

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

First Surveillance 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*

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

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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: 25/Feb/2019

Report authors: : Pilar Gorriá Serrano

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 First Surveillance Audit

2 Scope of the evaluation and SBP certificate

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 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.

Description of the scope: Procurement of wood pellets and wood chips, further sales and transportation worldwide.

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

Scope Item	Check all that apply to the Certificate Scope		Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #4 V1.0; SBP Standard #5 V1.0 https://sbp-cert.org/documents		☐
Primary Activity:	Trader without physical possession		☐
Input Material Categories:	☐ SBP-Compliant Primary Feedstock	☐ SBP-Compliant Secondary Feedstock	☐
	☐ Controlled Feedstock	☐ SBP non-Compliant Feedstock	
	☐ SBP-Compliant Tertiary biomass	☐ Post-consumer Tertiary Feedstock	
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock	

Chain of custody system implemented:	☒ FSC	☐ PEFC	☐ SFI	☐ GGL	☐
	☒ Transfer	☐ Percentage		☐ Credit	☐
Points of sales	☐ Harbour (including own handling of material)	☒ Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour		☐ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	☐
Provide name of all points of sales	- - -	- Different harbours all over the world (CIF)		- - -	
Use of SBP claim:	☒ Yes		☐ No		☐
SBE Verification Program:	☐ Low risk sources only		☐ Sources with unspecified/ specified risk		☐
	New districts approved for SBP-Compliant inputs:				
Sub-scopes					☐
Specify SBP Product Groups added or removed:					
Comments:					

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)

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

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5.2 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 30st January 2019. Half a day was needed for the desk audit

Activity	Location	Auditor(s)	Date/time
Opening meeting*	Office,	PGS	30/01/2018 10.00-10.30
Interview with the SBP responsible person; review of procedures, open non-conformities from last audit if applicable	Office,	PGS	10.30 - 11.00
Interview with Purchasing department representative (material sourcing and reception, purchasing documents)	Purchasing department	PGS	11:00-12:30
Energy data collection and calculation, management of SBP batches and sustainability characteristics	Sales department, logistic department	PGS	12:30-13:30

PGS – Pilar Gorriá Serrano

Friday 2nd February, auditor review all purchase/sales document over a sample of transactions requested and Wednesday 13th February a closing meeting was conducted were some question regarding this transaction were clarified by the responsible staff at Macquarie and audit findings were discussed.

6.2 Description of evaluation activities

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

Lead auditor introduced herself, 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, 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.

Composition of audit team:

Auditor(s), roles	Qualifications
Pilar Gorriá	Spanish citizen, graduated in Polytechnic University of Madrid as Forest Engineer, The Faculty of Forestry. She has participated in several FSC Chain of Custody and Forest Management since 2011 in different countries. Pilar Gorriá successfully completed SBP training course and she has practical experience with carbon footprint certification as well as SBP certification.

6.3 Process for consultation with stakeholders

No stakeholder consultation was carried out during this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: The responsible person has a good overview about transaction requirements, the energy data of the supplies and the system for recording this data is well managed.

Weakness: See NCR's in section 10.

7.2 Collection and Communication of Data

The organization works sales and purchases 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..

7.3 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

7.4 Preconditions

No preconditions issued

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.

Not applicable

9 Review of Company's mitigation measures

Not applicable

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.

NCR number: 19538 NCR 01/18	NC grading:	Major ☒	Minor ☐
Standard & Requirement:	Instruction Document 5A - Collection and Communication of Data V-1.1 - 2.1.3		
Description of Non-conformance:			
The organization has a procedure in place which describes who is responsible for collection of the data and how these data will be collected. However, it is not specified there that when purchasing the material the responsible person should check the SAR or SREG to verify if the end point match with the agreed end point in the contract.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 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.		
NCR conformance deadline:	12 months + 3 months (until 13.05.2019)		
Client evidence:	Vessel summary records SAR/SREG of a sample of shipments: Interlink, Arklow muse, Bright Star, Resstborg		
Evaluation of Evidence:	During this audit 4 shipments out of 10 were reviewed. In case of Interlink vessel 4 deliveries were included in the vessel, for the 2 deliveries with SDIs: SBP-04-22-01 (7077tn) and SBP-20-18 (3670tn) the SAR document has an End Point at Brunswick but there is no see transportation from there to the ports in UK. The other 2 SARs included in this delivery are correct with end point in UK (they include the Part 2 Sea Transport from Brunswick to UK).		

	As the procedure to ensure that data recorded is consistently compliant with is not fully implemented this NCR has not been closed. Prior to close this report, the organization has sent the SREG documents for both deliveries where see transport from Brunswick to UK is detailed. Auditor keeps the NCR open, new records will be reviewed in 3 months to ensure that the system to verify end points is fully implemented.		
NCR Status:	Open		
Comments (optional):			
NCR number: 19539 NCR 02/18	NC grading:	Major ☐	Minor ☒
Standard & Requirement:	Standard #4 V1.0 - Chain of Custody - 5.5.2		
Description of Non-conformance:			
No sales of SBP compliant biomass or SBP-controlled biomass took place so far. The SBP responsible person is aware about the applicable claims. The system is set up and correct SBP claim is implemented in the system. The instructions for the sales department contains the SBP claim. The organization in their contract specifies that the material provided by the supplier should be SBP certified but does not specifies exact claim which might cause problems in the future as the required SBP claim would not be clear. Additionally, the SBP claims were not mentioned during the SBP training provided to the workers.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 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.		
NCR conformance deadline:	By next audit, but not later than 12 months after report finalisation date		
Client evidence:	DTS records		
Evaluation of Evidence:	The organization has implemented procedures to record all transaction under DTS. All records requested during the audit were available and no inconsistencies were met. SBP Compliant Biomass claim was correctly used in all transactions.		
NCR Status:	Closed		
Comments (optional):			

NCR number: NCR 01/19	NC grading:	Major ☐	Minor ☒
Standard & Requirement:	Standard #4 V1.0 - Chain of Custody - 6.4.1		
Description of Non-conformance:			
The SBP procedure (point 19) designate the process which shall be followed in case of any complaints.			

The complaint mechanism specifies that SBP will be informed only in case the organization can't resolve the complaint. SBP should be informed each time substantial complaint is received, the procedure shall be updated according to the SBP requirement.	
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 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.
NCR conformance deadline:	By next audit, but not later than 12 months after report finalisation date
Client evidence:	Pending
Evaluation of Evidence:	Pending
NCR Status:	Open
Comments (optional):	

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):	Olesja Puiso
Date of decision:	25/Feb/2019
Other comments:	<i>Click or tap here to enter text.</i>