

**Annex 2****SGS UNITED KINGDOM LTD.
DETAILS OF NON-CONFORMITIES AND IDENTIFIED CORRECTIVE ACTIONS**

1. The Executive Board, at its forty-eight meeting, in accordance with paragraphs 90 and 91 (a) of the Procedure for accrediting operational entities by the Executive Board of the Clean Development Mechanism (CDM) (version 9.1) (the Procedure), decided to conduct a spot-check of SGS United Kingdom Ltd..
2. The Executive Board triggered the spot-check after considering a deviation case relating to a project activity. The Executive Board noted an apparent inconsistency between information submitted in the request for deviation, and information previously submitted in two issuance requests and a request for revision of a monitoring plan. This inconsistency raised concerns in connection with the quality of verification work by the designated operational entity (DOE). The Executive Board does not consider that this inconsistency affected the amount of certified emission reductions previously issued.
3. The CDM accreditation panel (CDM-AP) considered the request of the Executive Board electronically, elaborated the scope of the spot-check, established the assessment team (CDM-AT) and approved the assessment plan, in accordance with paragraphs 95 of the Procedure.
4. The CDM-AT undertook the spot-check at the accredited office of SGS United Kingdom Ltd, Camberley, United Kingdom, to assess whether the DOE continued to comply with the accreditation requirements.
5. The CDM-AT in its assessment:
 - (a) Identified six (6) non-conformities (NCs);
 - (b) Duly informed the DOE of these NCs at the closing meeting of the spot-check assessment. The NC reports were signed by the representative of the DOE;
 - (c) Prepared a spot-check report.
6. The secretariat, made the spot-check report available to the DOE for its comments, in accordance with paragraph 100 of the Procedure.
7. The CDM-AP, at its forty-third meeting, considered the reports of the CDM-AT as well as response of SGS United Kingdom Ltd. and made a recommendation which it submitted for the consideration of the Executive Board at its forty-ninth meeting, in accordance with paragraph 101 of the procedure.
8. The recommendation was shared with SGS United Kingdom Ltd. on 27 August 2009 and, in accordance with paragraph 21 of the CDM modalities and procedures, an opportunity for a hearing was provided to the DOE at the forty-ninth meeting of the Executive Board.



9. The NCs identified by the CDM-AT were as follows:

NC No.	Description
1	Lack of evidence that independent technical review has been conducted for requests for revision of the monitoring plan for 2 project activities. The internal technical review process of SGS United Kingdom Ltd. was not able to capture the inconsistencies in the verification reports, validation of the revision of monitoring plan and the deviation request raised for a project activity.
2	The internal technical review being carried out by the approved technical reviewer is not capturing the issues that are lacking in the draft reports prepared by the team leader and the validation/verification team.
3	Lack of thorough implementation of the contract review procedure and the form for identifying the human resources available that will be required for validation or verification work including the technical reviews.
4	There is no or insufficient evidence of how the defined competence is achieved by the respective staff evaluated and approved for certain positions and roles. SGS United Kingdom Ltd. has not identified technical areas within some sectoral scopes. The evaluation and approval of technical areas within a sectoral scope is done based on anecdotal evidences and is mainly based on participation in the validation and verification assessments and not based on working experience as required by the accreditation standard.
5	The internal audit reports used to monitor and evaluate Lead Assessors do not reflect that the shortcomings identified are used as basis for improvement opportunities.
6	The system to internally appraise the performance of assessors in validation and verification activities is not effectively applied in competency evaluation in some cases.

10. The Executive Board at its forty ninth meeting held a hearing in which SGS United Kingdom Ltd. made a presentation to the Executive Board in respect of the CDM-AP recommendation, and responded to questions. The DOE informed the Executive Board that the identified corrective actions intended to address the issues raised during the spot-check visit, are either already implemented or being implemented with an aim to complete them by the end of October 2009.

11. A brief summary of corrective actions identified by SGS United Kingdom Ltd. is as follow:

NC No.	Identified corrective actions by SGS United Kingdom Ltd.
1	Technical review process has been improved through revising procedures, creating new forms and briefing the personnel.
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3	Notification and approval mandatory for any changes from earlier approved staff. SGS United Kingdom Ltd. Internal CDM procedure revised, forms put in place, teams communicated.
4	Staff evaluation and approval procedure changed, forms revised, technical areas defined for all sectoral scopes, experience outside auditing made mandatory for Experts, Staff competence to be re-assessed for all staff.
5	Dedicated staff in SGS United Kingdom Ltd. to monitor and follow-up improvement opportunities which are correctly identified already in audits (Level 1), audit checklists revised to capture improvement opportunities and follow up actions.
6	Procedure, objective criteria, and defined frequency of performance evaluation for all team members, including technical reviewers implemented.



12. Following the hearing, the Executive Board considered the recommendation of the CDM-AP, and the response of the DOE including the corrective actions identified by SGS United Kingdom Ltd., the documentation provided and the presentation at the hearing. The Executive Board noted that the corrective actions identified by SGS United Kingdom Ltd. had not yet been assessed by the CDM-AT.

13. Following consideration, the Executive Board decided to suspend SGS United Kingdom Ltd. until it is satisfied that duly assessed corrective actions have been implemented following on-site verification of implementation of corrective actions. The Executive Board took note that SGS United Kingdom Ltd. underlined its commitment to early implementation of corrective actions.

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