SBP

Sustainable Biomass Program

NEPCon Evaluation of Hoang Dai Vuong Co. Ltd SBP compliance with the SBP Framework: Public Summary Report

Main (Initial) Audit

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report Template Version 1.4

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

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus otarabus@nepcon.org, +420 606 730 382
Current report completion date:	09/Apr/2020
Report authors: :	Aliaksandr Zubkevich
Name of the Company:	Hoang Dai Vuong Co. Ltd. Legal and production site address: D2 Street, Ho Nai 3 Industrial Zone, Trang Bom District, Dong Nai province, Vietnam. Office and post address: Level 2, Master Building 41-43 Tran Cao Van, Ward 6, Dist. 3, Ho Chi Minh City, Vietnam
Company contact for SBP:	Jolie Vo, Sales Development Senior, SBP manager +84 (028) 6288 2160, sales@uniexport.vn
Certified Supply Base:	The territory of Vietnam
SBP Certificate Code:	SBP-07-87
Date of certificate issue:	13/Apr/2020
Date of certificate expiry:	12/Apr/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets for use in energy production and its transportation to any end point all over the world. The scope of the certificate does not include Supply Base Evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

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 the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis
- Assess compliance against Instruction Document 5E: Collection and Communication of Energy and Carbon Data.

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from https://sbp-cert.org/documents/standards-documents/standards

☐ SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)

☒ SBP Framework Standard 2: Verification of SBP-compliant Feedstock *(Version 1.0, 26 March 2015)*

☒ SBP Framework Standard 4: Chain of Custody *(Version 1.0, 26 March 2015)*

☒ SBP Framework Standard 5: Collection and Communication of Data *(Version 1.0, 26 March 2015)*

4.2 SBP-endorsed Regional Risk Assessment

Not applicable.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

HOANG DAI VUONG CO., LTD (HDV) is a wood pellet production company with a pellet plant located in Vietnam, not far from Ho Chi Minh city. The company was founded in 2005. In 2018, HDV started the construction of a modern wood pellet plant in Ho Nai 3 (HDV HN3), in the district Trang Bom, Dong Nai province. It was launched in April 2019.

The pellet plant with a capacity of 200 000 tonnes a year produces 8 mm pellets. Regarding the regional Wood Sector, HDV is a medium size company.

HDV HN3:

- Does not perform harvesting operations;
- Produces wood pellets mainly from primary feedstock, at a less extent it procures secondary feedstock (sawdust) which companies discarded of.

HDV HN3 is FSC certified pellet producer. Its direct suppliers of feedstock are FSC certified or non-certified. Non-certified feedstock is physically separated from the FSC material and is processed separately.

HDV HN3 has 4 to 20 direct suppliers of primary material (roundwood), 4 suppliers of secondary material (sawdust) and 5 suppliers of tertiary feedstock (offcuts).

The Supply Base of the feedstock is the whole of Vietnam, however, mostly feedstock is coming from 4 provinces:

- Dong Nai;
- Dak Lak;
- Binh Dinh; and
- Long An.

5.2 Description of Company's Supply Base

The supply base is the whole of Vietnam.

In order to guarantee future origins of feedstock are covered, the Supply Base was defined as the whole of Vietnam. However, in practise HDV HN3 sources from the south and middle of Vietnam, mainly from the provinces:

- Dong Nai;
- Dak Lak;

- Binh Dinh; and
- Long An.

Dong Nai Province

Authorities in the southern province of Dong Nai have set long-term targets for building a green sustainable economy, with strategies that protect and expand the forest cover. The province is home to tropical green forests covering a total 194 thousand ha, of which 48.5 thousand ha are plantations. Of the total forest area, special-use forests account for 48%, protective forests 28%, and production forests 24%. Acacia plantations in Dong Nai yield from 90 to 110 tons per ha in 4 year rotations.

Dak Lak Province

In 2014, the total “natural forests” area was 476 thousand ha and the total area of plantations was 32 thousand ha. The forest cover was 38.7%. Acacia plantations in Dak Lak yield from 100 to 120 tons per ha in three or four year rotations.

Binh Dinh Province

Binh Dinh has 384 thousand ha of forest area with around 150 thousand ha of plantations. As one of the pioneering provinces in sustainable forest management/forest certification, Binh Dinh has 9 762 ha of FSC certified plantations. Each year, the province harvests more than 10 thousand ha with a yield of 1 million tons. Acacia plantations in Binh Dinh yield from 80 to 120 tons per ha in 5 year rotations.

Long An Province

Total forest area of Long An is 21 thousand ha, in which natural forest accounted for 1 thousand ha and plantations 20 thousand ha. 75% of the plantations were Acacia spp and some were Melaleuca species. Acacia plantations in Long An yield from 80 to 100 tons per ha in 4 year rotations.

Detailed information about BP’s supply base may be found in their Supply Base Report http://hoangdaivuong.com/company-news/ .

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	14.4 million ha (FSC CNRA VN V1.0, 25 July 2017)
Tenure by type (ha):	public 7,5 mln. Ha
	4.0 million ha private properties
	2.9 million ha community properties
Forest by type (ha):	Tropical forests 14.4 million ha
Forest by management type (ha):	11.0 million ha managed natural
	3.3 million ha plantations
	83 thousand ha natural (primary forest)
Certified forest by scheme (ha):	462 161 ha – FSC certified (2019)

Detailed information about BP's supply base may be found in their Supply Base Report http://hoangdaivuong.com/company-news/

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

https://info.fsc.org/details.php?id=a02f300000gKDAsAAO&type=certificate

BP implements FSC transfer system of claims. In accordance with FSC COC procedure following categories of input material are possible: FSC 100%, FSC MIX, FSC CW. In reporting period only FSC 100% and non-certified material was sourced.

The SBP manager is responsible to assure that in case of deliveries of Roundwood the place of harvest is being known to HDV HN3 before a delivery takes place. Additionally, SBP manager is responsible for gathering evidences to mitigate the risks of origin of the feedstock.

If the origin of the feedstock is not clear, the request must be sent up along the supply chain

All feedstock that enters the system without FSC certification claim is accounted, stored in special place and processed separately. All feedstock with different FSC categories is expected to be segregated: FSC MIX, FSC 100%, FSC CW shall be stored separately and then processed separately in different time. The BP has enough place to store input material separately.

All incoming volumes are evaluated on appropriateness. The volumes are checked on feedstock type (fraction sizes), contaminations and moisture content. Feedstock that is unacceptable due to any relevant reason, is stored separately (physically) on a clearly recognisable place and sent back to the supplier. These volumes are not recorded as feedstock inputs.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on 16.01.2020 (7 h) and 17.01.2020 (5h). Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting and brief documents review.	Representative Office at address Level 2, Master Building, 41-43 Tran Cao Van St., Dist. 3, Ho Chi Minh City, Vietnam	16/01/2020 9.00-09.30
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Representative Office at address Level 2, Master Building, 41-43 Tran Cao Van St., Dist. 3, Ho Chi Minh City, Vietnam	16/01/2020 10.00-17.30
Chain of custody review (site tour); staff interview	Production facilities at address: D2 Street, Ho Nai 3 Industrial Zone, Trang Bom District, Dong Nai Province	17/01/2020 13.00-14.00
Documents and procedures review (SAR and energy use primary data); staff interview	Production facilities at address: D2 Street, Ho Nai 3 Industrial Zone, Trang Bom District, Dong Nai Province	17/01/2020 14.00-16.30
Closing meeting	Production facilities at address: D2 Street, Ho Nai 3 Industrial Zone, Trang Bom District, Dong Nai Province	17/01/2020 16.30-17.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Aliaksandr Zubkevich Lead auditor Evaluation against all applicable requirements	Mr Aliaksandr Zubkevich has education of engineer-economist in timber industry. He had postgraduate study at the Belarusian State Technological University. A. Zubkevich has passed FSC CoC/ FM lead auditor training course, Legal Source, ISO 14001 and SBP training courses. Previous experience in woodworking industry and SBP pre-assessment and assessments in Belarus.
Cu Van Ho Auditor in training	Cu started to work with NEPCon in August 2019. He has 24 years of experience in the forestry sector in Vietnam and has acted as an FSC FM/CoC auditor in many countries including Vietnam, Laos, Cambodia, Thailand, Malaysia, Indonesia and China. He holds a PhD in Forestry and – before joining NEPCon – worked as Lecturers at Ho Chi Minh City University of Agriculture and Forestry University.

The evaluation visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as GHG data availability.

Description of the audit evaluation:

Assessment started with an opening meeting attended by the representatives from Organisation's management and staff.

Audit team leader introduced audit team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction document 5E covering input clarification, existing chain of custody system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP-compliant biomass. During the process, overall responsible person for SBP system and other staff were interviewed.

After a roundtrip around BP's pellet production was undertaken. During the site tour, applicable records were reviewed, staff was interviewed and FSC system critical control points were analysed.

At the end of the assessment findings were summarised and assessment conclusions based on use of 3 angle evaluation method were provided to the management and SBP responsible person.

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6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on December 15, 2019 by sending direct email to different stakeholder categories (around 20 recipients). No comments from the stakeholders have been received. List of informed stakeholders includes such groups of stakeholders as FSC National Initiative, environmental and social NGOs, FSC-certified companies in the region, scientific and educational entities, indigenous peoples' communities (where applicable), state forestry authorities, trade unions etc.

7 Results

7.1 Main strengths and weaknesses

Strengths: Use of the FSC transfer system. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: See NCRs in section 10 below.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The following energy sources are used by BP: electricity for pellet production; diesel for feedstock handling, shipping and for biomass transportation to customer. Electricity consumption value is based on invoicing from supplier; diesel consumption value is based on recording in diesel consumption sheet.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. The following key staff members are involved to SBP certification: SBP related staff responsibilities are presented in Section 5 of the SBP Procedure. Interviewed staff was well familiar with their responsibilities. Generally, very few staff members are involved into SBP certification: SBP responsible/ Sales Development (maintaining of the management system, staff training, trademark use, handle received comments or complaints etc), Head of production (moisture measurements, record the energy consumption per month, labour conditions, health and safety procedures and etc), accountant (procurement of raw material, execution of DDS system, record feedstock data). Prior to and during SBP assessment, BP was supported by external consultant, who also have provided relevant training to BP staff.

7.5 Stakeholder feedback

No feedback from stakeholders have been received prior, during and after this assessment.

7.6 Preconditions

Major non-conformity reports raised by auditor which are preconditions. All preconditions were addressed by BP prior to report finalization.

8 Review of Company's Risk Assessments

Not applicable.

9 Review of Company's mitigation measures

Not applicable.

10 Non-conformities and observations

NC number 01/20	**NC Grading:** Major
Standard & Requirement:	Standard #4: Chain of Custody 5.1.2 The legal owner shall implement all aspects of the SBP approved CoC system requirements for the SBP feedstock or biomass. Where there is a conflict between the requirements in the SBP-approved CoC system requirements and those specified in the SBP standards, the SBP standards shall have precedence
Description of Non-conformance and Related Evidence:	
The BP holds valid FSC Chain of Custody certificate and implements FSC transfer. Roundwood is received with FSC 100% claim. Relevant supplier list is maintained. It was found out that the BP is using subcontractor and it is not covered by existing FSC COC certificate scope. Subcontractor is using for chipping of roundwood on the site of subcontractor and there is a risk of mixing with non-compliant feedstock.	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Management decision 03/2020-QD-HDV 'QUYẾT ĐỊNH V/v ngưng thuê băm gỗ gia công tại xưởng Lộc Tài Phát' in Vietnamese, means DECISION Ref: Stop hiring Loc Tai Phat for chip mill processes.
Findings for Evaluation of Evidence:	The BP has provided auditor with Management decision 03/2020-QD-HDV to stop using subcontractor for chip milling. It was explained that all chipping will be done by own chipper on-site. Considering that subcontractor is not used for wood chipping any more the Major NCR is closed.
NC Status:	Closed

NC number 02/20	**NC Grading:** Major
Standard & Requirement:	Standard #4: Chain of Custody 5.3.1 All requirements of the relevant chain of custody control system specified in the SBP-approved CoC system shall be implemented to calculate outputs.
Description of Non-conformance and Related Evidence:	
BP is applying FSC transfer system. Conversion coefficient calculation is described in SBP handbook. In accordance with SBP Handbook the conversion coefficient is calculated by dividing the total amount of pellets in the reference period by the total amount of feedstock used in the reference period (as received). Average conversion coefficient for reporting period is 1,083 tonne of feedstock per tonne of pellet, and 0,069 tonne of biofuel for drier. Taking into account that more than half of feedstock inputs, used for pellet	

production, has the moisture value 40%, conversion coefficient is too low. The SBP manager couldn't explain and justify conversion coefficient calculation methodology used.	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	E-mail dated 20.02.2020 with description of conversion factor calculation methodology
Findings for Evaluation of Evidence:	The SBP manager has submitted e-mail with detailed explanation of methodology for conversion factor calculation. It was explained that conversion factor will be calculated as following: Step 1: Measuring how much feedstock HDV has in the warehouse at the beginning of reporting period by geometric measurement of the of each group of feedstock. Step 2: Throughout the year, recorded input volume of each group of feedstock. Step 3: Measuring how much feedstock HDV has in the warehouse at the end of reporting period by geometric measurement of the of each group of feedstock. Step 4: Calculate of used each group of feedstock Used feedstock = feedstock in stock in the beginning of the reporting period + procurement during reporting period - feedstock left in stock in the end of the reporting period. Furthermore, the discrepancy in mass balance between inputs and outputs amount is caused mostly not by incorrect evaluation of the inputs amount, but improper measurement of the moisture values. To avoid this in the new reporting period, BP will be measuring the moisture value for incoming feedstock from each supplier at least once per week. Auditor accepted such approach. Since BP did not measure properly the moisture value of the feedstock inputs in first reporting period, there is no practical sense in retroactive manipulation of the values of feedstock input amount and moisture.
NC Status:	Closed

11 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):	Nikolai Tochilov
Date of decision:	09/04/2020
Other comments:	*Click or tap here to enter text.*