



PASSION FOR WOOD

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“The role of markets for facilitating sustainable forest management (SFM)”
– a producer perspective

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THE DLH Group

- Expected group revenue of USD 1.05 billion in 2008
- Largest producer of sustainable tropical hardwood in Africa
- 85% of DLH's revenue is generated outside Denmark
- Sales and procurement offices, warehouses and processing plants in 33 countries across five continents
- Manages 1.6 million ha in Congo Basin – including the biggest FSC area of tropical rainforest in the World
- Approximately 3,800 employees
- Listed on the OMX Nordic Exchange Copenhagen A/S



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Please visit our website at
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Own forest/timber production and suppliers and sales worldwide

Own production

- Congo – 1.3 mio ha
- Gabon – 0.3 mio ha

Global supply and sales

- Suppliers worldwide
- Sales markets world wide

Strategy:

- more “upstream” involvement (plantations, natural forests)



Market situation for sustainably produced wood products

- High CSR requirements to wood products from “risk” countries
- Fulfilling high requirements (certified wood) not always resulting in a premium
- Fewer requirements to temperate woods and normally no premium for certified wood
- Wood of dubious origin has still access to major markets
- Not yet a level playing field
- High on the political agenda in Europe

What does it take to achieve sustainable production (FSC-certification)?

The CIB case (DLH-Group)

FSC certification includes the following:

- Mapping
- Inventory of forest resources
- Socio economic studies
- Harvesting planning
- Wildlife management
- Reduced Impact Logging
- Control and monitoring



Donor funding was important:

- Social program – (World Bank)
- Wildlife management – PROGEPP Project (ITTO)
- Research and development – FFEM Project (FFEM) – Regeneration; Agro-forestry

Is it a sound investment – does market respond?

Working with suppliers to implement SFM and take market advantages

- Different levels of verification



- Responsible Forest Management – FSC / PEFC
- Verified Legal Compliance – VLC / TLTV
- Verified Legal Origin – VLO
- Known Origin
- Unknown Origin



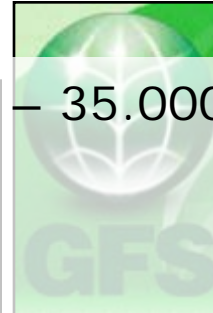
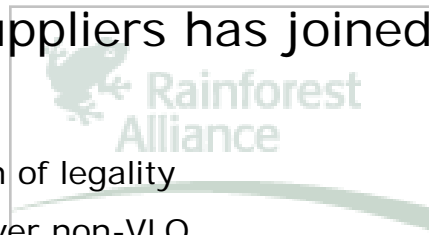
Working with suppliers to implement SFM and take market advantages

- The Malaysia case

More than 10 suppliers has joined – 35.000 m³ of VLO / year

Benefits:

- 3rd party verification of legality
- Market advantage over non-VLO



- Closer partnership with suppliers
- The suppliers benefit early in the process
- Advantage when negotiating financing with financial institutions - especially for local suppliers
- First step towards FSC

Challenges

- Need a high level of corporation from all parts of the supply chain
- You need qualified local consultant companies with experience
- Regular follow-up is needed to keep the progress and to keep the certificate
- Expensive
- Limited premium is paid by the market



Working with suppliers to implement SFM and take market advantages - Marketing opportunities

Is the timber you use traceable?

SW-VLO-0009 SmartWood

SmartWood is a global leader in timber traceability solutions. We provide a range of products and services to help our clients ensure their timber is sourced responsibly and sustainably. Our products and services are designed to help our clients meet the demands of their customers and the market. For more information, please contact us at info@smartwood.com or visit our website at www.smartwood.com.

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Can you trace the timber you use back to it's origin?

If not, then you should be talking to us because our VLO (Verified Legal Origin) timber from Malaysia, verified by SmartWood, can be traced back to its legal origin. So you can be confident of the timber's real identity.

Our supplier, Carl Fornow, controls each process in the supply chain - from forest to timber yard - verified by an independent 3rd party which ensures that our VLO timber from Malaysia comes to you with the added assurance that it has been legally harvested.

Carl Fornow VLO timber is exclusively available through DLH UK, so why not talk to us and ask for more details.

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Our VLO timber from Malaysia is verified by SmartWood and can be traced back to its legal origin

It's reassuring to know that when you buy our VLO (Verified Legal Origin) timber from Malaysia, you'll purchase with the knowledge that the timber has been verified by SmartWood and can be traced back to its legal origin.

Carl Fornow (Malaysia) provides the VLO timber which is exclusively available from DLH UK. So why not talk to us and ask for more details.

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Are market mechanisms a sufficient motivation for implementing SFM?

Yes, to some extent, but:

- Need for better private/public partnerships in projects with complex environmental and social issues
- Improved financing mechanisms including partnerships with NGOs
- Better understanding of private sector thinking (authorities become partners instead of controllers only)
- Sustainably produced wood is a unique product in terms of climate – but is the good message known to everyone?
- Work actively with both ends of the supply chain (close dialogue with suppliers and clients)
- Public procurement policies play an important role
- Legislation to prevent dubious wood entering markets and create a level playing field
- Wood products should not stand alone
- Ecosystems payments
- Carbon offset
- But who is the owner of such services? (public/private partnerships)



Thank You!

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