

# NEPCon Evaluation of Macquarie Physical Commodities LLC Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

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## 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](http://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*

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# 1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	05/May/2020
Report authors: :	Ondrej Tarabus
Name of the Company:	Macquarie Physical Commodities LLC. 28 Ropemaker Street, London, EC2Y 9HD, , United Kingdom,
Company contact for SBP:	Nikki Earthrowl, T +44 (0) 20 3037 1714   M +44 2030371194, nikki.earthrowl@macquarie.com
Certified Supply Base:	N/A Trader
SBP Certificate Code:	SBP-01-93
Date of certificate issue:	28/Feb/2018
Date of certificate expiry:	27/Feb/2023

This report relates to the Second Surveillance Audit

## 2 Scope of the evaluation and SBP certificate

Procurement of wood pellets and wood chips, further sales and transportation worldwide.

The scope of the certificate does not include Supply Base Evaluation.

### 3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Trader'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 Biomass Trader's management procedures;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records and calculations
- GHG data collection analysis;

## 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

N/A

## 5 Description of Company, Supply Base and Forest Management

### 5.1 Description of Company

Macquarie Physical Commodities LLC is a bank trading with biomass. The organization is registered in US, but the responsible people for biomass trading are based in London office. Macquarie Physical Commodities LLC is trader procuring wood pellets (and potentially wood chips from SBP certified suppliers) from different countries. The organization holds FSC CoC certificate with transfer system implemented.

The organization does not store the material, the point of purchase varies, and can be FOB/CIF/CFR/DES at different ports in the world and the material can potentially be sold to different customers worldwide and therefore the point of sale is very variable. The material is mostly delivered to ports in Europe but it can be also sold at the same port where the material was purchased as well.

### 5.2 Description of Company's Supply Base

N/A

### 5.3 Detailed description of Supply Base

N/A

### 5.4 Chain of Custody system

The organization has implemented the FSC transfer system for biomass (wood pellets and wood chips) in the scope of the certificate but during this reporting period only pellets has been trade. The process covers trade with biomass without physical possession. In the future the organization might use some storages but if that would happen, no mixing of materials from different vessels or suppliers would be foreseen.

Each purchased and sold material is recorded in the internal system and it is checked that the volume, claim and other attributes match together. At the same time, DTS is filled in. These records include the certification status of the material and the sales documents always contain the same type and quantity of material as purchased. The FSC and SBP claim is mentioned on the sales invoices together with the batch ID.



## 6 Evaluation process

### 6.1 Timing of evaluation activities

The audit was carried out on 13<sup>th</sup> February 2020. Half a day was needed for the desk audit

Activity	Location	Auditor(s)	Date/time
Opening meeting*	Skype	OT	13/02/2020 10.00-10.30
Interview with the SBP responsible person; review of procedures, open non-conformities from last audit if applicable	Skype	OT	10.30 - 11.00
Interview with Purchasing department representative (material sourcing and reception, purchasing documents)	Skype	OT	11:00-12:30
Energy data collection and calculation, management of SBP batches and sustainability characteristics	Skype	OT	12:30-13:30

OT / Ondrej Tarabus

### 6.2 Description of evaluation activities

Audit started with an opening meeting attended by Scott Learoyd and Nikki Earthrowl.

Lead auditor introduced himself, provided information about audit plan, methodology and aim of the audit. Report approval related issues and confidentiality issues were covered as well.

After that auditor went through all applicable requirements of the standard covering management system, CoC (including COC CCP), recordkeeping requirements. Later on the purchasing and sales offices were audited. During the process the overall responsible person for SBP system and other responsible staff having key responsibilities within the system were interviewed. After that the emission and energy data were evaluated and the sustainability team was interviewed.

During the closing meeting auditor provided the results of the audit and further actions were discussed.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

Composition of audit team

Auditor(s), roles	Qualifications
Ondrej Tarabus Lead auditor	Czech citizen, graduated in University of Life Sciences Prague, The Faculty of Forestry. He has participated in several SBP, FSC FM, FSC CoC, PEFC CoC, ISCC certification assessments in different countries. Ondřej Tarabus has been through lead assessor SBP training course and is experienced with carbon calculation using standards such as ISO 14 064, Carbon Footprint management or ISCC.

### 6.3 Process for consultation with stakeholders

N/A

## 7 Results

### 7.1 Main strengths and weaknesses

Strengths: The responsible person has a good overview about transaction requirements, not many transactions over the year and good record keeping system.

Weakness: See NCR's in section 10.

### 7.2 Rigour of Supply Base Evaluation

N/A

### 7.3 Collection and Communication of Data

The organization currently works under CIF conditions, so it acts as a trader without responsibility for transportation or biomass storage. The person in charge has shown good knowledge about the collection and communication of the data. In relation to the system to review the sustainability data and SAR / SREG Endpoints of suppliers see NCR section of the report.

### 7.4 Competency of involved personnel

The main responsible person in the company is the Vice President - Scott Learoyd – supported by other colleagues from the sustainability department. Scott Learoyd is responsible for energy data collection and for verification of the correctness of claims and inputting data into the system as well as for processing sales documentation. Scott Learoyd is responsible for shipping and logistics. He provided good understanding of the requirements in relation to SBP certification

### 7.5 Stakeholder feedback

N/A

### 7.6 Preconditions

N/A

## 8 Review of Company's Risk Assessments

*Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.*

N/A

## 9 Review of Company's mitigation measures

N/A

## 10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- applicable requirement(s)
- grading of the non-conformity (major or minor) or observation with supporting rationale
- timeframe for resolution of the non-conformity
- a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

### Open Non-Conformity Reports (NCRs)

<b>NCR number:</b> 19541	<b>NC grading:</b>	<b>Major</b> <input checked="" type="checkbox"/>	<b>Minor</b> <input type="checkbox"/>
<b>Standard &amp; Requirement:</b>	Standard #4 V1.0 - Chain of Custody - 6.4.1		
<b>Description of Non-conformance:</b>			
<p>The SBP procedure (point 19) designate the process which shall be followed in case of any complaints. The responsible person is aware about the procedures.</p> <p>The complaint mechanism specifies that SBP will be informed only in case the organization cannot resolve the complaint. SBP should be informed each time substantial complaint is received. As this minor non-conformity was not addressed since last year when it was classified as minor non-conformity, it is upgraded to major during this evaluation.</p>			
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>		
<b>NCR conformance deadline:</b>	3 months by 24.05.2020		
<b>Client evidence:</b>	none		
<b>Evaluation of Evidence:</b>	none		
<b>NCR Status:</b>	<b>Open</b>		
<b>Comments (optional):</b>			

<b>NCR number:</b> 45670	<b>NC grading:</b>	<b>Major</b> <input checked="" type="checkbox"/>	<b>Minor</b> <input type="checkbox"/>
<b>Standard &amp; Requirement:</b>	Standard #4 V1.0 - Chain of Custody - 5.4.1		
<b>Description of Non-conformance:</b>			
<p>During the audit a sample of all transaction was reviewed in particular the following shipments: GENCO CHAMPION BL, Boston Harmony and L164-1 Calypso. It was revealed that at least in case of Genco Champion and Calypso the corresponding sales invoice number indicated in the DTS does not match with the invoice number provided to the buyer. Additionally, the date mentioned in the DTS was also not the same as on the invoice. Therefore, it was not possible for the auditor to fully link the invoice with the data in the DTS records.</p>			
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>		
<b>NCR conformance deadline:</b>	3 months from the report finalization (until 04.08.2020)		
<b>Client evidence:</b>			
<b>Evaluation of Evidence:</b>			
<b>NCR Status:</b>	<b>Open</b>		
<b>Comments (optional):</b>			

<b>NCR number:</b> 45671	<b>NC grading:</b>	<b>Major</b> <input checked="" type="checkbox"/>	<b>Minor</b> <input type="checkbox"/>
<b>Standard &amp; Requirement:</b>	Instruction Doc. 5E: Collection and Communication of Energy and Carbon Data v1.1 - 3.1.5		
<b>Description of Non-conformance:</b>			
<p>During the audit 3 transaction were evaluated in detail. In one case, the transaction did not include SAR and therefore it was shared with the buyer without the energy data. The organization has provided communication with the buyer where it was clearly mentioned that for this specific case, the buyer does not require SAR or SREG document.</p> <p>Additionally, for the second transaction from the same supplier, the SAR provided by the biomass producer contained one SDI which covered at least 5 different locations (ports in US, EU or Caribbean). It was not clear if the specific SDI can be applicable here or not and still the transfer was completed without asking the supplier for correction. While the auditor agrees that the issue is mostly with the BP and potentially the supplier, it is also responsibility of the organization to verify that the energy data are complete.</p>			
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well</p>		

	as the root cause to eliminate and prevent recurrence of the non-conformance.
<b>NCR conformance deadline:</b>	3 months from the report finalization (until 04.08.2020)
<b>Client evidence:</b>	
<b>Evaluation of Evidence:</b>	
<b>NCR Status:</b>	<b>Open</b>
<b>Comments (optional):</b>	

## Observations

<b>OBS number: 45672</b>	<b>Standard &amp; Requirement:</b>	Instruction Doc. 5E: Collection and Communication of Energy and Carbon Data v1.1 - 3.1.4
<b>Description of findings leading to observation:</b>	<p>The organization has a procedure to conform to the most recent version of the Standard #5 instruction documents. When applicable, a SREG will be filled in and shared with the customer.</p> <p>At the moment, the organization is estimating that they will only be responsible for adding new energy data related to sea transport in terms of a filled-in SREG – not no such case happened yet. The data received from the suppliers will be shared by providing the customer with the production batch id from the BP in DTS.</p> <p>While all the most important aspects are covered by the organization SBP procedure, the process or evaluation of different end points together with SDIs provided by the suppliers is not described in a step by step approach and might cause some misunderstandings in the future. It is stated in SBP procedure that there are different end points, but it is not clear how/when the organization shall check these.</p>	
<b>Observation:</b>	The organization should update their procedure to provide better guidance how the energy data will be shared, and the organization assures that correct energy data are shared with the buyers.	
<b>OBS number: 45673</b>	<b>Standard &amp; Requirement:</b>	Instruction Doc. 5E: Collection and Communication of Energy and Carbon Data v1.1 - 5.1.2
<b>Description of findings leading to observation:</b>	During the audit, it was identified that in case of one transaction, the initial transaction was send back from the buyer as there was some issue with the invoice. Therefore, the organization has agreed with the buyer that new transaction will be created for the material delivered. However, the transaction was not processed through DTS and remained	



	with the organization. The buyer therefore might have a problem as the volume of the material was not officially passed in DTS to the buyer.	
<b>Observation:</b>	The organization should make sure that whenever the transaction is rejected by the client in the DTS, new transaction is created so that the material does not remain on organizations account.	
<b>OBS number: 45742</b>	<b>Standard &amp; Requirement:</b>	Standard #4 V1.0 - Chain of Custody - 5.1.1
<b>Description of findings leading to observation:</b>	The organization scope of FSC certificate covers wood pellets only and therefore if wood chips would be traded as well, certificate holder should seek the scope extension of the FSC certificate prior the first trade of SBP certified wood chips.	
<b>Observation:</b>	The organization should update their certification scope for wood chips prior they start to use this material under SBP certificate scope.	

## 11 Certification decision

<b>Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:</b>	
<b>Certification decision:</b>	Certification approved
<b>Certification decision by (name of the person):</b>	Olesja Puiso
<b>Date of decision:</b>	05/May/2020
<b>Other comments:</b>	Click or tap here to enter text.