTS				
Disclosure on Management Approach.	CSR, p.15-17. <a href="#">Social and Human Rights Policy</a> .		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.15-17.		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.15-17.		Full	P1, 2, 4.
SOCIETY				
Disclosure on Management Approach.	CSR, p.18-19.		Partial	P10.
SO2 – Percentage and total number of business units analyzed for risks related to corruption.	CSR, p.18-19.		Full	P10.
SO3 – Percentage of employees trained in organization’s anti-corruption policies and procedures.	CSR, p.18-19.		Full	P10.
SO5 – Public policy positions and participation in public policy development and lobbying.	CSR, p.18-19. CSR, p. 8.		Full	P1-10.





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**YOUR FEEDBACK IS IMPORTANT TO US**

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

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