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LegalSource™
Surveillance Audit 2016
Report for:
Danzer UK Ltd.
in
Maldon, Essex, United Kingdom

Report Finalized: 24/03/2017
Report Format: Confidential
Audit Dates: 20th December 2016
Audit Team: Nicolas Pillet

Type of Evaluation: Multi-site
Certificate code: NC-LS-012324
Certificate issued: 23rd December 2014
Report based on Standard(s): LegalSource Standard Version 1,
dated 8 January 2013

Organisation Contact: Danzer UK Ltd.
Address: 46 Market Hill, Maldon, Essex,
CM9 4QA, United Kingdom

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1. INTRODUCTION

The purpose of this report is to document conformance with the requirements of the LegalSource standard by Danzer UK Ltd, hereafter referred to as "Organisation". The report presents findings of NEPCon auditors who have evaluated organisation systems and performance against the applicable requirements. Section below provides the audit conclusions and any necessary follow-up actions by the organisation.

Dispute resolution: If NEPCon clients encounter organisations or individuals having concerns or comments about NEPCon and our services, these parties are strongly encouraged to contact relevant NEPCon regional office. Formal complaints and concerns should be sent in writing.

2. EVALUATION FINDINGS

Audit Recommendation

Based on Organisation's conformance with LegalSource requirements, the auditor makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification approved: Upon acceptance of NCR(s) issued below
<input type="checkbox"/>	Certification not approved: -
Additional comments: 1 Major NCR, 2 minor NCRs and 1 observation issued	

Open Non-conformity Reports (NCRs)

Note: NCRs describe evidences of Organisation non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR NCRs issued during assessments/reassessments shall be closed prior to issuance of certificate. MAJOR NCRs issued during surveillance audits shall be closed within timeline or result in suspension.

Issued for: Danzer UK Ltd			
NCR: 01/16 (14766)	NC Classification:	MAJOR <input checked="" type="checkbox"/>	Minor <input type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 8.3 (Risk Mitigation) The organisation shall implement risk mitigation actions before the related material is accepted as being LegalSource certified.		
Report Section:	Appendix: A, 8.3		
Description of Non-conformance and Related Evidence:			
<p>It is considered that certification/verification schemes as seen as strong mitigating measures and Danzer UK relies extensively on them when it comes to risk mitigation.</p> <p>The auditor reviewed the certification scheme evaluation, and on the evaluation of the FSC system, the following statement was made: "For high risk countries (CPI < 50), a specific additional risk evaluation will be done for trade & customs regulations, in contact with the specific certification bodies."</p> <p>Subsequently two supply chains for some material sourced in Africa and certified under FSC scheme only (Sapele from Congo and Sapele from Ghana) were reviewed.</p> <p>No legally required trade and transport documentation was collected for these supply chains, nor confirmation from the certification body that these were verified by FSC auditors, during main and annual evaluations of the suppliers.</p> <p>Additionally, and due to NEPCon's experience as a certification body for FSC, it is understood that the legally required trade and transport permits/licenses (where applicable) are not routinely verified by auditors. FSC requirements only require checking of invoices and delivery notes. Legal transport documents may, in some cases, be used to transmit the FSC claim, but in many cases a separate delivery note is used.</p> <p>As the lack of robust evaluation, and use as part of a mitigation process, of third party certification schemes has already been observed in previous annual evaluations (NCR 12/14), this NCR is raised as a Major.</p>			
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>		
Timeline for Conformance:	3 months from report finalisation (24/03/17)		
Evidence Provided by Organisation:	PENDING		
Findings for Evaluation of Evidence:	PENDING		

NCR Status:	OPEN
Comments (optional):	See related NCR issued for Interholco (NCR 02909) & Danzer Veneer (NCR 07150)

Issued for: Danzer UK Ltd			
NCR: 02/16 (14767)	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 6.1.4 (Supply chain and material information) The organisation shall have and maintain the following up-to-date information about products included within the scope of the LegalSource evaluation: the country (or pool of countries) of origin;		
Report Section:	Appendix: A, 6.1		
Description of Non-conformance and Related Evidence:			
<p>The auditor reviewed a series of supply chain information and evaluations (13), and on one occasion, the information regarding the country of origin of the timber was not specified or precise to the level required by the standard.</p> <p>In the case of the purchase from a European supplier of FSC 100% certified Oak, the origin of the timber was listed as "Europa". Even by considering the certified status of the timber, the reference to the origin is too wide and doesn't constitute a pool of countries (Europa is not a known and clearly defined entity).</p>			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
Timeline for Conformance:	By the next annual surveillance audit.		
Evidence Provided by Organisation:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			

Issued for: Danzer UK Ltd			
NCR: 03/16 (14768)	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; 6.1.4 (Supply chain and material information) The organisation shall have and maintain the following up-to-date information about products included within the scope of the LegalSource evaluation: the country (or pool of countries) of origin;		
Report Section:	Appendix: A, 8.3		
Description of Non-conformance and Related Evidence:			
<p>In cases where Danzer is sourcing from an identified high risk country, the Environmental Manager informed the auditor that, according to Danzer Procurement Rules, they request the supplier to include the concession of origin / UFA number on the invoice.</p> <p>When reviewing suppliers' information and evaluations, it was observed that this was not checked consistently as this information was missing in several cases.</p> <p>Over the 16 invoices checked for 2016 from one of supplier sourcing timber from Ghana, only one included the necessary information. Verification of the 2015 invoices showed that the information was listed consistently that year as no invoice was lacking the UFA number.</p> <p>For timber received from another supplier, sourcing Oak in Serbia (high risk), the UFA number was not referenced either.</p> <p>Due to the certified status of the timber in both cases (FSC CW and FSC Mix), the level of illegality risk is not deemed to have been significantly impacted by the absence of the information. In effect, the statements are merely supplier declarations. However, this demonstrates an insufficient adherence to internal procedures.</p>			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
Timeline for Conformance:	By the next annual surveillance audit.		
Evidence Provided by Organisation:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			

Closed Non-conformity Reports (NCRs)

Issued for: Danzer UK Ltd			
NCR: 01/15 (08081)	NC Classification:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	NEPCon LegalSource Standard, version 1.0; Requirement 7.1 7.1 The organisation shall assess and specify the level of risk of illegal forest products entering the supply chain		
Report Section:	Appendix: A, 7.1		
Description of Non-conformance and Related Evidence:			
<p>Whilst risk assessment had been conducted on most supply chains it was found that a walnut veneer has been purchased and sold without risk assessment being conducted.</p> <p>The Managing Director was interviewed and stated that the products in question were small quantities used for small sample jobs for dashboards to a car manufacturer. The supplies were purchased from Danzer Deutschland (see also OBS 01/15).</p> <p>The Organisation is reminded that risk assessment is required to be conducted PRIOR to purchase for all products included within the scope of the EUTR and the Organisation's LegalSource scope going forward.</p>			
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>		
Timeline for Conformance:	By the next annual surveillance audit		
Evidence Provided by Organisation:	Danzer Deutschland risk assessment.pdf Veneer invoices 1-6		
Findings for Evaluation of Evidence:	<p>Danzer UK is still providing the moulding service and has now included Danzer Deutschland as part of their suppliers'list and the walnut and maple veneers used in their risk assessment.</p> <p>Also, for part of their activities, they receive the veneer from their client and therefore only charge for the moulding service, not the material.</p>		
NCR Status:	CLOSED		
Comments (optional):	<i>This NCR is graded as a minor due to the small volume of products being accepted without prior risk assessment. However, the Organisation should note that ANY future volume accepted without prior risk assessment will result in major non-conformance.</i>		

Observations

Note: Observations are issued for the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the organization; observations may lead to direct non-conformances if not addressed.

OBS: 01/16 (14769)	Standard & Requirement:	NEPCon LegalSource Standard, version 1.0
	Report Section	Appendix: A 7.1.1
Description of findings leading to observation:	Danzer Group has conducted their risk assessment on the supply of PEFC certified Oak from the Czech Republic and referenced a CPI of 51 for the country of origin when it was of 56 for the period and at the time of audit.	
Observation:	NEPCon understands that Danzer applies a high risk status to this supply chain regardless of the CPI rating. Also that the difference of score observed here does not impact the risk classification. However, it is expected the risk assessment to be reviewed, at least annually, and including an update of the CPI.	

Actions taken by Organisation Prior to Report Finalization

A number of exhibits requested in electronic format were emailed to auditor by the Managing Director the day after the on-site audit.

3. COMPANY DETAILS

Contacts

Primary contact for Coordination with NEPCoN

Primary Contact, Position:	Ken Walsh
Address:	46 Market Hill, Maldon, Essex, CM9 4QA
Tel/Fax/Web/Email:	Tel: +44 1621 851002 / Fax: +44 1621 859122 Web: http://www.danzer.co.uk/ Email: ken.walsh@danzer.co.uk
Jurisdiction of primary legal entity:	United Kingdom

Billing Contact

Same as shown for "primary contact"

Scope

Scope item	Check all that apply to the certificate scope		Change in scope (N/A for assessments)
Certificate type:	<input type="checkbox"/> Single Organisation	<input checked="" type="checkbox"/> Group or multi-site	<input checked="" type="checkbox"/>
Activity:	Primary: Broker/trader with physical	Additional: Broker/trader without physical p	<input checked="" type="checkbox"/>

Scope: Danzer UK staff described their Due Diligence System (DDS) as covering the following product scope:

All wood products (lumber and added-value products) supplied by Danzer UK to its customers, independently of whether:

- a. the wood originated (Country of Harvest) from within or outside the EU
- b. the wood products are sourced from companies based within, or outside, the EU
- c. the purchase is from another company within Danzer Group.

In a few aspects, this ambitious scope extends admirably beyond the limits of the requirements and obligations of the EUTR. Danzer UK communicated that it has chosen this approach based on the characteristics of the products and species sold by the organisation; the needs and expectations of the UK market as well as the high opportunity of sourcing *certified* or *legal-verified* among its product groups.

Description of Organisation

Danzer Group

The Danzer Group is composed of various Danzer group subsidiaries. NEPCoN LegalSource certification is held by three separate legal entities:

Certificate 1: Danzer Veneer Europe (DVE)

Certificate 2: Interholco (IH)
Certificate 3: Danzer UK (DUK)

The product scope of DVE and IH LegalSource certification is more limited than DUK, applying to;

- a. Logs harvested or procured inside the EU.*
- AND/OR*
- b. Wood products procured by Danzer outside the EU and placed on the EU market*

Danzer UK

Danzer UK stands out from other organisations within Danzer Group as it is solely a trading company. No production takes place. Danzer UK sales can be divided between sawn timber and added-value products (manufactured products such as worktops, flooring and mouldings). Most added value products are single-species products, although DUK is beginning to work more with composite products such as engineered flooring and doors). In principle DUK is a multi-site organisation since storage takes place in two separate locations, however no processing takes place, the material is simply stored. Multi-site requirements are therefore handled via the chain of custody system.

Danzer UK is located in one office location in Maldon, Essex. If warehoused products are usually stored at an outsourced facility in Liverpool (Denholm Handling Ltd) or Maldon (W Clarks & Sons Ltd.) In addition there are two drying facilities located in the Netherlands and another storage facility in the UK included within the scope of the certificate.

Danzer UK acts as a trader (taking legal possession) in 95% of its trading activity. For the other 5% it is acting as an agent (arranging purchases/sales and charging a commission). At the present time, Danzer UK imports from all continents except South America. Approximately 25% of its purchases are from within the Danzer group.

The vast majority of products sourced from outside of Europe/United States are purchased as certified (FSC 100%, FSC CW, PEFC) or under a private or public legality assurance verification (SVLK, OLB, MYTLAS, RA VLC).

Site details

Organisation Site(s)	Address Tel/Fax/Email	Type of operation	Product groups placed on the market (include brief description)	Visited during this audit (mark the length in hours and auditor if applicable)
Danzer UK Ltd.	46 Market Hill, Maldon, Essex, CM9 4QA Tel: +44 1621 851002 / Fax: +44 1621 859122 www.danzer.co.uk ken.walsh@danzer.co.uk	Trader	Sawn timber and added value products (E.g. flooring, doors, mouldings, worktops)	1 day on-site
Denholm Handling Ltd	Stopgate Lane, Simonswood, Kirkby, Liverpool L33 4YL Tel: +44 151 5474141 / Fax: +44 151 5477658	Outsourced warehouse facility for reception, storage and dispatch of sawn timber.	Sawn timber packets	Not visited
W Clarks & Sons Ltd.	Unit F1, Beckingham Business Park, Beckingham Street, Tolleshunt Major, Maldon, Essex, CM9 8LZ	Outsourced warehouse facility for reception, storage and dispatch of added-value products and sawn-timber.	Sawn timber and added value products	Not visited

EVALUATION PROCESS

Evaluation Team

Auditor(s)	Qualifications
Nicolas Pillet	Nicolas is a Forest Legality Specialist working with the LegalSource Assurance team delivering the legal source programme, audits and EUTR due diligence services globally. Over the last 2.5 years, Nicolas has been running risk based enforcement projects for the UK Competent Authority (BEIS RegulatoryDelivery). Nicolas has a university degree in Geography and an Advanced Professional Certificate in Investigative Practice.

Description of Evaluation Process

1. Opening meeting, presentation of participants, audit program and scope
2. Introduction by Danzer UK to the organization of Danzer UK / Danzer Group and the current Due Diligence System (DDS) in practice at Danzer UK.
3. Evaluation of quality management aspects of the DDS, including the documented procedures, including responsibilities, commitments made by the organization, procedures for internal monitoring and definition of product scope.
4. Evaluation of the general procedures for access to information, risk assessments and risk mitigation procedures adopted by Danzer UK.
5. Evaluation of operational implementation of the Danzer UK DDS, including:
 - a. Evaluation of a sample of supply chains and the implementation of Due Diligence on the selected samples (access to information, risk assessment and risk mitigation)
 - b. Evaluation of supplier audits and records
6. Break for lunch
7. Continued evaluation of operational implementation of the Danzer UK DDS (see 5 above).
8. Collection of relevant evidence
9. Closing Meeting.

