NEPCon OÜ Evaluation of Tin Nhan Company Limited Compliance with the SBP Framework: Public Summary Report

Additional Audit

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1 Overview

Certification Body (CB) Name:	NEPCon OÜ
Primary CB contact for SBP:	Ondrej Tarabus
Primary CB contact email:	otarabus@preferredbynature.org
Audit team leader:	Pilar Gorria Serrano
Audit team members:	Ho Van Cu
Name of the Company:	Tin Nhan Company Limited
Company legal address:	N/A
Company contact for SBP:	Ngan Nguyen
Company contact email:	ngan.nguyen@ayobiomass.com
Company website:	N/A
SBP Certificate Code:	SBP-08-23
Date of certificate issue:	11 Nov 2020
Date of certificate expiry:	10 Nov 2025
Audit closing meeting date:	27 Apr 2021
Audit cycle:	Additional 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:	Biomass Producer	☐
Approved Standards:	SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; SBP Standard 5: Collection and Communication of Data Instruction; Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4	☐
Includes Supply Base Evaluation (SBE):	No	☐
Includes communication of Dynamic Batch Sustainability Data (DBSD)	Yes	☐
Includes Group Scheme	No	☐
Products	Pellets	☐

Feedstock types:	Primary, Secondary	☐
Feedstock origin (countries):	Viet Nam	☐
SBP-endorsed Regional Risk Assessments used: **Public link:** **https://sbp-cert.org/documents/standards-documents/risk-assessments/**	Not applicable	☐
Chain of custody system implemented:	FSC: NC-COC-056308	☐
	Percentage, Transfer	☐

2.1 Description of the company

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 Conpany 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 120 000 tons of wood pellets and they can be shiped 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 Conpany 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 Conpany Ltd. is one of the largest wood processors in the region. It does not perform forest operations itself. Tin Nhan Conpany 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.

2.2 Detailed description of the Chain of Custody system

BP uses various types of the feedstock for biomass production – primary, secondary and pre-consumer tertiary feedstock is sourced from the app. 10-15 suppliers in Vietnam. In the reporting period only primary feedstock was used. Till the moment of this SBP assessment, BP produced FSC 100% and non-certified biomass, ensuring physical segregation of the wood material at all production stages. In 2020, along with SBP assessment and the follow up audit, BP has passed FSC CoC annual audit with adding FSC-STD-40-005 (including Organisation's own verification program of controlled material suppliers) to the FSC CoC certificate scope. Based on results of this CoC audit, transfer and percentage systems of claims for pellet

production have been approved. Currently, the following input and output categories of wood material are possible: Transfer system – FSC 100% and FSC Controlled Wood, both for input and output (physical segregation) Percentage system – FSC 100% and FSC Controlled Wood (inputs); FSC Mix% and FSC Controlled Wood (outputs). FSC percentage system of claims was reviewed and approved during FSC CoC annual audit. At the same time, this system has not been implemented at the moment of SBP assessment. Furthermore, only transfer system of claims is referred to in SBP Procedure. Therefore, percentage system of claims may be included into SBP certificate scope only during the next audit.

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 and assessment of compliance with ID 5E ver. 1.4.

4 Evaluation process

4.1 Timing of evaluation activities

Audit Level of Effort (LoE)		
Activity	***Auditors***	**Auditor hours**
1. Preparation	Pilar Gorría	2,0
2. On-site (excl. travel time)	Pilar Gorría and Ho Van Cu	6,5
3. Report writing	Pilar Gorrría	3,0
4. Other	N/A	N/A

Audit Schedule			
Activity	**Location**	**Auditor name**	**Date/time**
Opening meeting	Remote with onsite support	PGS and HVC	27 Apr 2021/11:00
SBP-related documents review and interviews (STD 4 & STD 4)	Remote with onsite support	PGS and HVC	27 Apr 2021/11:30
Inspection of production facilities	Remote with onsite support	PGS and HVC	27 Apr 2021/13:30
Enregy use data review	Remote with onsite support	PGS and HVC	27 Apr 2021/14:30

Closing meeting	Remote with onsite support	PGS and HVC	27 Apr 2021/16:30

Auditor qualification		
Auditor name	**Role**	**Qualification**
Pilar Gorria Serrano	Lead auditor	Forest engineer (Pplitecnic Univ. Of Madrid). Has successfully completed SBP training course and the NEPCon Lead auditor training for FSC/PEFC CoC and FM certification. Has experience from forest certification (FSC / PEFC FM), traceability (FSC / PEFC CoC) and biomass certification (SBP - Sustainable Biomass Program) for more than 10 years.
Ho Van Cu	Support auditor	Mr. 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 Lam University. Mr. Cu has participated in one SBP assessment in Vietnam as auditor in training.

4.2 Description of evaluation activities

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:

Due to Covid-19 limitations, onsite assessment could not be conducted as scheduled initially. Hybrid audit was conducted as soon as COVID restrictions allows to do so and SBP approved the hybrid audit in advance. Hybrid audit was conducted by the SBP lead auditor remotelly with the support of Preferred by Nature local auditor. Skype was used during the audit, with video, sharing screens and also whats up video call was used during hte onsite tour.

Audit team leader introduced the 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 SBP accreditation 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 and controlled wood system, management system. Chain of Custody implementation was reviewed focusing in the Critical Control Points, in particular it was verified reception of the material and it's classification, identification of feedstock origin, production process with the conversion factors associated, mass balance, final product storage and sales and critical control points. No sales were recorded during the audit period. Mass balance requirements, emission and energy data and categorisation of input and verification of SBP-compliant biomass and SBP-controlled biomass were also verified. During the process, overall responsible person for SBP system as well as the other staff members involved in SBP certification were interviewed. Virtual site tour (using Whatsapp) with assistance of Mr. Cu was undertaken.

BP has implemented new ID5E v1.4 with the new SAR

Finally, at the end of the assessment, findings were summarised and conclusions based on use of 3 angle evaluation method were provided to SBP responsible person, during the closing meeting in Skype.

4.3 Sampling methodology

For the purchase documentation different suppliers with different claims were choosen, also origin location and feedstock classification was considered to ensure that a representative sampling was used. For energy verification a representative sampled from different months were verified (electricity invoices, moisture moisurements, etc.)

4.4 CB stakeholder engagement

Not applicable

4.5 Stakeholder feedback

Not applicable

5 Results

5.1 Main strengths and weaknesses

Strengths: Robust recordkeeping system. Transfer system of FSC claims.

Weaknesses: Percentage system is not fully implemented as the company has not started to work with it.

5.2 Rigour of Supply Base Evaluation

not applicable

5.3 Collection and communication of data

The following energy sources are used by BP: electricity for pellet production; biofuel for drying the feedstock; diesel for feedstock delivery and handling; diesel for biomass transportation. Energy use data is based on actual consumption values, it was reviewed and accepted by auditor. No non-conformities identified in this relation.

5.4 Competency of involved personnel

Interviewed staff was well familiar with their responsibilities. Generally, SBP responsible (Director Assistant) takes responsibility for implementation of almost all requirements related to SBP certification. This includes: management and monitoring system; SBR; SAR; staff training; resolution of complaints; EUTR; trademark; Radix; DBSD mass balance maintenance. The rest staff members involved to SBP certification are: procurement manager (gathering information on feedstock suppliers); HR manager (OHAS); production manager (pellets quantity, moisture, diesel, electricity) and accountant (invoices).

6 Review of company's risk assessments

6.1 Overview of company's risk assessments and mitigation measures

Not applicable

6.2 Specified risk indicators and mitigation measures

Country/Area	Indicator	Specified risk description	Mitigation measure
N/A	N/A	N/A	N/A

7 Non-conformities and observations

NC number NC-000318	NC Grading: Major
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4
Requirement:	6.3.4 Parameters b, c and d are defined according to 6.3. If some feedstock groups of different properties cannot be segregated, they can be recorded with some parameters e, f, g, h, i, j, k, l, m, n in common. This shall be justified in the SAR.
Description of Non-conformance and Related Evidence:	
The BP has updated the SAR document according to the new template but “origin” and “feedstock type” descriptions doesn’t follow the new references according to section 6.3.	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	New SAR and interviews with the responsible staff
Findings for Evaluation of Evidence:	The root cause analysis was that the BP doesn’t realized about this change in the new SAR template. As corrective action the responsible staff review the new ID5D, analysed all the entries regarding the new “origin” and “feedstock type” description and reclassified the feedstock according section 6.3. Interviews with staff and the new SAR document shows good understanding of the requirement, auditor considers the corrective action sufficient to close this NCR.
NC Status:	Closed

NC number NC-000317	NC Grading: Minor
Standard:	SBP Standard 2: Verification of SBP-compliant Feedstock
Requirement:	IN2C; 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest version of the SBR template for Biomass Producers downloaded from the SBP website.

Description of Non-conformance and Related Evidence:	
The SBR is concise and covers the most important features in the supply base but the information provided does not include the comparison of the of the scale of harvested compared with other forest industries in the supply base	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	New SBR
Findings for Evaluation of Evidence:	The root cause analysis was that the BP doesn't realized about this requirement. The responsible staff has review the SBR instructions to ensure that the SBR include all information requested and add information about the total harvested roundwood and the shared used for pellets industry. Auditor considers the corrective action sufficient to close this NCR.
NC Status:	Closed

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):	Olesja Puiso
Date of decision:	07 May 2021
Other comments:	N/A