

The KZR INiG Report 2017

The Report contains confidential information. The information **is highlighted in yellow** and enclosed in parentheses. Please do not published this information.

- (a) The independence, modality and frequency of audits, both in relation to what is stated on these aspects in the scheme documentation, at the time the scheme concerned was approved by the Commission, and in relation to industry best practice;

Requirements concerning the independency, modality and frequency of audits of KZR INiG System participants are described in documents: System KZR INiG/9 and System KZR INiG/10. The Certification Body (CB) recognized by the KZR INiG shall prove that when performing the certification process, it realizes transparent policy and applies procedures distinctly separating them from all other operations. Thus, certification bodies shall prove that they are free from any financial, commercial or other pressures, that might influence the results of the certification process. This, amongst others, is a subject for verification performed by the KZR INiG. Each certification body has established a body usually called the "impartiality committee". This is not due to the KZR INiG requirements, but indirectly because of EN 17021 (to be recognized by the KZR INiG, a certification body shall be accredited for conformity with the ISO/IEC 17021 standard, issued by the national accreditation body, which needs to be affiliated with the IAF.) Thus, the independence of a certification body is double checked (by the KZR INiG and by the national accreditation body).

In September 2017 updated KZR INiG documents were accepted by the European Commission. Provisions preventing frauds were introduced immediately, others gradually until the end of the year 2017. Updated documents also include new regulations regarding the audit process. They concern mainly verification of whole (not only KZR INiG) mass balance, non-conformities indicated by other voluntary schemes, group auditing of farmers, and others. Also the definitions of non-conformities were updated. Bearing in mind that most audits are performed in the middle of the year (May – September), the KZR INiG did not acquire practical experience in relation to new requirements.

The basic frequency of auditing is one year. An economic operator loses participant status, if this is not respected. In order to regain its status, it must re-register and it, receives a new registration number. But in spite of the fact, that the participant gets a new number, verification covers the whole period when he had a certificate (despite the lack of the certification, even if the break lasted e.g. for one year)

- (b) the availability of, and experience and transparency in the application of, methods for identifying and dealing with non-compliance, with particular regard to dealing with situations or allegations of serious wrongdoings on the part of members of the scheme;

Last updated (September 2017) also covered detailed procedures concerning/dealing with non-conformities, it specifically states that identifying serious non-conformities also according to other voluntary schemes will cause a three-month break in KZR INiG certification.

In 2017 the following incidents occurred:

[REDACTED]

[REDACTED]

[REDACTED]


[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



(c) transparency, particularly in relation to the accessibility of the scheme, the availability of translations in the applicable languages of the countries and regions from which raw materials originate, the accessibility of a list of certified operators and relevant certificates, and the accessibility of auditor reports;

All information connected with the KZR INiG scheme is published on the scheme's website (www.kzr.inig.eu). The website contains essential information such as:

- Scheme documents (recognized by the European Commission). Documents are both in English and Polish.
- List of approved certification bodies. The list is constantly updated.
- List of issued certificates. The list is constantly updated and includes: the certificate number ; Participant ID; Participant name, address and certified locations, the date of issue and expiration of certificate, scope of certification and the name of the certification body which issued the certificate, remarks. Also information about any temporary suspension of a certificate is published.

The KZR INiG website contains also a "FAQ" subpage.

News is published on the website and also distributed by a newsletter.

A training plan is published on the website, a reminder about upcoming training is also disseminated via newsletter.

Audits reports prepared by auditors are kept by the certification body and available for inspection by KZR INiG auditors.

The Report resulting from the KZR INiG activities is presented during the KZR INiG Council meetings

(d) stakeholder involvement, particularly as regards the consultation with indigenous and local communities prior to the decision making during the drafting and reviewing of the scheme, as well as during audits, and the response to their contributions;

The structure of the KZR INiG scheme includes the KZR INiG Council (see document KZR INiG System/1). The KZR INiG System Council, called "the Council" in all System documents, comprises 5 to 10 members (external experts, e.g. industry representatives, associations, NGOs, representatives of government, representatives of certification bodies). It ensures that every group of stakeholders has its representatives in the Council. Members are selected such that each party will have representatives and no party predominates. The last update of the scheme also implemented additional requirements in relation to the Council.

The term of Council membership is two and a half years. In 2017 the first term ended. Currently, the Council comprises 6 members: one representative from the state administration, one biofuels and rapeseed association representative, two certification body representatives and two biofuel supply chain company representatives.

During the meeting of the Council not only independency and transparency aspects are discussed, but also current problems.

Contact data are openly available on the website, thus system participants ask for clarification and express their opinion directly to the scheme. The KZR INiG responds to every e-mail.

(e) the overall robustness of the scheme, particularly in light of rules on the accreditation, qualification and independence of auditors and relevant scheme bodies;

Requirements for auditors and certification bodies are presented mainly in two of the system's documents: KZR INiG System/9 and KZR INiG System/10.

Certification body shall:

- have legal personality and operate within the territory of the Republic of Poland;
- have accreditation of conformity with PN-ISO/IEC 17021 standard (issued by the national accreditation body. The national accreditation body needs to be affiliated with the IAF);
- carry out audits according to the requirements of PN-EN 19011 standard;
- have established at least a 'limited assurance level' on the audited information in line with the requirements of ISAE3000;
- have access to auditors with competencies as described in the KZR INiG/10 document;
- prove independence and impartiality towards the certified system participants;
- prove compliance with the KZR INiG System requirements.

Verification of compliance with the above mentioned requirements is carried out by the System's Administrator before and after authorization of a certification body - in periodic audit controls.

The scheme has introduced additional requirements, i.e. accreditation of conformity with ISO/IEC 17021 standard to ensure that such requirements as independency, avoiding of conflict of interest, supervision over staff, are double checked: by the KZR INiG auditors and by the national accreditation body affiliated with the IAF.

Separately, the scheme set requirements for auditors.

Requirements for an auditor

According to the requirements of the KZR INiG System, it is necessary to ensure that audits are carried out according to the guidelines of this system, and persons designated to conduct the audits have the appropriate competence.

In order to confirm fulfillment of Directive 2009/28/EC goals of (the RED) or *KZR INiG System /1/ Description of INiG System of Sustainability Criteria – general rules*, concerning

the evaluation of biofuel/bioliquid sustainability and certification undertaken in this regard, i.e. assessment of conformity with the system requirements. The Manager of a certification body appoints auditors (*KZR INiG System /9/ Requirements for certification bodies*), who:

- (1) are external: an audit cannot be conducted by a participating economic operator (excluding personnel of the certification body);
- (2) are independent: auditors are independent of the activity being audited and free from conflicts of interest;
- (3) have general qualifications: certification body has general qualifications to conduct the audit, and
- (4) have the appropriate specific qualifications: auditors have qualifications necessary for conducting the assessment, provided or required evidence, taking into account the system criteria.

Auditors are obliged to make a declaration of confidentiality.

Foundation of professionalism

The audit team is required to have proper qualifications according to KZR INiG System requirements. In particular, the audit team shall:

- have 3-years of professional experience, including at least 2 years work in the relevant area of quality and/or environment management system;
- complete a training course (40-hours) carried out by a training body, that issues certificates for management systems auditors (according to ISO 19011 or equivalent standard);
- conduct audits according to the requirements of PN-EN ISO 19011 standard;
- have professional experience of conducting audits and participation in at least 4 external audits for a total of 20 days - as a candidate for auditor (including preparation and development of reports);
- prove participation in at least 8 audits for certification of quality and/or environment management systems/ or another voluntary scheme recognized by the European Commission – as a candidate for lead auditor, with total of 15 days of audit experience;
- have knowledge of the KZR INiG System requirements (*KZR INiG System /1/ Description of INiG System of Sustainability Criteria – general rules*) and other KZR INiG System documents
- have the appropriate, specific skills to assess land use criteria, mass balance system, calculation of GHG emission (e.g. relevant experience, in agriculture, ecology, mass balance systems, traceability, data handling, knowledge of ISO14040, ISO 14064-3, and ISO 14065 standards, methodology of evaluation of GHG emission in the lifecycle of products including the RED methodology)
- auditors are required to successfully complete training, covering the KZR INiG System requirements;
- knowledge of handling and analysis of data required by the KZR INiG System.

The following features are required of the KZR INiG auditors:

Reliable presentation

Persons who conduct the audits are obliged to carry out audit activities precisely and according to the actual state of affairs. As a result of auditing activities, comprehensive and explicit findings of audit, audit conclusions, and audit reports are obtained.

Independence

Auditors in the scope of tasks are responsible, are independent from the activity being audited and they are also free from conflicts of interests. Auditors are impartial during the whole auditing process.

Professional care

In order to ensure proper fulfillment of their tasks and the confidence bestowed upon them by auditees, auditors must demonstrate exactness, scrupulosity and a sense of duty during the audit.

Confidentiality

Any appointed auditor or audit team is obliged by the certification body to observe personal data protection rules and maintain company commercial secrecy. Commercial secrecy means publicly undisclosed technical, technological, organizational information of the company or other information with economic value, towards which the entrepreneur has undertaken necessary actions to maintain confidentiality.

Each auditor is obliged to sign a “Declaration of confidentiality”.

Ensuring independency by the certification body is a subject of audits carried out by the KZR INiG at certification body (in accordance with internal monitoring procedure).

The KZR INiG System pays particular attention to supervising the competence of auditors. This is why the KZR INiG introduced more severe requirements for certification bodies in relation to supervision over qualifications of auditors (See System KZR INiG/10 point 5.1.6). This point extends the necessity for the maintenance of competence, also for staff involved in KZR INiG certification process (not only auditors).

(f) market update of the scheme, the amount of feedstocks and biofuel certified, by country of origin and the type, the number of participants;

As of December 2017 there are 364 active participants. The amount of feedstock and biofuel certified, by country of origin and the type, as well as the number of participants, is presented in the attached Excel file.

(g) the ease and effectiveness of implementing a system that tracks the proofs of conformity with the sustainability criteria that the scheme gives to its member(s), such a system is intended to serve as a means of preventing fraudulent activity with the view in particular, to the detection, treatment and follow-up of suspected fraud and other irregularities and where appropriate, the number of cases of fraud or irregularities detected;

According to the KZR INiG, sustainability characteristic shall be assigned to every batch of product. Specific rules are described in the KZR INiG system /7 document. The scheme does

not define any specific document to be issued with a given batch, but document no. 7 (in point 5) requires that all information (called minimum input/output data) shall be passed throughout the supply chain. As the consequence, the sustainability characteristic may be included, e.g. as a part of an invoice.

The last update (September 2017) of the scheme introduced new requirements in order to improve supervision over mass balance and tracking of the proof of conformity with the sustainability criteria. It was among others:

- necessity for the verification of the whole mass balance during an audit (not only mass balance performed according to the KZR INiG, but also mass balance performed according to any other voluntary schemes);
- prohibition of issuing "POS" if a given batch of biofuel was accounted for in the national biofuel target. This prohibition was set in January 2017 via newsletter and published on the KZR INiG website, and finally introduced into the scheme's documents (the update from September 2017);
- prohibition of issuing "POS" if the recipient has not a valid certificate.
- strong emphasis on the necessity for verification of validity of the supplier's certificate on KZR ING's website;

(h) option for entities to be authorized to recognize and monitor certification bodies;

There is no possibility to assign the right to issue authorization of any CB to an external entity. Only KZR INiG is entitled to grant an authorization to a certification body. The KZR INiG is also responsible for supervision of authorized certification bodies. However, the KZR INiG requires accreditation of conformity with PN-ISO/IEC 17021 standard (issued by the national accreditation body. The national accreditation body needs to be affiliated with the IAF). The same rules are upheld with reference to monitoring of certification bodies/

(i) criteria for the recognition or accreditation of certification body;

Criteria for the recognition of certification body are set in the document KZR INiG System 9 p.5:

"5.1. General requirements for the certification body"

Certification body must:

- have legal personality and operate within the territory of the Republic of Poland;
- have accreditation of conformity with ISO/IEC 17021 standard (issued by the national accreditation body. The national accreditation body needs to be affiliated with the IAF);
- carry out audits according to the requirements of EN 19011 standard;
- established at least a 'limited assurance level' on audited information in line with the requirements of ISAE3000;
- have access to auditors with competencies as described in the KZR INiG/10 document;

- prove independence and impartiality towards certified system participants;
- prove compliance with the KZR INiG System requirements.

The KZR INiG appoints an audit team to carry out an assessment of if a certification body meets KZR INiG requirements.

The authorization procedure for the certification body in the KZR INiG System proceeds according to the steps below:

- submission of an application for authorization (annex 1). The body applying for authorization must review the documentation of the implemented system from the point of view of conformity with the KZR INiG System requirements, and it must provide at least:
 - identification details;
 - completed application form;
 - document confirming legal status
 and
 - a quality manual/management system manual;
 - full set of procedures;
 - qualification criteria for auditors, employed by the body to carry out the assessments (*KZR INiG System /10/ Guidelines for auditor and conduct of audit*);
- list of auditors and technical experts, qualified to carry out the assessments;
- evaluation of the submitted documents on their formal and merits aspects by the Board of the KZR INiG System. If there are loopholes in the formal and merits aspect, the applicant is allowed a period of 30 days to complete the application;
- on-site audit of certification body (evaluation of the body's management system, implementation of the KZR INiG System procedures);
- issuing a decision on the authorization for the certification body based on defined criteria and positive evaluation. In the case of a negative decision, the applicant is entitled to appeal to the KZR INiG System Council. The Council has 30 days to investigate the appeal."
- monitoring of first audit carried out by the body at the client's – witness audit;

In practice, after signing the agreement between the certification body and the KZR INiG, the certification body submits its internal procedures. The procedures are assessed by the KZR INiG auditors before the on site audit and later discussed during the audit. The first assessment focuses mainly on the certification body's procedures, procedures and rules protecting it from conflict of interest, ensuring the independence of CB, minimizing risks of any erroneous results of the audit, supervising of staff and their competence, procedures for implementing the KZR INiG requirements, etc. In 2017 no new certification body was accredited.

(j) rules on how the monitoring of the certification bodies is to be conducted;

The monitoring of the certification bodies is conducted according to the KZR INiG documents recognised by the European Commission (KZR INiG System /1, KZR INiG System /9 and KZR INiG System/10). Updated (September 2017) requirements define an

internal monitoring procedure. The procedure consists of monitoring of certification bodies, in particular:

- periodic witness audits carried out by the KZR INiG. The purpose of the witness audit is to observe and assess audits undertaken by the certification body at the system participant;
- periodic on-site audit. The audit is carried out by the KZR INiG auditors at the certification body's headquarters. The purpose of the audit is evaluation of the management system of the certification body and also of documents generated by the CB during KZR INiG certification processes. Particular attention is paid to reports and checklists, with a view for essential correctness. 4% of finished auditing process rounded up to the nearest integer, but no less than three (or all if a CB did not carry out more than 3 audits) performed by the CB within the last year are a subject of verification.

Non-compliance identified during the above mentioned audits are always assessed in view of the risk of introducing non sustainable biomass as sustainable biomass. If the risk is high every case is investigated immediately and appropriate actions are undertaken.

KZR INiG auditors prepare a report from both witness and on-site audit. The report contains among others: identified non-compliance, deadline for next audit and remarks, as well as recommendations concerning the preservation or suspension of the authorization.

Basic frequency of both periodic witness audit and on-site audit is every year. The frequency can be increased or period between subsequent audits can be shortened if identified non-compliance may cause high risk of introducing non sustainable biomass as sustainable. Findings from compliant procedures (see KZR INiG system/1 point 8), as well as compliance received from third parties (e.g. other EU and outside EU countries, voluntary scheme, governmental and non- governmental organization, etc.) about a serious violation of KZR INiG rules, may be a reason to carry out an extra on-site audit. The decision about an extra audit or increasing frequency is taken by the manager of the Biomass Certification Systems Office, after evaluation of a given case and in consultation with the KZR INiG auditors carrying out the audit at the CB.

For as long as the authorization of the certification body remains in force, at least one audit (both witness and on-site) has to be performed by the KZR INiG.

In 2017 the KZR INiG carried out eight periodic (planned) on-site audit, eight periodic (planned) witness audit and one additional witness audit.

(k) ways to facilitate or improve the promotion of the best practices.

The KZR INiG emphasizes the use of the same rules by every system participant and also by certification bodies and auditors. In order to achieve these goals the following steps are taken:

The KZR INiG organises four types of training:

1. Base training obligatory for each auditor. Auditors, before being appointed (as KZR INiG auditors) are required to attend a training course organized by the KZR INiG, and to pass a final examination

2. GHG calculation training,
3. Betterment of auditing according to the KZR INiG. All authorized certification bodies are obliged to take part in the training. Information obtained during this training shall be distributed among staff engaged in the KZR INiG certification process (not only among auditors). This is a subject of verification during on-site audit performed by the KZR INiG at CB. In 2017 the training was organized on December 4-5. The scope of the training is always adjusted to cover the current problems. Results of internal monitoring, especially results of witness and on-site audits performed by the KZR INiG, are core topics for the training.
4. Training for economic operators and consulting companies;

In autumn 2017 an additional training course (with final examination), focusing only on changes in the scheme's requirements, was organized. Due to the fact that the changes were numerous and very important, the training was obligatory for auditors. Moreover, one additional training course for auditors was organized. The purpose of that training was to remind auditors of KZR INiG's basic knowledge.

One day of the Fuels Zoom annual conference (this is a scientific and technical conference organized by the Oil and Gas Institute) devoted to sustainability aspects and certification; In 2017 the Fuels Zoom conference was organized on 3-4 of October.

Internal projects concerning sustainability and certification aspects are carried out;

Information is forwarded by e-mails only, both to the certification body and the system participants. The way of distribution of the information received from the scheme among auditors is a subject for verification during an onsite audit carried out by the KZR INiG;

The KZR INiG provides FAQ on the KZR INiG website,

The KZR INiG provides a newsletter function.