



Preferred by Nature OÜ Evaluation of Verdo Trading AS Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

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The promise of good biomass



Completed in accordance with the CB Public Summary Report Template Version 1.8

*For further information on the SBP Framework and to view the full set of documentation see
www.sbp-cert.org*

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

Version 1.5: published 22 October 2020

Version 1.7: published 12 November 2022

Version 1.8: published 26 April 2023

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1 Overview

Certification Body (CB) Name: Preferred by Nature OÜ

Primary CB contact for SBP: Pilar Gorria Serrano

Primary CB contact email: pgorria@preferredbynature.org

Audit team leader: Christian Jürgensen

Audit team members: Eliza Stokmane, Helle Høgh Jørgensen

Name of the Company: Verdo Trading AS

Company legal address: Agerskellet 7, 8920 Randers NV, Denmark

Company contact for SBP: Line Risgaard Mortensen

Company contact email: limo@verdo.com

Company website: www.verdo.com

Installation date: N/A
(production of heat, cooling or electricity from biomass has started)

SBP Certificate Code: SBP-01-11

Date of certificate issue: 09 Mar 2021

Date of certificate expiry: 08 Mar 2026

Audit closing meeting date: 27 Feb 2024

Audit cycle: Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope Item	Check all that apply to the Certificate Scope	Change in scope (N/A for Assessments)
Primary Activity:	Trader	☐
Approved Standards:	SBP Standard 1: Feedstock Compliance Standard; SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; SBP Standard 5: Collection and Communication of Data Instruction	☐
Includes Supply Base Evaluation (SBE):	Yes	☐
Includes REDII scheme	No	☐
Includes REDII SBE	No	☐
Includes communication of Dynamic Batch Sustainability Data (DBSD)	No	☐
Includes Group Scheme	No	☐
Products	Chips, Pellets	☐

Feedstock types:	Primary	☐
Feedstock origin (countries):	Denmark, Estonia, Latvia, Lithuania, Poland	☐
SBP-endorsed Regional Risk Assessments used:	Denmark	☐
Public link: https://sbp-cert.org/documents/standards-documents/risk-assessments/		☐
Chain of custody system implemented:	PEFC, FSC: NC-CoC-021375 NC-PEFC/CoC-021375	☐
	Transfer	☐

2.1 Description of the company

The Organisation is primarily a biomass trader, trading both wood pellets and wood chips and fuel wood logs, but can also maintain a Biomass Producer role. The Organisation is primarily a biomass trader, trading both wood pellets and wood chips and fuel wood logs, but can also maintain a Biomass Producer role. For the Biomass Producer activities, the Supply Base includes Denmark, Estonia, Latvia, Lithuania and Poland. The scope of the certificate includes Supply Base Evaluation only for feedstock sourced from Denmark. Feedstock sourced in other countries in the Supply Base is sourced as FSC or PEFC certified and hence SBP-compliant Feedstock. The Organisation delivers the SBP biomass produced to the end-points either via truck for biomass of Danish origin, or via vessel and/or truck for biomass from Estonia, Latvia, Lithuania and Poland. For the trading activities, the Organisation is sourcing SBP biomass from the Biomass Producers globally and usually transports the biomass directly to customers by vessel, but the Organisation may also transport to the customer via storage facilities at its own address or logistics facilities in the port of Aarhus in accordance with the implemented FSC transfer system. The Organisation is producing SBP-compliant biomass, but could potentially also sell or trade SBP-controlled biomass. The Organisation prepares a Wood chip SAR document and reports changes in GHG data under Verdo Trading's ownership in a SREG when applicable. The Organisation holds valid FSC and PEFC certificates with transfer system implemented. For the trading activities, the Organisation is sourcing SBP biomass from the Biomass Producers globally and usually transports the biomass directly to customers by vessel, but the Organisation may also transport to the customer via storage facilities at its own address or logistics facilities in the port of Aarhus in accordance with the implemented FSC transfer system. The Organisation is producing SBP-compliant biomass, but could potentially also sell or trade SBP-controlled biomass. The Organisation prepares a Wood chip SAR document and reports changes in GHG data under Verdo Trading's ownership in a SREG when applicable. The Organisation holds valid FSC and PEFC certificates with transfer system implemented.

2.2 Detailed description of the Chain of Custody system

The Organisation has implemented a transfer system for its trading activities of biomass, which comprises pellets and wood chips. The Organisation's scope is in accordance with these activities. The process covers trade and transportation of biomass as well as storage of the traded biomass at the BP's facilities in the port of Randers, where the Main office is located. The storage facilities included at the time of the audit a outsourced site in Horsens port in Denmark, which is operated by Guldager Energi A/S and a outsourced site in Liepaja port in Latvia which is operated by BaltEx Bulk. The biomass is purchased from suppliers in either Denmark or Baltics including Poland, and is then transported to Randers for own consumption or passed on to other customers. While stored , the material is physically separated. The BPs facilities in Randers comprises several warehouses, which are used for different categories of wood pellets. At all times are the products separated according to their physical attributes and respective claims, which assures the transfer system is protected at all times. The Organisation is able to produce all relevant records of stored material for all its individual sites and based on input and output material for each warehouse each delivery can be traced. The FSC and SBP claims are mentioned on the sales invoices. The sustainability characteristics for each batch are transferred to the customers via the DTS system as required.

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification. The scope of this evaluation also includes the Supply Base Evaluation applied to feedstock from Denmark, and the implementation of required mitigation measures for sourcing of feedstock under the SBE in Denmark.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of CoC system control points, analysis of the existing CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis.
- Evaluation of mitigation measures implemented

4 Evaluation process

4.1 Timing of evaluation activities

Audit Level of Effort (LoE)		
Activity	Auditors	Auditor hours
4. Other	Christian Jürgensen	1.0
2. On-site (excl. travel time)	Christian, Eliza, Helle	11.0
3. Report writing	Christian Jürgensen	4.0
1. Preparation	Christian Jürgensen	2.0

Audit Schedule			
Activity	Location	Auditor name	Date/time
<i>Opening meeting, reviewing past non-conformances etc.</i>	Main office	Christian Jürgensen	27 Feb 2024/08:30
<i>Review of documents: MS, Volume data</i>	Main office	Christian Jürgensen	27 Feb 2024/09:30
<i>Review of MS; Interviews with staff</i>	Main office	Christian Jürgensen	27 Feb 2024/12:00
<i>Closing Meeting</i>	Main office	Christian Jürgensen	27 Feb 2024/15:30

<i>Visit with supplier</i>	Horsens, Denmark	Christian Jürgensen	23 Jan 2024/10:00
<i>Visit with supplier</i>	Liepaja, Latvia	Eliza Stokmane	22 Feb 2024/15:00
<i>Visit with Verdo Trading in Næstved</i>	Næstved, Denmark	Christian Jürgensen	18 Jan 2024/10:00

Auditor qualification		
Auditor name	Role	Qualification
Christian Jürgensen	Audit team leader	Christian holds a master's degree in Forestry and Nature Management from Copenhagen University and has more than 12 years of experience within state administration, the UN system and the NGO field. He joined Preferred by Nature in February 2022 as a senior biomass auditor and coordinates and conducts evaluations in relation to SBP and RBP biomass certification, Danish biomass legislation, PEFC and FSC forest certification and PEFC and FSC traceability certification (CoC), while providing customer service for both new and existing certificate holders.
Helle Høgh Jørgensen	Team member	Helle has passed the Preferred by Nature's lead auditor education in traceability certification for FSC and Controlled Wood and PEFC's traceability education. Previously Helle has been occupied for approx. 14 years within International Sales and Project Management in the furniture industry. Furthermore, she has done substantial occupational travelling and living abroad in English speaking countries. She is educated in Sales and Marketing at The Danish School of

		Export and Marketing.
Eliza Stokmane	Team member	As a Supply Chain Specialist in Preferred by Nature, Eliza's main responsibilities are to manage and conduct Forest Stewardship Council / Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody (CoC) audits in Latvia. Eliza is also assists with market development for Preferred by Nature's certification services in the country.

4.2 Description of evaluation activities

This audit was done concurrently with the FSC and PEFC CoC audit of the organization and verification of EU RED II compliance of the company's wood pellet imports.

Auditor met for the first time with key staff members of Verdo Trading A/S, hereafter also referred to as the Organisation, on 18 January 2024 on the facilities in Næstved for the initiation of this combined audit. The meeting consisted of the opening meeting, presentation of participants and audit schedule, initial clarifications and addressing open NCR's. The Organisation had made sure all relevant staff were participating and had forwarded requested documents and volumes tables for the auditor beforehand which auditor had examined in detail before reverting to the organization on the material with detailed question before the actual meeting.

The audit resumed on 27th February 2024 where the auditor at first in the morning visited a storage facilities at Kulholmsvej in Randers and then subsequently drove to the organizational headquarter of the organization and continued the office audit. Again, the audit kicked off with a short opening meeting and a round of introduction by all participants. This included a brief on the organisation's internal audit report and confidentiality confirmation among the audit team members. The audit continued to cover all applicable requirements of the standards, including management system, CoC, recordkeeping requirements, emission and energy data and verification of SBP-compliant biomass. It was followed with an audit of the purchasing and sales functions. During the process, the overall responsible person for the SBP system and responsible staff with key responsibilities within the system were interviewed. During the closing meeting, auditor explained the results of the audit and further actions were discussed.

An onsite audit of Guldager Energi A/S in Horsens Denmark, were likewise conducted on 23 January 2024. Further, onsite audit were conducted at BaltEx Bulk in Liepaja on 22 February 2024.

4.3 Sampling methodology

The audit involved interviews with responsible staff and a review of sales documents, DTS transactions and transportation documents. A sample was retrieved based on the total orders of claimed material handled by the Organisation in the audit period, based on a scaled approach to capture all the different sources of

feedstock the BP receives biomass from. The audit included a visit to the sub-supplier Guldager Energi A/S, who provides storage facilities in the port of Horsens in Denmark and visits to Rigas Centralais Terminals SIA and BaltEx Bulk LTD who provide storage facilities in Riga and Liepaja in Latvia.

4.4 CB stakeholder engagement

N/A

4.5 Stakeholder feedback

N/A

5 Results

5.1 Main strengths and weaknesses

Verdo Trading is primarily purchasing biomass for the group's production of heat and power, and only retains its trading operation to other consumers as a secondary business. The Organisation's SBP activities are quite straight forward and involves trading activities, including transport, relating to the physical ownership of the claimed material. The BP has a descriptive procedure addressing the requirements in Standard #4 and #5 including the relevant instruction notes. Relative to the size of Verdo Trading A/S, it is only a small group of people that is working with SBP related activities and the responsible staff showed good knowledge about the SBP system, company procedures and how it is implemented in the Organisation.

No specific weaknesses was identified.

5.2 Rigour of Supply Base Evaluation

The BP has used the SBP endorsed regional risk assessment for Denmark (June 2017) which has been widely circulated for stakeholder consultation. Based on the "specified risks" in this risk assessment the Organisation has implemented relevant mitigation measures.

Supply Base Evaluation is only implemented for material sourced from Denmark, and not for any other country the organization sources feedstock from.

5.3 Collection and communication of data

The Organisation has very good awareness of the requirements related to collection and communication of GHG and emissions data. The energy connected with transportation is calculated per each shipment as the distance change almost for every delivery of biomass. For biomass from other countries than Denmark, the transport distance data is obtained from the suppliers and verified against the reported origin of the feedstock as per the felling permits, which are forwarded to the BP by the suppliers.

5.4 Competency of involved personnel

The personnel involved in the SBP certification are well aware of their responsibilities and how the standards are implemented in across the Organisation. The overall responsible staff showed good knowledge about the SBP system and its requirements.

6 Review of company's risk assessments

6.1 Overview of company's risk assessments and mitigation measures

The Organization exclusively sources feedstock in Denmark from suppliers who on an individual basis have been evaluated positively for the Preferred by Nature 'Responsible Biomass Producer' standard which is a evaluation covering the same scope as SBP but not evaluated under SBP scope (does not result in SBP certificate for the actual biomass producer) or the forest-level certification systems 'the Forest Stewardship Council (FSC)' and 'the Programme for Endorsement of Forest (PEFC)'. Such evaluation covers identification and protection of HCVs. The appropriate implementation is evaluated regularly by the organization and during the audit also by the CB.

The organization's mitigation measures are based on the finding that, the mitigation measures for compliance with "Responsible Biomass Producer" evaluation are identical with the mitigation measures for the specified risks identified in the RRA for Denmark. Therefore, when suppliers evaluated for the "Responsible Biomass Producer" evaluation have implemented procedures in order to identify specified risk and to reduce risk, then the material can be categorized as SBP compliant. If suppliers are not able to reduce the risk for parts of the biomass, then it will not be categorized as SBP compliant.

The organization will follow the developments in the RRA for Denmark and the procedures developed for "Responsible Biomass Producer" in order assure that its suppliers fully mitigate the specified risks identified. When the RRA for Denmark is updated, the organization will assure that updates are implemented in the "Responsible Biomass Producer" evaluations.

Suppliers delivering feedstock which is categorized as SBP compliant will be monitored strictly by the organizations "SBP biomass monitoring program.

The "SBP Biomass monitoring program" is controlled by Benny Corneliussen.

Risk assessment

In all new jobs, the areas on which biomass is harvested will be screened according to the following indicators: 2.1.1, 2.1.2, 2.2.3 and 2.2.4 where a specified risk has been established. The risk assessment is based on available map material and databases as well as a review of the area before startup. A map and checklist is prepared for each job to ensure that the machine operator is aware of protected or preserved nature/culture.

The risk assessment is divided into six categories.

1. Primary feedstock from FSC or PEFC certified forests - always low risk
2. Primary feedstock from forests with a green management plan - specified risk
3. Primary feedstock from even-aged stands of non-native coniferous trees - always low risk
4. Primary feedstock from thinnings of first generation forest estates - always low risk
5. Primary feedstock from unevenaged forest stands or stands of broadleaved trees specified risk
6. Primary feedstock from non-forest areas, such as windbreaks, city and park areas, nature projects - always low risk

The BP has implemented an internal risk assessment programme that is being carried out by if a specified risk is identified. The assessment is carried out by a competent person, such as a forester/biologist/graduate in forestry. The forester/biologist/graduate shall be familiar with identifying key biotopes according to the key biotope type catalogue or similar.

Risk handling

VT contractually agrees with all suppliers that:

- They have a valid evaluation for "Responsible Biomass Producer"
- They have implemented the system and procedures effectively in their organization
- All biomass delivered to the organization will be mitigated to "low-risk" according to the requirements in "Responsible Biomass Producer"

Further VT contractually agrees with suppliers that:

- Staff carrying out screenings and planning of the jobs are familiar with applicable nature and environment legislation.
- Activities are planned to minimize the negative effect on ecosystems, biodiversity and areas worth preserving.
- Areas where wood chips are harvested must be examined before startup by a physical review and must be mapped.
- All procedures shall be explained in the suppliers manuals.
- A map will be prepared for each wood chip project. If maps have been prepared in connection with certification or a green management plan, these maps must be used in the process in order to ensure HCV areas.
 - o If the work area is located in a forest, it will be screened by the suppliers according to the checklist in the suppliers manual
 - o If the job consists of thinning in an afforestation or thinning in a uniform conifer stand, screening may be omitted. Legality must be ensured.
 - o If the work area is located outside a forest, screening may be omitted. Legality must be ensured.
 - o Each wood chip project is given a unique case number and address which also appear on the job description, weighing forms and basis of settlement. Ensure traceability.
 - o Each wood chip project has a checklist with relevant information. Ensure excellent communication between the various parties in the work process and note down all relevant data which the machine operator needs.
- In order to identify areas with high natural values during the work, machine operators working with woodchip production in the forest are encouraged to be trained in "Operation of machines in areas close to nature".

Monitoring of Mitigation Measures

Both the functionality of the mitigation measures as well as projects will be monitored on a pending and annual basis via internal monitoring programs were reviewed as part of the onsite audit conducted by the CB. Personnel tasked to undertake the "SBP Biomass monitoring program" and documents relevant to it were reviewed as part of the audit. The result of the audit confirmed the BP's effort are generally appropriate for the scope and scale of the Organization's biomass operation.

The BP's "SBP Biomass monitoring program" includes mitigation measures checked annually or if they are found to be inappropriate on a pending basis. Especially, the BP will follow the developments in the RRA for Denmark and the procedures developed for "Responsible Biomass Producer" in order assure that its suppliers fully mitigate the specified risks identified.

The BP's "SBP Biomass monitoring program" is focusing on any findings identified during the desk and field based visits that are a risk to the Organization's sourcing policy.

SBP Biomass monitoring program Suppliers and deliveries are monitored according to the following sampling system:

- It is on a pending basis checked that the screenings documents stated in the contract are supplied for all projects.
- All suppliers are monitored at least every 6 months.
- If errors are found during field visits and desk assessments, the sample size shall be increased until it is clear to what extend the errors are systematic or random and what is the appropriate action to take.

Field based monitoring

- A sampling frequency is chosen where at least the square root of the number of projects delivered by the supplier in the foregoing 6 months, are monitored by field visits. The projects are monitored with The organization's checklist for risk assessment.

Desk based monitoring

- A sampling frequency is chosen where at least 30 % of the projects delivered by the supplier in the foregoing 6 months, are monitored by field or desk assessment. The projects are monitored with the BP's checklist for risk assessment.

A report for each supplier covering the projects monitored shall present findings, conclusions and corrective actions agreed upon with the supplier.

6.2 Specified risk indicators and mitigation measures

Country:

Denmark

Indicator:

2.1.1 The BP has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation value in the Supply Base are identified and mapped.

Specific risk description:

The key issue in the regional risk assessment, the based on the stakeholder process at the time, was centred on the lack of legal requirement for identification and mapping of Key biotopes (HCV category 3), and the notion that this would pose a potential risk when carrying out forest management activities. The stakeholders accepted an approach where several sub-scopes were defined, with the purpose of only having apply mitigation measures for sub-scopes where these are relevant. The Biomass Producer has adopted the following sub-scopes from the SBP-endorsed Regional Risk Assessment: 1. Primary feedstock from FSC or PEFC certified forests 2. Primary feedstock from forests with a green management plan 3.

Primary feedstock from thinnings in even-aged coniferous stands 4. Primary feedstock from thinnings of first-generation forest estates 5. Primary feedstock from forests without a green management plan or certification 6. Primary feedstock from non-forest areas, such as windbreaks, city and park areas, nature projects

Mitigation measure:

The BP has established a system for ensure that their supplier are correctly in effectively implementing mitigation measures as required to mitigate the risk identified in the SBP endorsed Regional Risk Assessment for Denmark. The BP has documented and described procedures to implemented by the forest contractors for having professional foresters (min. B.SC.) carry out correct identifying and mapping "key biotopes" and for protecting these when proceeding with felling and extraction operations. The management system also requires the forest contractors to document policies for protecting biologically valuable trees and dead wood.

The BP's documented supplier management system includes procedures for monitoring the implementation and effectiveness of the planned mitigation measures, and for improving these if they are found to be insufficient.

It is auditor's evaluation that the established mitigating measures are sufficient to ensure the objective of mitigating the risks identified.

Country:

Denmark

Indicator:

2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:

The key issue in the regional risk assessment, the based on the stakeholder process at the time, was centred on the lack of legal requirement for identification and mapping of Key biotopes (HCV category 3), and the notion that this would pose a potential risk when carrying out forest management activities. The stakeholders accepted an approach where several sub-scopes were defined, with the purpose of only having apply mitigation measures for sub-scopes where these are relevant. The Biomass Producer has adopted the following sub-scopes from the SBP-endorsed Regional Risk Assessment: 1. Primary feedstock from FSC or PEFC certified forests 2. Primary feedstock from forests with a green management plan 3.

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Mitigation measure:

The BP has established a system for ensure that their supplier are correctly in effectively implementing mitigation measures as required to mitigate the risk identified in the SBP endorsed Regional Risk Assessment for Denmark. The BP has documented and described procedures to implemented by the forest contractors for having professional foresters (min. B.SC.) carry out correct identifying and mapping "key biotopes" and for protecting these when proceeding with felling and extraction operations. The management system also requires the forest contractors to document policies for protecting biologically valuable trees and dead wood.

The BP's documented supplier management system includes procedures for monitoring the implementation and effectiveness of the planned mitigation measures, and for improving these if they are found to be insufficient.

It is auditor's evaluation that the established mitigating measures are sufficient to ensure the objective of mitigating the risks identified.

Country:

Denmark

Indicator:

2.2.3 The BP has implemented appropriate control systems and procedures to ensure that key ecosystems and habitats are conserved or set aside in their natural state (CPET S8b).

Specific risk description:

The key issue in the regional risk assessment, the based on the stakeholder process at the time, was centred on the lack of legal requirement for identification and mapping of Key biotopes (HCV category 3), and the notion that this would pose a potential risk when carrying out forest management activities. The stakeholders accepted an approach where several sub-scopes were defined, with the purpose of only having apply mitigation measures for sub-scopes where these are relevant. The Biomass Producer has adopted the following sub-scopes from the SBP-endorsed Regional Risk Assessment: 1. Primary feedstock from FSC or PEFC certified forests 2. Primary feedstock from forests with a green management plan 3.

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Mitigation measure:

The BP has established a system for ensure that their supplier are correctly in effectively implementing mitigation measures as required to mitigate the risk identified in the SBP endorsed Regional Risk Assessment for Denmark. The BP has documented and described procedures to implemented by the forest contractors for having professional foresters (min. B.SC.) carry out correct identifying and mapping "key biotopes" and for protecting these when proceeding with felling and extraction operations. The management system also requires the forest contractors to document policies for protecting biologically

valuable trees and dead wood.

The BP's documented supplier management system includes procedures for monitoring the implementation and effectiveness of the planned mitigation measures, and for improving these if they are found to be insufficient.

It is auditor's evaluation that the established mitigating measures are sufficient to ensure the objective of mitigating the risks identified.

Country:

Denmark

Indicator:

2.2.4 The BP has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).

Specific risk description:

The key issue in the regional risk assessment, the based on the stakeholder process at the time, was centred on the lack of legal requirement for identification and mapping of Key biotopes (HCV category 3), and the notion that this would pose a potential risk when carrying out forest management activities. The stakeholders accepted an approach where several sub-scopes were defined, with the purpose of only having apply mitigation measures for sub-scopes where these are relevant. The Biomass Producer has adopted the following sub-scopes from the SBP-endorsed Regional Risk Assessment: 1. Primary feedstock from FSC or PEFC certified forests 2. Primary feedstock from forests with a green management plan 3.

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Mitigation measure:

The BP has established a system for ensure that their supplier are correctly in effectively implementing mitigation measures as required to mitigate the risk identified in the SBP endorsed Regional Risk Assessment for Denmark. The BP has documented and described procedures to implemented by the forest contractors for having professional foresters (min. B.SC.) carry out correct identifying and mapping "key biotopes" and for protecting these when proceeding with felling and extraction operations. The management system also requires the forest contractors to document policies for protecting biologically valuable trees and dead wood.

The BP's documented supplier management system includes procedures for monitoring the implementation and effectiveness of the planned mitigation measures, and for improving these if they are found to be insufficient.

It is auditor's evaluation that the established mitigating measures are sufficient to ensure the objective of mitigating the risks identified.

7 Non-conformities and observations

8 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Mikhail Rai
Date of decision:	19 May 2024
Other comments:	N/A