



Supply Base Report: TIN NHAN Company Limited

Main (Initial) Audit

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Completed in accordance with the Supply Base Report Template Version 1.3

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

Document history

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1 Overview

Producer name: TIN NHAN Company Limited

Producer location: Lot A2, A3 Phu Tai Industrial Zone, Tran QuangDieu Ward, QuyNhon City, BinhDinh Province, Vietnam

Geographic position: 13°47'38.7"N 109°08'34.2"E

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Company website: tinnhan.com

Date report finalised: 28/Aug/2020

Close of last CB audit: 07/Sep/2020

Name of CB: NEPCon

Translations from English: On request

SBP Standard(s) used: Standard 2, v. 1.0; Standard 4, v. 1.0; Standard 5, v. 1.0.

Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>

SBP Endorsed Regional Risk Assessment: not applicable

Weblink to SBE on Company website: not applicable

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
V	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

Tin Nhan Company Limited was founded in 2002 as a wood chips producer for paper industry. In 2019 it launched a pellet plant and become one of leading manufacturers of wood pellets in Vietnam. Tin Nhan's wood products are shipped to many markets worldwide.

Tin Nhan Company Limited pellet plant is located in Qui Nhan city in the Binh Dinh province. Qui Nhan city is located in the south-center of Vietnam on the cost of South China sea. The plant has an annual production capacity of approximately 120000 tons of wood pellets and they can be shipped through the sea ports in Qui Nhan worldwide.

The pellet plant is strategically located in an industrial zone surrounded by a number of sawmills and furniture producers and not far from the productive forests. Due to the opportune location of the facility, transport distances are relatively short, what reduces costs and CO₂ emissions. Tin Nhan Company Ltd. is closely monitoring every step in the production process and optimising energy efficiency. The feedstock dryer, for example, runs on the same type of low-grade biomass that is used for the pellets production.

Tin Nhan Company Ltd. is one of the largest wood processors in the region. It does not perform forest operations itself. Tin Nhan Company Limited uses processing and woodworking residues (sawdust, shavings and offcuts) from 9 suppliers and sources primary feedstock (roundwood) from around 12 suppliers. Currently Tin Nhan Company Limited only produces wood pellets and all feedstock is from external suppliers.

In the first reporting period the pellet plant processes FSC 100% pellets and non-certified. In the future pellet plant is going to process SBP-compliant biomass out of SBP-compliant primary feedstock and SBP-controlled biomass out of SBP-controlled secondary feedstock.

The following tree species are used in the production of the pellets:

- Acacia species (*Acacia spp.*);
- Eucalypt species (*Eucalyptus spp.*);
- Khasi pine (*Pinus kesiya*).

The Supply Base

The supply base is the whole of Vietnam. Primary feedstock is all coming from Vietnamese plantations. It includes Acacia species, Eucalypt species and Khasi pine. Secondary and pre-consumer tertiary feedstock is coming from the sawmills and furniture producers. They source only Acacia species.

Vietnam regions where the primary feedstock can be supplied from are:

- BinhDinh;
- Gia Lai;
- Kon Tum; and
- Phu Yen.

Vietnam

Located in the eastern side of Southeast Asia, Vietnam's geography stretches from highlands in the north to the Mekong Delta in the south. The country has a vast coastline and more than 10 million ha of wetlands. The diversity of species in Vietnam, particularly of rare and endemic species is remarkable.

Considering the climate, Vietnam is mainly tropical wet-dry (impacted by monsoons). To the northern highlands there are humid subtropical forests. The South Central Coast region has a tropical rainy climate.

The total forest area consists of deciduous and coniferous forests, bamboo land cover, coconut stands, and various combinations of these vegetations. Forests are located in low, flooded areas, as also on hills and mountains.

The semi-arid coastal areas of southern Vietnam are the most arid in Vietnam because of the rainshadow effects of the plateaus of the southern Annamite Range, which restrict the flow of humid air in the early monsoon season. Evergreen and semi-evergreen forest cover may be present on the coastal hills that reach higher elevations. A unique low forest or thicket community occurring on semi-arid slopes along the coast of southern Vietnam and notably rich in endemic species has been described near Phan Rang, Ba Ngoi, and Nha Trang, but it is heavily degraded today.

CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) was ratified by Vietnam in 1994. There are two commercially traded timber species now listed on the CITES Appendix II from Vietnam: lign-aloes trees (*Aquilaria spp.*), and Thailand Rosewood (*Dalbergiacochinchinensis*). These Appendix-II listings are not a ban on trade. To conduct international commercial trade in these listed species, it is necessary to ensure all the proper CITES documentation from the exporting or re-exporting country is compiled and accurate. The harvest and trade of *Aquilariacrassna*, the main Vietnamese *Aquilaria* species, has been banned since 1992.

Vietnam has, however, several plantations of *Aquilariacrassna*, the products from which are legal to trade with proper CITES permits. Thailand Rosewood is also listed as vulnerable in Vietnam by the IUCN Red List. Being highly valued in the wood carving and furniture industries, the Vietnamese population of this species is also threatened.



Illustration 1: Regions of Vietnam

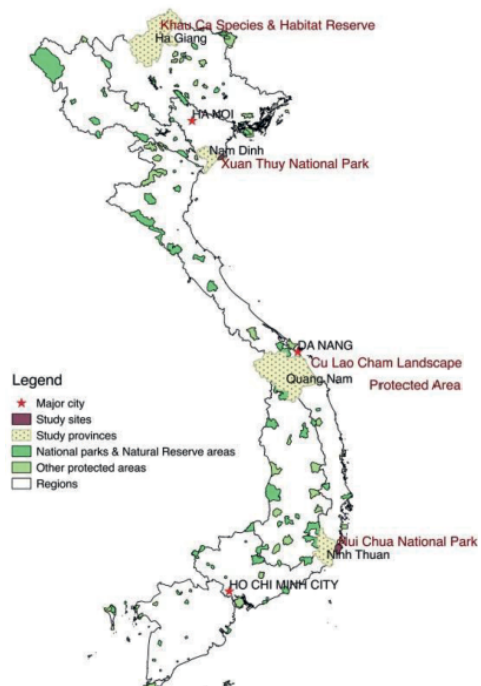
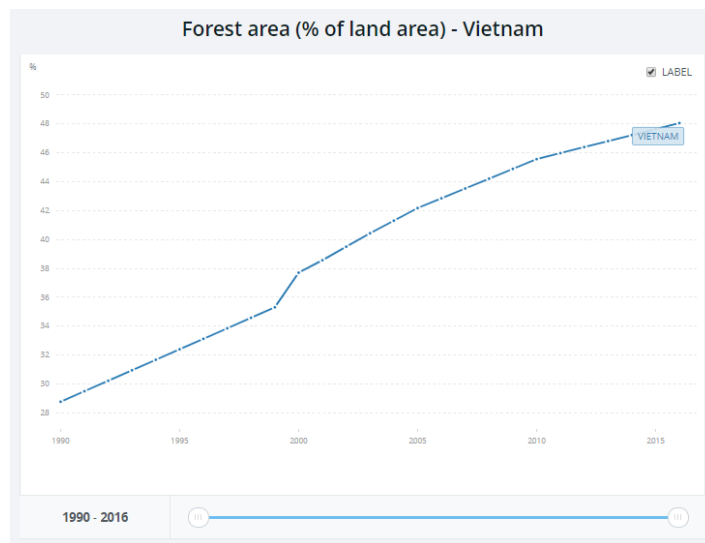


Illustration 2: Protected areas, Nature reserves and National parks
(Source: Nguyen HoaiBao, 2016)

The Vietnamese decree “Regulation on the management of protected forests, precious and registered forests, and the implementation of CITES” of January 22, 2019 lists 273 protected species. The species are divided in two protection classes for both flora and fauna, and in both classes a considerable amount of tree species are listed, most of which also have the IUCN status of Near Threatened, and Endangered.

There are several large mammals of conservation significance in this ecoregion, including the endangered douc langur (*Pygathrixnemaeus*), red-cheeked gibbon (*Hylobatesgabriellae*), and pileated gibbon (*Hylobatespileatus*) and potentially the tiger (*Pantheratigris*). In the South Vietnamese Lowlands there are also two near-endemic bird species.

Table 1: FAO data on forest area development in Vietnam (source: World Bank website)



In 2017, the total forest area increased to 14378 thousand ha, with natural managed forests at 10242 thousand ha and plantations at 4135 thousand ha. Vietnam is the only country in the Mekong region to have a continuous increase in its forest cover over the last decades. By the end of 2016, forest coverage reached 41 – 48% of the country (considering respectively the definition of forests of the government and the World Bank). It increased over 15% between 2005 and 2016.

Yet, regional shifts tell a different story. In the Central Highlands, an area that has a high concentration of ethnic minorities, relying on the forest for livelihood, the forest area was reduced by approximately 6% (312416 ha) in the same years. In general, deforestation reduced by 70% during the period 2011 – 2015, compared to 2005 – 2010. The main reasons for deforestation are conversion into agricultural lands, illegal harvesting, and forest fires.

While forest quantity has increased, forest quality has declined: 67% of the remaining natural (i.e., non-plantation) forest is classified as poor or extremely poor. In many provinces, plantations are almost entirely acacia monocultures: 90% in HoaBinh and Quang Ngai and 77% in QuangNinh, Ha Tinh, and Quang Tri. And nearly all of this is geared to low-value wood chips in 3 to 6 year rotations.

Vietnam Forest Sector

The forest sector is growing as Vietnam, it contributed US\$1.4 billion to the national economy in 2006, accounting for approximately 2.4% of the country's GDP. At present, there are about 25 million Vietnamese people for whom 20%, or by some estimates up to 40%, of their annual income comes from the forest.

The quantity and quality of forests have improved in the last few years, and turnover in the forestry sector has resulted in economic growth. Communities have benefited from the increase in financial support and job creation from this growth.

Forest management in Vietnam is highly centralized and approximately 52% of Vietnam's forested area is publicly owned (government areas), 20% are collective properties, 28% is privately owned.

2014 data on forest ownership state:

- 34% Forest Management Boards;
- 24% Households;
- 16% Peoples' Committees;
- 14% State Forestry Companies;
- 4% Communities;
- 2% Armed Forces;
- 2% Other Economic Organizations;
- 4% Other Organizations.

According to 2013 data:

- State forest enterprises manage around 1.9 million ha of forests, 73% of which (1.4 million ha) is natural forest, and the remaining 27% are plantations;
- Forest management boards, belonging to the state, manage more than 4.7 million ha, primarily special-use and protection forests for protection and conservation purposes. About 88% are natural forests, and the remaining 12% are plantations;
- Individual households own about 3.4 million ha, 50% of which (1.7 million ha) are natural forests, and the remaining 50% are plantations;
- Commune People's Committees manage around 2.3 million ha, most of which (1.8 million ha) are natural forests;
- Groups and community organizations such as farmer unions, women and youth groups, manage 524,477 ha of forests, 96% of which are natural forest.

All policies, laws and regulations are issued by the government and the National Assembly. Forest management is governed by the 1991 Law on Forest Protection and Development, last amended in 2004. Under the Law, the Ministry of Agriculture and Rural Development (MARD) is responsible for managing Vietnam's forest protection and development campaign. MARD works closely together with the Ministry of Natural Resources and Environment (MONRE). Each Vietnamese province is required to prepare forest protection and development plans.

Vietnam has a number of laws and regulations requiring sustainability in forest operations, including management plans. The key pieces of legislation are the 2004 Law on Forest Protection and Development (based on the 1991 Forest Resources Protection and Development Act) and the Land Law of 2003. The Forest Protection and Development Law bans unplanned and unpermitted timber logging. The Land Law classifies forest as agricultural land, divided into three main types:

- Production forests (around 52% total forest area);
- Protection forests (around 33% total forest area);
- Special use forests (around 15% of the total forest area, i.e. protected areas).

Protection forests are divided into two categories: critical and very critical. The conditions on the harvesting permit are applied to the critical level forest and subsequently there are many limiting conditions including of the harvesting intensity (natural forests) and harvesting measures (plantations).

A logging ban has been in place since 1997, covering “natural forests” in most Vietnamese provinces (“natural forests” is an official category, to which all forests belong that are not plantations), as also an export ban on logs. In 2012, the Prime Minister closed all natural forests to harvesting, apart from two companies managing FSC-certified natural forests (note: in the future forest management in natural forests under PEFC certification may be allowed). This ban also applies to the collection of non-timber products from natural forests in some provinces. Most of the natural forests contain category 1 to 6 HCVs. However, there is no formal assessment (based on the six attributes of HCVs) by forest managers or the authorities, except for those areas that are FSC-certified.

In December 2014, the Prime Minister signed Decision No. 2242/QĐ-TTg approving the scheme strengthening the management of exploitation of timber of native forests for the period 2014–2020. This scheme is aimed at improving the quality of native forest and developing high quality production forests eligible for sustainable exploitation to meet the demand for natural timber for domestic consumption and gradually replace imported timber.

Although Vietnam is investing in improved law-enforcement, various violations, including unauthorized forest harvesting are still a persistent problem. There are an estimated 30 to 50 thousand reported forest violations per year. According to Transparency International’s 2018 Corruption Perceptions Index, Vietnam scores only 33 points (a high level of corruption).

Forest Management Certification in Vietnam

FSC forest certification has proven to be an effective tool to fight corruption and protect HCV forests and red-list species. At present, only 46 companies have an FSC FM/CoC certificate in Vietnam, of which 3 are group certificates. 3.1% of the total forest area is certified. However, around 900 companies have an FSC COC certificate in Vietnam.

Exceptions have been made for FSC certified companies on the ban on logging in “natural forests” (meaning “not plantations”). If FSC certified companies were allowed to harvest in the natural forests more often, and were allowed to harvest 1% of the total forest timber volume within production forests annually (leaving out of consideration the protection forests and protected areas), this would yield about 4 million m³ a year, which is much more than the present roundwood imports. Sustainable logging would require greatly improved forest monitoring and law enforcement, however (IUCN, 2018).

Vietnam has no PEFC endorsed national forest certification system yet. No PEFC FM/COC certificates have been issued yet, only around 6 Vietnamese companies have the PEFC CoC certificate. The Vietnamese government is determined to boost the success of forest certification by pursuing PEFC endorsement.

In 2016, the Vietnamese Ministry of Agriculture and Rural Development (MARD) approved the establishment of the Vietnam Forest Certification Scheme (VFCS) Program. In 2018, the government committed to the establishment of a national forest certification system, in line with PEFC requirements. MARD launched the Vietnam Forest Certification Office March 2019. Vietnam is working on its national forest certification system and has become a National Member of PEFC in June 2019. Vietnam seeks to PEFC certify at least 3 million ha by 2030.

2.2 Actions taken to promote certification amongst feedstock supplier

Tin NhanCompany Limited interacts with its suppliers and encourages FSC forest certification. Tin NhanCompany Limited underlines the advantages and importance of forest certification to the wood sector in general and to the pellet business in particular. Tin NhanCompany Limited Develops the plan to organize a group certification for small forest owners from which they would like to procure the feedstock.

2.3 Final harvest sampling programme

Tin NhanCompany Ltd. does not procure primary feedstock from stands which were felled after a rotation period of more than 40 years. There are no energy plantations in the supply base with long rotation periods.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|--|
| a. Total Supply Base area (ha): | 14.4 million ha (FSC CNRA VN V1.0, 25 July 2017) |
| b. Tenure by type (ha): | 7.5 million ha public property
4.0 million ha private properties
2.9 million ha community properties |
| c. Forest by type (ha): | Tropical forests |
| d. Forest by management type (ha): | 11.0 million ha managed natural
3.3 million ha plantations
83 thousand ha natural (primary forest) |
| e. Certified forest by scheme (ha): | 199 018 ha – FSC certified (2020) |

Feedstock

- | | |
|--|--------------------|
| f. Total volume of Feedstock: | 14,786.950 tonnes; |
| g. Volume of primary feedstock: | 12466,20 tonnes; |
| h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes: | |
| - Certified to an SBP-approved Forest Management Scheme – 4.33%; | |
| - Not certified to an SBP-approved Forest Management Scheme – 95.67%; | |
| i. List all species in primary feedstock, including scientific name: | |
| - Acacia species (<i>Acacia spp.</i>); | |
| - Eucalypt species (<i>Eucalyptus spp.</i>); | |
| - Khasi pine (<i>Pinuskesiya</i>); | |
| j. Volume of primary feedstock from primary forest – not applicable; | |

- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
- Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme - 0%;
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme – 0%;
- l. Volume of secondary feedstock: 1,771.020 tons – sawdust and wood chips;
- m. Volume of tertiary feedstock: 549.730tons – shavings and offcuts – residues from furniture production.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

SBE is not completed since only FSC material is used for production of SBP biomass.

4 Supply Base Evaluation

4.1 Scope

Not applicable

4.2 Justification

Not applicable

4.3 Results of Risk Assessment

Not applicable

4.4 Results of Supplier Verification Programme

Not applicable

4.5 Conclusion

Not applicable

5 Supply Base Evaluation Process

Not applicable

6 Stakeholder Consultation

Not applicable

6.1 Response to stakeholder comments

Not applicable

7 Overview of Initial Assessment of Risk

Not applicable

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not applicable

8.2 Site visits

Not applicable

8.3 Conclusions from the Supplier Verification Programme

Not applicable

9 Mitigation Measures

9.1 Mitigation measures

Not applicable

9.2 Monitoring and outcomes

Not applicable

10 Detailed Findings for Indicators

Not applicable

11 Review of Report



11.1 Peer review

Peer review is not conducted this year.

11.2 Public or additional reviews

The Supply base report is available on the TIN NHAN website. Any interested parties can send their comments to Mia Ngan, SBP manager, by email ngan.nguyen@ayobiomass.com. All comments will be taken into consideration.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Mai Ngan 	<i>SBP manager</i>	31/08/2020
	Name	Title	Date
<p>The undersigned persons confirm that I/we are members of the organisation’s senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.</p>			
Report approved by:	LE THI NGOC BANG 	<i>Director</i>	31/08/2020
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Not applicable, first audit.

13.2 Effectiveness of previous mitigation measures

Not applicable

13.3 New risk ratings and mitigation measures

Not applicable

13.4 Actual figures for feedstock over the previous 12 months

Volume of primary feedstock: 12,466.20 tonnes;

Volume of secondary feedstock: 1,771.020 tons – sawdust and wood chips and wet offcuts;

Volume of tertiary feedstock: 549.730 tons – shavings and dry offcuts – residues from furniture production.

13.5 Projected figures for feedstock over the next 12 months

Volume of primary feedstock: 60 000 tonnes

Volume of secondary feedstock: 40 000 tons – sawdust and wood chips

Volume of tertiary feedstock: 12000 tons – shavings and offcuts – residues from furniture production