

PROFILES IN RESPONSIBLE FORESTRY

DLH Goes Straight to the Source of Its Timber

Illegal logging and the trading of improperly sourced timber not only destroy forests and endanger flora and fauna, but also threaten the economic well-being of forest product companies. These activities create unfair competition for responsibly managed businesses and put those that unknowingly traffic in unlawful forest products at risk of possible legal action. Forward-thinking companies understand the economic value of sustainability and the need to ensure that the wood and wood products they source are of legal origin and were obtained in compliance with the laws of their source country. For the Danish-based DLH Group, the world's largest tropical timber trader, independent legality verification by the Rainforest Alliance is proving to be an effective tool for working toward these goals.

In 2002, DLH established its "Good Supplier Program," an internal due diligence system for determining how its timber is sourced. Prior to shipping timber to DLH, the company's suppliers in high-risk countries are required to fill out a questionnaire. Using the information gathered along with other data, DLH figures out which suppliers are most in need of third-party legality verification.

The company began by examining its timber sources in Sabah, Malaysia. Located on the island of Borneo, the state of Sabah boasts a wealth of natural resources, from rainforests and mountain ranges to beaches and bays. These varied environments harbor a wide range of plant and animal species, many of which are found only in the region, and the area must be carefully managed to ensure the long-term survival of its biodiversity.

As the world's leading Forest Stewardship Council (FSC) forest management certifier, the Rainforest Alliance's SmartWood program sets the international gold standard for credibility in auditing environmentally and socially responsible forestry businesses. In addition to FSC certification, the Rainforest Alliance offers a diverse set of verification services ranging from verification of legality to the proper management of high conservation value forests. Legality verification is a first step for companies that are interested in improving their forest management practices and moving toward eventual FSC certification of their own forestland and/or that of their suppliers.

In early 2006, the Rainforest Alliance began working with DLH to develop and implement systems that could verify the legal status of the company's Sabah timber sources. This collaboration led to the development of the Rainforest Alliance's standards for the verification of legal origin (VLO) and verification of legal compli-



By ensuring that its timber is harvested legally, DLH helps protect forests and the flora and fauna they shelter.

ance (VLC). VLO verifies that timber originates from a source that has a documented legal right to harvest, while VLC expands upon this basic level of verification by confirming that timber harvesting practices comply with a broader range of forestry-related laws and regulations, such as environmental, social and operational requirements. In October 2006, the Rainforest Alliance awarded its first VLO verification statement to Carl Ronnow — DLH's Sabah supplier, a wholly owned subsidiary of the company — confirming that its timber was of legal origin.



OUR MISSION

The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior.

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A Changing Environment for the Timber Industry

Increasingly, national governments have been strengthening their laws regulating the trade of forest products and are working to improve the transparency of the industry. In the US, for example, an amendment to the Lacey Act was passed in May 2008, prohibiting the trade of illegally sourced plants or plant products — including wood and items made from wood.

Similarly, in 2003 the European Union (EU) adopted an “Action Plan” on Forest Law Enforcement, Governance and Trade, known as FLEGT — a voluntary system to ensure that only legally harvested timber is imported into the EU from participating countries. In October 2008, the EU proposed legislation to reinforce the FLEGT Action Plan, requiring businesses to take concrete steps to minimize the risk of putting illegally harvested timber and timber products on the European market.



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In addition to safeguarding fragile environments and the legal supply of timber — the economic lifeblood of traders and forest product businesses — verification helps protect companies from punitive legal action by supporting their own internal due diligence systems. According to Peter Kristensen, who heads DLH’s corporate social responsibility and environment initiatives, “[We] realized early on that our access to European and US markets would be dependent on an increased supply of legally verified and sustainably certified wood.”

Laying the Groundwork for Verification

In 2006, when DLH first engaged with the Rainforest Alliance to initiate legality verification in Sabah, the company and its suppliers had limited capacity to implement the process. DLH decided to invest time and money to train the staff at its supplying sawmills, create documented control systems and conduct training on the implementation and maintenance of these systems and appropriate recordkeeping. While the development of the verification process took nearly a year, the system now functions relatively smoothly. With the establishment of the Rainforest Alliance’s VLO and VLC

standards and protocols, new supply chains or sites are typically verified within three to six months, depending on the complexity and size of the operation.

Since the initial assessment of DLH’s Sabah supply chain, the Rainforest Alliance has continued conducting regular audits of the company’s suppliers. Because verification agreements are issued for only one year at a time, the Rainforest Alliance conducts supplier audits every six months and a re-assessment audit at the end of each year to renew the VLO statement.

Audits can be intense, but verification has yielded some unexpected benefits as well. “Working with the Rainforest Alliance has not only provided DLH with verification services,” said Kristensen, “but it has also helped to develop pragmatic yet rigorous solutions to how sourcing policies and economic considerations can work alongside independent legality verification.” The impacts have



As the world’s largest tropical timber trader, DLH is a key collaborator in the Rainforest Alliance’s efforts to curb illegal logging.

been tangible. “Legality verification has helped DLH retain buyers and clients and maintain market shares.”

DLH has maintained its VLO status for three years, and now, with the support of the Sabah Forestry Department, the company is collaborating with Yayasan Sabah, a DLH supplier and a major forest manager in Malaysia, to work toward a VLC statement, the next level of legality verification.

As DLH progresses toward tougher standards, both the company and the Rainforest Alliance will be better able to reach their joint objectives — namely to promote responsible forestry and move toward FSC certification. The two are using their shared experiences in Sabah to help spread legality verification across the world.

DLH, which celebrated its 100th anniversary in 2008, hopes that third-party legality verification will help ensure another century of success. “Little room will be left for companies operating on a ‘business as usual’ model,” says Kristensen. “This is especially true in a time of global downturn where companies with foresight are the ones that are likely to succeed.”

Photos: J. Hayward, C. Sloth, C. Trewick

For more information about the Rainforest Alliance’s forestry verification work, please visit www.rainforest-alliance.org/legal_verification

