

ISCC – International Sustainability and Carbon Certification

Report to the European Commission for the Calendar Year 2017

According to Article 18 No. 6 of Directive 2009/28/EC
amended by Directive (EU) 2015/1513

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1 Introduction

According to the Renewable Energy Directive (RED) all recognized voluntary certification schemes are obliged to annually report the amounts of sustainable material covered by the respective scheme in the previous calendar year to the European Commission (EC). The reporting provides information about the operation of the voluntary schemes and includes, inter alia, the amount of feedstocks (raw materials) and biofuels certified according to the voluntary scheme in the previous calendar year by country of origin and type of feedstock (raw material).

In 2011, ISCC has been among the first certification schemes recognized by the EC under the Renewable Energy Directive and by decision as of 09 August 2016, ISCC was among the first two schemes to be re-recognized by the EC. Thus, ISCC EU can be used to demonstrate compliance with the legal requirements of the Renewable Energy Directive 2009/28/EC amended through Directive (EU) 2015/1513 (RED) and Fuel Quality Directive 2009/30/EC amended through Directive (EU) 2015/1513 (FQD).

ISCC is a globally leading certification system covering all elements of the supply chain and all kinds of bio-based feedstocks and renewables. Independent third party certification ensures compliance with high ecological and social sustainability requirements, greenhouse gas emission savings and traceability throughout the supply chain. Since its start of operation in 2010, more than 17,000 ISCC certificates in more than 100 countries have been issued. The European biofuel market represents the most important market for ISCC as the majority of valid ISCC certificates are issued under the ISCC EU standard.

ISCC is applicable for all kinds of agricultural crops, their derivatives and renewables as well as waste and residues. All elements along the supply chain from agriculture or the point of origin of waste and residues up to the end user of the final product are covered. ISCC targets at:

- Reduction of Greenhouse gas (GHG) emissions
- Production of Biomass not on land with high biodiversity and high carbon stock
- Application of good agricultural practices and the protection of soil, water and air
- Respect of human, labour and land rights.

High requirements for traceability ensure that the physical way of the biomass can be traced throughout the entire supply chain. Furthermore, ISCC provides methodologies to calculate mass balances, and to conduct and verify GHG calculations along the supply chain.

ISCC is a multi-stakeholder initiative governed by an association with nearly 100 members. The members in the ISCC Association (ISCC e.V.) represent companies from agricultural production, sourcing, processing and trading of sustainable material, NGOs, science and research institutes, industry associations, and other interested stakeholders. ISCC was developed through an open multi-stakeholder process involving around 250 international associations, corporations, research institutions and NGOs from Europe, the Americas and Southeast Asia.

The ECs reporting obligation has been incorporated into the re-recognized ISCC EU documents (see ISCC 102 Governance) and into the ISCC terms of use. As requested by the EC, ISCC annually reports to the EC on its activities and the status of ISCC EU and complies in this way with the requirements specified in Article 18 No. 5 and No. 6 of the RED.

The specific elements to be reported were communicated in a letter from the Commission to the voluntary schemes in September 2015 (Annex I). To fulfill the requirement that “it should be indicated clearly where in the report the issues outlined in Annex I are addressed”, ISCC has structured the individual chapters of this report accordingly to elements (a) – (k) of Annex I.

For the calendar year 2017 ISCC collected the information for the requested market update (chapter 6), the amount of feedstock and biofuels certified, by country of origin from System Users that were certified under ISCC EU in 2017. While in the previous two years ISCC sent out a reporting template (Excel file) to the ISCC System Users in which the relevant amounts were to be entered, the data collection method was amended in this year and an online form was developed. System Users are obliged to fill in the template truthfully and completely and shall return the completed data template to ISCC within 30 calendar days after the data template has been provided by ISCC. The amounts received from all System Users in the reporting template were summed up and are submitted to the EC by ISCC in anonymised form in a separate document.

2 ISCC Audits

The following chapter outlines compliance with *Art. 18 No. 6 (a) RED: The independence, modality and frequency of audits, both in relation to what is stated in those aspects in the scheme documentation, at the time the scheme concerned was approved by the Commission, and in relation to best industry practice.*

1. Modality and Frequency of Audits

System Users that register with ISCC and want to receive a certificate are subject to a certification audit during which a cooperating Certification Body (in the following only referred to as CB) verifies compliance with the applicable ISCC requirements. An ISCC audit must always be conducted before a certificate can be issued. After a successful audit, the CB issues the ISCC certificate. All elements in the supply chain that register with ISCC and that want to receive a certificate are subject to an on-site audit before the CB can issue an ISCC certificate. During such an audit the auditor of the respective CB must use audit procedures provided by ISCC to assess and verify compliance of the ISCC System User with the ISCC requirements. The audit procedures provided by ISCC describe in detail which requirements must be fulfilled, how each requirement must be verified by the auditor and what kind of evidence should be considered. Checklists support the process. The audit procedures facilitate a consistent and comparable verification of the ISCC requirements during audits. Non-compliances with ISCC requirements must be stated in the audit procedure and must be corrected within 40 days at the latest before a certificate can be issued. ISCC internally reviews the audit procedures as a part of the risk management process. This facilitates a level playing field for CBs and System Users. Additionally to providing the audit procedures in Word, PDF or Excel format, ISCC has developed an electronic (automated) audit procedure, the Audit Procedure System – APS, to further increase the efficiency of ISCC audits.

Prior to any ISCC audit, the certification history of the System User must be evaluated. System Users are obliged to provide accurate and true information to ISCC and to the CB. Furthermore, System Users have to declare to ISCC and to the CB the names of all other sustainability certification systems they are participating in simultaneously to ISCC, or sustainability certification systems they have previously been participating in. System Users also must make available to the CB all relevant information including the mass balance data and the auditing reports regarding other sustainability certification systems used. ISCC audits are retrospectively and focus on the verification of claims made during the previous period of certification.

An exception to this rule is the first (initial) audit of a System User during which a retrospective audit of claims is not possible and thus the focus of the audit is on the necessary procedures to

appropriately implement and apply ISCC. ISCC audits have to be conducted on-site at the location of the System User registered for certification. All relevant elements of the supply chain must obtain a certificate in order to handle sustainable materials. All System Users need to be audited individually. Group auditing and sampling can be applied only at the beginning of the chain of custody, i.e. for farms and plantations or points of origin, as well as for storage facilities. ISCC audits must follow a risk-based approach and take into account risk factors determined by ISCC.

Certification audits have to be conducted based on the principles of ISO 19011 establishing guidelines for quality and/or environmental management systems auditing (plan, do, check, act) or a justified equivalent. Auditors should comply with the requirements of the ISAE 3000 when performing ISCC audits. Auditors should plan and carry out the audit with respect to nature, timing and extent of evidence gathering procedures in such a way that a meaningful level of assurance for a decision regarding compliance with the ISCC requirements is achieved. The CB must establish at least a “limited assurance level” when conducting audits. Auditors should follow the six “principles of auditing” according to ISO 19011. Those principles are: integrity, fair presentation, due professional care, confidentiality, independence and evidence-based approach.

The audit frequency is one year, i.e. an audit to verify compliance of a System User is required at least every twelve months. The audit frequency can be increased if there is a risk of non-conformity or if there are substantiated allegations of serious wrongdoing or fraudulent behaviour. In this case, the CB or ISCC may decide that the CB shall conduct additional surveillance audits during the validity period of a certificate. A surveillance audit can either be a complete audit of all requirements or it can focus on areas in which a specific risk of non-conformity has been identified. The modalities of ISCC audits are specified in the document ISCC 204 Audit Requirements and Risk Management.

2. Independence

To ensure independence and to avoid conflicts of interest, ISCC requires external third party certification audits. Certification audits are conducted by independent CBs that have a valid cooperation agreement with ISCC. Names and contact details of all Certification Bodies that cooperate with ISCC are published on the ISCC website. All ISCC auditors must be independent of the activity being audited, competent, and free from conflict of interest. It is not possible for CBs and auditors to become members of the ISCC Association (ISCC e.V.). CBs and auditors are subject to controls or “witness audits” that are conducted by the bodies responsible for the recognition or the accreditation of the CBs. These bodies are either governmental authorities (e.g. the German Federal Office for Agriculture and Food – BLE) or accreditation bodies (e.g. the American National Standards Institute – ANSI).

Additionally to these controls or “witness audits”, CBs and auditors are subject to independent audits conducted by ISCC in the framework of the ISCC Integrity Program (“Integrity Assessments”). In 2017, 26 out of 29 active CBs have been subject to an Integrity Assessment. The individual requirements for CBs and auditors applicable under ISCC in 2017 are specified in detail in the ISCC System Document 103 Requirements on Certification Bodies and Auditors version 3.0. Further requirements on CBs and auditors are specified in chapter seven.

3. Integrity Assessments and ISCC Integrity Program

The ISCC Integrity Program aims to ensure a consistent, objective and reliable audit, and certification process by all CBs cooperating with ISCC on a global basis. It was launched as a tool to enable closer monitoring of the CBs’ verification activities and companies’ compliance and is based on an on-going assessment process. The ISCC Integrity Program is an integral part of the quality and risk management at ISCC and provides valuable feedback to ISCC regarding the implementation of the standard and its verification. Therefore, it is an essential part of the continuous improvement process of the ISCC system.

The ISCC Integrity Program consists of audits (Integrity Assessments) of ISCC System Users and of CB offices. ISCC Integrity Assessments are planned randomly or risk-based particularly following risk evaluations, complaints or reports of non-conformity or fraud. Integrity Assessments are conducted by ISCC Integrity Auditors and can take place in any country where CBs carry out activities and audits in the framework of ISCC. The ISCC Integrity Auditors must be independent and free of any conflicts of interest. They work on behalf of ISCC and are not allowed to work for CBs cooperating with ISCC at the same time. Integrity Assessments can be conducted at the CB’s head office (office audit) or at System Users certified by the CB (customer audit). Integrity Assessments at ISCC System Users are full audits of all ISCC requirements. When ISCC schedules an Integrity Assessment, the participation of the System Users is mandatory.

4. Industry Best Practice

In 2017, more than the square root of all ISCC System Users and 26 out of 29 active CBs have been controlled during independent Integrity Assessments conducted by ISCC. The Integrity Assessments take place additionally to the annual certification audits of the ISCC System Users conducted by the CBs and additionally to the controls or “witness audits” conducted by the bodies responsible for the recognition or accreditation of the CBs. The amount of Integrity Audits realized in the framework of the ISCC Integrity Program represents presumably a higher control density compared to the “witness audits” conducted by accreditation bodies. This ensures highest integrity

of the certification scheme and the claims made under the scheme. Therefore, the frequency of audits of CBs as well as of the ISCC System Users goes far beyond best industry practices. Additionally to conducting independent Integrity Assessments, ISCC internally reviews all audit documents submitted to ISCC as a part of the risk management process. Such internal review further facilitates consistent audits and goes beyond best industry practices. In case ISCC detects inconsistencies or mistakes, the Certifications Bodies are contacted for clarification or correction of documents.

ISCC is a high quality system, using and providing innovative tools and technologies, which ensure a credible, effective and cost-efficient certification process. Another ISCC Best Practice example that significantly contributes to the credibility of the ISCC system concerns the topic of land use change (LUC). In order to verify that no illegitimate land use change has taken place, ISCC is using the innovative web-based tool GRAS. GRAS stands for Global Risk Assessment Services and is based on remote sensing technology, which provides comprehensive sustainability-related geo-referenced information on biodiversity, land use change, carbon stock and social indices. It allows its users to identify replanting activities, grassland conversion and cropping activities. It can be verified by using a simple to interpret greenness index called Enhanced Vegetation Index (EVI). Using EVI time series from 2000 until today, GRAS users can differentiate among the types of green cover, see the history of the land use, and most importantly detect the exact point in time of land use change. For producers, the use of GRAS is a secure and credible way to prepare for sustainability certification and to verifiably implement no-deforestation commitments. Auditors can use it for risk analysis prior to certification.

3 Non-Compliance and Fraud Prevention

Chapter 3 summarizes ISCCs measures to fulfil the requirements of:

Art. 18 No. 6 (b) RED: 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 wrongdoing on the part of members of the scheme.

Art. 18 No. 6 (g) RED: 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 intended to serve as a means of preventing fraudulent activity with a view, in particular, to the detection, treatment and follow-up of suspected fraud and other irregularities and where appropriate, number of cases of fraud or irregularities detected.

Non-conformity (non-compliance) means the non-fulfilment of an ISCC requirement. Generally there can be supplements, corrections and replacements of documents, records, reports, protocols and other information and data showing compliance with the ISCC sustainability requirements and with the requirements on traceability, mass balance and GHG emissions. This can take place during an audit or subsequently. However, before a certificate can be issued, existing non-conformities must always be corrected. All missing documents and proofs must be made available to the CB at the latest 40 days after the date on which the audit was conducted. Otherwise the issuing of a certificate is not possible and compliance must be verified in an additional audit.

If non-conformities are detected during an ISCC audit, which relate to claims made by System Users during the previous certification period, ISCC and the CB are entitled to impose conditions for recertification of the System User. Conditions may include the requirement to submit copies of relevant documents for a specific period to ISCC and/or to the CB and that the CB conducts a surveillance audit after a specific period after recertification (e.g. after one mass balance period). This especially applies in case of non-conformities that have an impact on the downstream supply chain, e.g. non-conformity with the mass balance requirements, non-conformity of sustainability declarations (e.g. false information), non-conformity with the greenhouse gas requirements (e.g. incorrectly calculated GHG emission value).

Methods for identifying non-conformities under ISCC include:

- Certification audits conducted by the CB
- Surveillance audits conducted by the CB
- Integrity Assessments conducted by ISCC
- Complaints submitted to ISCC by CBs, System Users or third parties (e.g. market participants, associations, NGOs, national authorities, etc.)

Under ISCC the proof of conformity for a delivery of sustainable material is a so-called “sustainability declaration” (SD) or, in case of final biofuel, a so-called “Proof of Sustainability” (PoS). To facilitate the implementation throughout the supply chain, ISCC provides templates for both types of documents which are available in the client section of the ISCC website. The use of the templates is voluntary and System Users are allowed to set up their individual documents as long as the compliance with requirements for sustainability declarations is established. Precondition for issuing a proof of conformity is a valid certificate of the issuing party. Only those parties are allowed to issue proofs of conformity under ISCC that have been successfully audited and certified by a CB. Each element of the supply chain is obliged to verify if the supplier of a proof of conformity holds a valid certificate at the moment of delivery of the material. This verification shall be done via the ISCC website (database of certificates published by ISCC). A delivery can

only be considered sustainable if the supplier holds a valid certificate and if all necessary sustainability information are provided. Necessary information include the type and amount of material, the GHG emissions, information if the raw material (feedstock) was a waste or residue, the country of origin of the raw material, etc.

ISCC certificates are the proof that an ISCC certified operational unit (ISCC System User) has demonstrated compliance with the ISCC requirements during an audit. Independent CBs cooperating with ISCC conduct these audits and verify the compliance of the ISCC System User based on audit procedures provided by ISCC. ISCC audits are generally retrospective and focus on the activities of the ISCC System User during the previous period of certification. During audits, the auditor assesses the documents related to sustainable material, including delivery documents, contracts, and proofs of conformity for individual deliveries of sustainable material.

To protect ISCCs integrity and to guarantee the high quality of the ISCC system, ISCC encourages its stakeholders and third parties to raise complaints against ISCC certificate holders or CBs cooperating with ISCC in case of non-conformity with ISCC requirements and/or fraudulent behaviour. The procedure to file a complaint is described on the ISCC website. Complaints can be submitted to ISCC via email (integrity@iscc-system.org). Necessary information in order to investigate complaints include:

- Information on the complainant (organization, contact person, title/position, contact details (email, phone))
- Name, location and type of operation of the company the complaint is made against
- Details on nature of grievance
- Objective evidence to substantiate the complaint and to attain a clear idea and unambiguous understanding of the situation at hand
- Description of action taken to settle the issue

Once received, ISCC will make an assessment of the complaint and if considered appropriate/necessary, ISCC will conduct an Integrity Assessment at the respective company in order to investigate the compliance with ISCC requirements. In the course of investigating the conflict or reason for the complaint, ISCC is entitled to contact the parties and stakeholders affected and to ask for supporting evidence, documentation or statements in order to attain a sufficient understanding of the situation. The complainant will be informed immediately about the receipt of their complaint, the acceptance of the complaint and further actions. Complainants and the information submitted to ISCC will be treated confidential and anonymous if not required otherwise by law.

If non-compliance of System Users is detected during audits conducted by the CB or during Integrity Assessments conducted by ISCC, the consequences depend on the severity of the non-compliance and the culpability of the System Users. Consequences include:

- Warnings, that may be connected with conditions or obligations for the System User which are suited to ensure the future compliance with the system standards
- Withdrawal of the certificate by the CB
- Suspension of the System Users for re-certification up to 60 months
- Withdrawn certificates and System Users that are suspended for re-recertification are published transparently on the ISCC website

The ISCC Terms of Use allow setting up a 60-month ban for re-registration and re-certification if the System User does not respond at all to an Integrity Assessment invitation as this is treated as “non-cooperation” under ISCC. This also applies if the System User does not allow for the Integrity Assessment to be conducted.

The ISCC Integrity Program guarantees a high quality and integrity of the ISCC system. It ensures a consistent, objective and reliable audit and certification process by all CBs cooperating with ISCC on a global basis. It was launched as a tool to enable closer monitoring of the CBs’ verification activities and companies’ compliance and is based on an on-going assessment process. The ISCC Integrity Program supports the quality and risk management at ISCC and provides valuable feedback to ISCC regarding the implementation of the standard and its verification. Therefore, it is an essential part of the continuous improvement process of the ISCC system.

In 2017, a total of 66 Integrity Assessments have been conducted by ISCC. ISCC aims to audit all CBs cooperating with ISCC that have issued ISCC certificates as well as to cover the square root of the total number of certified system users within the framework of the ISCC Integrity Program. Out of the 32 CBs cooperating with ISCC in 2017, a total of 26 have been evaluated in the framework of the ISCC Integrity Program. Not all cooperating CBs were evaluated in 2017 as some CBs either had not issued any certificates at all during the period of interest or only had issued a marginal amount of certificates. With 66 Integrity Assessments conducted in 2017, more than the square root of the 3252 certified ISCC System Users in 2017 has been assessed.

Non-conformities with ISCC requirements have been found in 35 out of the 66 Integrity Assessments. Of those non-conformities found during the Integrity Assessments, in around 57 per cent of conducted Integrity Assessments minor non-conformities and in 54 per cent major non-conformities were found. One critical non-conformity was detected. Non-conformities are critical if they are intentional, in particular non-conformities with the intent to defraud.

In addition to the evaluation of the individual Integrity Assessments, ISCC conducts an annual in-depth analysis of the Integrity Program to detect focus areas of non-conformities. This information is provided to CBs and their auditors as a feedback on their performance and as guidance for future ISCC audits to ensure a continuous improvement of the ISCC audits.

Referring to the improvement of the integrity and credibility of certification ISCC works continuously on the aspect of the certified deforestation free supply chains. As under ISCC compensation for new plantings is not allowed, ISCC also integrates detailed analyses of the innovative web-based GRAS tool in the framework of the Integrity Program to detect potential occurrence of land use change. The extensive GRAS reports provide an important tool for the Integrity Auditors and facilitate significantly the verification of ISCCs high sustainability requirements.

In 2017, 10 ISCC EU certificates were withdrawn due to serious non-conformities with the ISCC requirements. Eight System Users were suspended from certification, including System Users, which did not participate in the ISCC Integrity Program. Withdrawn certificates as well as suspended System Users are published on the ISCC website. Two System Users did not participate in an Integrity Assessment, which resulted in a suspension of those System Users for 60 months.

Additionally, in 2017 ISCC has received knowledge about seven certificates which were identified as fake, i.e. manipulated copies of ISCC certificates to display e.g. the name of another company than displayed on the original certificate. Fake certificates are also published transparently on the ISCC website.

Focus 1: Integrity Program planning based on analysis of supply chains

Non-conformities that do have a negative impact on the downstream supply chain elements and which cannot be corrected after its detection are considered as major non-conformities under ISCC. Those can be non-conformities with regard to wrong GHG emission values, inaccurate or wrong declaration of material or falsified amounts of sustainable material. Experiences from Integrity Assessments could show that some non-conformities can only be detected when looking at full supply chains, wherefore ISCC targets to audit continuous supply chains within the framework of its Integrity Program. The challenge for the ISCC Integrity Auditor is to detect these inconsistencies and to determine whether violations are motivated by the intention to defraud, in this way representing systematic and intentional market behaviour that will result in stronger negative sanctions.

- One specific example is the situation in Poland that was already in 2016 a topic in the ISCC Integrity Program. In March 2016 the European Biodiesel Board (EBB) published a press release on low-priced biodiesel exports from Poland. These low prices may have been possible because some Polish operators were selling quantities of biodiesel that had been already counted towards the Polish national biofuels quota to other EU Member States as sustainable according to the Renewable Energy Directive (RED). ISCC investigated several potentially involved System Users in a timely manner after the press release. The findings of ISCC's investigations were shared with the EC, and were published on the ISCC website. As a result from the process, the EC clarified that it should not be allowed to issue Proofs of Sustainability for deliveries of biofuel, that have already been used to fulfil a national biofuel quota of an EU Member State. ISCC informed its stakeholders respectively via an ISCC system update, and conducted in mid of 2017 a follow-up to identify the impact on the initial supply chain. A second round of Integrity Assessments at the same companies that were already evaluated in 2016 in this framework were conducted. The respective Integrity Assessments have not been closed at the date of the report, as the internal evaluation process is still on-going.
- Another example that could show the effectiveness of considering supplier-customer-relationships when choosing Integrity Program candidates led to the detection a critical non-conformity in 2017. Here, ISCC decided to further assess a down-stream supply chain after the suspension of a company due to mass balance non-conformities detected in the framework of the Integrity Assessment. The subsequent evaluation of its buyer's documents revealed irregularities related to its mass balance. More specifically not all sustainable material handled under ISCC has been disclosed to the Integrity Auditor, which ISCC could only detect due to the fact that information on sustainable material supplied under ISCC has already been gathered during the Integrity Assessment at its supplier. Additionally, the company did not comply with ISCC traceability requirements for its main feedstock. As a result, due to the detected non-compliances and lack of disclosure of requested documents the company was suspended for re-certification for a period of initially 60 months (subsequently reduced to 12 months).

Focus 2: Update GHG calculation methodology (valid from 1 September 2017)

ISCC communicated the respective GHG calculation methodology update stated in the "Note on the conducting and verifying actual calculations of GHG emission savings version 2.0" published

by the EC extensively in three System Updates in 2017 (11 May, 30 June, 16 August 2017) and in the conducted ISCC GHG and Basic Trainings. In this way, ISCC aimed to support its System Users in the transition period regarding the implementation along supply chains. With regard to that, also the ISCC Proof of Sustainability template has been amended accordingly and a new template for market participants before last interfaces has been developed (“Sustainability Declaration for Raw Materials and intermediate Products”). Throughout the year 2017, ISCC has received market complaints and feedback from authorities regarding potential non-conformities with the new GHG guidelines. Therefore, ISCC has decided to put also a focus on this topic for the Integrity Program in 2018.

4 Transparency

Chapter 4 exposes ISCC effort to comply with *Art. 18 No. 6 (c) RED: 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.*

Transparent provision of information is a precondition for ISCC to offer a high-level sustainability certification system that is feasible, secure and credible. ISCC publishes relevant information about the ISCC system freely accessible on the ISCC website (www.iscc-system.org).

As a crucial measure to further enhancing the transparency, ISCC introduced summary audit reports for all ISCC System Users. ISCC received feedback from various stakeholders, including NGOs, that the publication of summary audit reports would be very important in terms of improving ISCC’s transparency. The template of a summary audit report was developed in a multi-stakeholder process during the year 2016 based on a decision in the General Assembly 2016 of the ISCC Association (ISCC e.V.). The members agreed to set up a “Working Group Transparency” with the objective to elaborate a template for a summary audit report to serve a better transparency of ISCC whilst ensuring the need to protect sensitive company internal information. 20 members of the ISCC e.V. representing all stakeholder groups participated in the working group and provided their input to compile a proposal of the summary audit report. The proposal was shared with the ISCC e.V. Board as well as with all other ISCC e.V. Members before it was finally presented at the ISCC e.V. General Assembly 2017.

While certified ISCC System Users could choose to publish the audit report (audit procedures) on a voluntary basis if their audit was conducted before the 16 October 2017, for all audits conducted

after October 16 2017 and onwards, the report has to be compiled and is published on the ISCC website.

In 2017, the publicly available and accessible information about the scheme included:

- The ISCC system documents, the ISCC Terms of Use, and the ISCC fee structure, in the latest applicable version
- A searchable database of System Users (operators) certified under ISCC including the following information:
 - Number of the certificate
 - Name of the certificate holder
 - Scope of the certificate, i.e. what type of operation is certified (e.g. First Gathering Point, Oil Mill, Biodiesel or Bioethanol Plant, etc.)
 - Information on (input) materials
 - Validity period of the certificate
 - Name of the CB that has issued the certificate
 - A copy of the certificate in PDF format
 - Location of the certified System User
 - Current status of the certificate (i.e. valid, expired, withdrawn)
 - Summary Audit Report (for all audits as of 16 October 2017)
- Information on certificates that have been provided to ISCC which were identified as fake
- ISCC System Users that are excluded from ISCC certification due to severe non-conformity with ISCC requirements including the time period of the suspension
- Instructions for System Users how to participate in the system
- Contact details of ISCC and options to contact ISCC directly
- Options for stakeholders to give feedback about the standard and developments of the standard (Public Consultation)
- A list of all Certification Bodies cooperating with ISCC, including contact details
- Information for ISCC Stakeholders about the ISCC Association, the statutes of the Association, a list of members of the Association, information on the regional stakeholder dialogue and the meetings of the regional stakeholder committees

- Dates for ISCC Trainings, conferences organized by ISCC, and other events where ISCC is represented or makes a contribution

As an international and globally applicable certification scheme, the working language of ISCC is English. For economic operators in the countries where the raw materials originate, i.e. farms, plantations and points of origin for waste and residues, ISCC provides the self-assessment / self-declaration documents in 25 languages to the ISCC System Users covering all regions where ISCC is applied. Furthermore, ISCC provides specific system documents and procedures in additional languages (e.g. Spanish, French and Bahasa). Further translations of system documents or procedures can be provided by ISCC upon request.

5 Stakeholder Involvement

This chapter presents ISCCs implemented measures regarding Art. 18 No. 6 (d) RED: Stakeholder involvement, particularly as regards the consultation of indigenous and local communities prior to decision making during the drafting and reviewing of the scheme as well as during audits and the response to their contributions

ISCC is a multi-stakeholder initiative governed by the ISCC Association (ISCC e.V.). The ISCC Association is the legally registered body responsible for guiding the strategic decisions taken by ISCC and for unifying and representing ISCC's stakeholders. The ISCC Association guarantees adherence with the multi-stakeholder process. Stakeholders of ISCC are individuals or groups that have an interest in any ISCC decision or activity. Stakeholders of ISCC include all types of companies from all sectors and from across the entire supply chain that ISCC is active in, Non-Governmental Organisations (NGOs), scientific institutions, research and other organisations, representatives from the public sector or individuals who are involved with ISCC and who support its goals. Natural or legal persons may become members of the ISCC Association if they share ISCC's goals and mission. Members can participate in the organisation and have a voting right. The General Assembly is the annual meeting of the members held by the ISCC Association. At the annual General Assembly, the members elect the Board of the ISCC Association (ISCC Board) and discuss and decide on strategically important matters. The ISCC Board represents the three different stakeholder groups participating in ISCC: Biomass Producers and Processors; Trade, Logistics and other System Users; NGOs, Social Sector, Science and Research, Public Sector. The ISCC Board is made up of two representatives of each stakeholder group ensuring equal representation of interests. The ISCC Board may initiate and establish Stakeholder Committees to support ISCC in the handling of specific topics and to facilitate the regional stakeholder dialogue.

Stakeholders of ISCC either have the option to engage with ISCC by becoming members in the ISCC Association, by participating in Stakeholder Committees, the regional stakeholder dialogue, and Working Groups, or by giving feedback to the system through Public Consultation, or directly via email, over the telephone or in person. Membership in the ISCC Association is not a precondition for System Users to become certified or to engage in the stakeholder dialogue with ISCC. Feedback received from stakeholders results in a continuous improvement of ISCC documents such as system documents, audit procedures, material lists, and other ISCC documents and certification tools.

Stakeholder Committees are a valuable tool to engage with stakeholders from specific regions, or with stakeholders interested in specific technical questions. Currently, there are Regional Stakeholder Committees for North America, South America, Southeast Asia, and Europe, as well as a Stakeholder Committee focusing on solid biomass. Members of the ISCC Association, ISCC System Users, CBs cooperating with ISCC, and other stakeholders may participate in Stakeholder Committees. Within the framework of a Stakeholder Committee, Working Groups can be established to focus on specific topics or issues relevant for ISCC. The participants of a Working Group should have fundamental experience and expertise in the relevant topic being dealt with by the Working Group in order to support an effective and efficient working procedure. In 2016, ISCC set up a Working Group “Transparency” to discuss the enhancement of ISCC’s transparency by publishing summary audit reports on the ISCC website (also see chapter four).

The main tasks of Stakeholder Committees are:

- Organisation of stakeholder involvement and dialogue in a region or on a specific topic
- Development of guidance on how to facilitate and improve the application of the ISCC system to regional or technical specifics and risks or to individual markets
- Support of CBs with information about local or regional conditions, requirements and risks
- Support of ISCC in the procedure of risk assessment and management in the regions and markets where ISCC is applied by System Users
- Special consideration of the local and regional regulatory framework
- Promotion of the ISCC system and facilitation of the ISCC goal
- Mediation of local or regional conflicts

In 2017, ISCC organized the following ISCC Stakeholder Committees meetings and conferences for interested parties:

- 15 February, Brussels, Belgium, 7th ISCC Global Sustainability Conference

- 09 March, Guayaquil, Ecuador, ISCC Informational Event: “Sustainable Biomass and Bioenergy”
- 06 April, San Francisco, USA, ISCC Conference: Plugging the West Coast Carbon Short – The Coming Low Carbon Shortage and the Need for Sustainability Verification
- 24 October, Jakarta, Indonesia, Methane reducing potential of solid separation methods for oil palm mill
- 25 October, Jakarta, Indonesia, Stakeholder Committee Southeast Asia
- 13 November, Shanghai, China, Exploring export opportunities for waste/residue-based raw materials and biofuels
- 28 November, Brussels, Belgium, Stakeholder Committee Solid Biomass
- 05 December, Las Vegas, United States of America, Stakeholder Committee North America

Another important stakeholder group for ISCC are CBs who cooperate with ISCC as they are responsible for the consistent verification of compliance with the ISCC requirements. CBs cannot become members in the ISCC Association in order to avoid potential conflicts of interest and to ensure their role as independent third parties. Nevertheless, CBs can participate in ISCC’s Stakeholder Committees, Working Groups and other ISCC events. Furthermore, ISCC organizes regular meetings specifically convened for the representatives of CBs cooperating with ISCC. The aim of those meetings is to exchange feedback and practical experiences in relation to the daily application of ISCC, to discuss best practices, to identify and reduce potential risks and to facilitate improvements of the system. This way CBs are included in the multi-stakeholder approach of ISCC and can support the implementation of best practices and the continuous improvement of ISCC. In the calendar year 2017, two meetings with the CBs and ISCC took place. Furthermore, the CBs provide once a year an evaluation report regarding important non-conformities, corrective actions and risks which have been detected during the audits and inspections of the previous year. These evaluations are taken into account for the continuous improvement of ISCC.

At audits of farms and plantations against the ISCC sustainability requirements the CB verifies that negative environmental, social, economic and cultural impacts are avoided. A participatory social impact assessment has to be conducted, engaging all relevant stakeholders including local communities and indigenous people. Such an assessment shall be publicly available in appropriate language to surrounding communities. On the basis of this report an action plan to address identified social impacts and a continued dialogue with surrounding communities shall be in place. Documents of regular meetings with communities (with two-way communication) and local

government with listed risks and/or impacts and evidence of documented negotiations or resolution processes shall be compiled as specified in ISCC 202 Sustainability Requirements version 3.0.

Generally, all stakeholders of ISCC have the option to submit complaints about non-conformity of ISCC System Users to ISCC (also see chapter three).

Furthermore, ISCC is continuously involved in different projects focussing e.g. on biodiversity, food security, identification of no-go areas or on the certification of smallholder farmers in Indonesia.

6 Market Update

The market update summarizes information on *Art. 18 No. 6 (f) RED: Market updates of the scheme, the amount of feedstocks and biofuels certified, by country of origin and type, the number of participants.*

See data reporting template (Excel spread sheet) on the amount of feedstocks (raw materials) and biofuels certified under ISCC EU in the calendar year 2017, by country of origin and type as reported by the ISCC System Users.

The total number of ISCC EU certified System Users (participants) in the calendar year 2017 was 3252. The total number of ISCC EU certificates issued in the calendar year 2017 was 2990. As ISCC certificates are valid for a period of twelve months (not depending on the calendar year), the total number of participants in 2017 differs from the number of ISCC EU certificates that were issued in 2017.

7 Certification Bodies and Robustness of the Scheme

The following chapter defines ISCCs guidelines and requirements regarding:

Art. 18 No. 6 (e) RED: The overall robustness of the scheme, particularly in light of rules on the accreditation, qualification and independence of auditors and relevant scheme bodies

Art. 18 No. 6 (h) RED: Options for entities to be authorised to recognise and monitor certification bodies

Art. 18 No. 6 (i) RED: Criteria for the recognition or accreditation of certification bodies

Art. 18 No. 6 (j) RED: Rules on how the monitoring of the certification bodies is to be conducted

The requirements for CBs applicable in 2017 are included in the ISCC EU System Document 103 Requirements for Certification Bodies and Audits version 3.0. All CBs must fulfill the following requirements to be able to offer certification services according to the ISCC system:

- Recognition by a national public authority or an accreditation body
- Conduct audits in conformity with standard ISO 19011 establishing guidelines for quality and/or environmental management systems auditing
- The workflow of the certification process complies with the requirements of ISO Guide 65 (EN 45 011) / ISO/IEC 17065 establishing requirements for bodies operating product certification systems
- Conduct audit and certification according to the principles and requirements of ISO 17021: 2006
- Signed Cooperation Agreement with the ISCC System GmbH
- Appointment of competent employees

The principles of auditing according to ISO 19011 include principles to ensure effective, reliable and independent audits:

- Ethical conduct
- Fair presentation: the obligation to report truthfully and accurately
- Due professional care: the application of diligence and judgement in auditing
- Independence: the basis for the impartiality of the audit and objectivity of the audit conclusions

- Evidence-based approach: the rational method for reaching reliable and reproducible audit conclusions in a systematic audit process

CBs and auditors must be independent of the activity being audited, free from conflict of interest, and competent. To ensure independence and to avoid conflict of interests, ISCC requires external third party audits. Auditors must have the appropriate skills necessary for conducting the audit, and certification bodies must have the skills necessary for performing audits. Skills about land use criteria and no-go areas, experience in agriculture, ecology or similar, Chain of Custody systems, traceability, mass balance systems, data handling or similar, and greenhouse gas calculation are crucial elements of the qualification. In the areas the auditor is active in, he has to have the respective skills. These requirements are prerequisites for a successful operation of the certification scheme. Independent of their specific operational area, all auditors have to meet general audit requirements. Furthermore, all auditors conducting ISCC audits must have participated in one of the three-day ISCC Basic Trainings offered by ISCC prior to conducting ISCC audits. Depending on whether they conduct audits on farms or in subsequent elements of the supply chain or GHG calculation verification, they have to meet additional specific requirements. For instance, If the CB is conducting audits and certifications which include the verification of individual greenhouse gas (GHG) calculations, the CB must ensure that at least one GHG expert is working with the CB. This GHG expert must have participated in an ISCC GHG Training.

Recognition of a CB can be done by national public authorities. These are competent authorities of EU Member States, which are responsible for the recognition of CBs in the framework of the Renewable Energy Directive (RED) and Fuel Quality Directive (FQD) and according to the regulatory framework of the national transposition of the EU Directives in a Member State. In Germany, for example, this competent authority is the Federal Office for Agriculture and Food (Bundesanstalt für Landwirtschaft und Ernährung – BLE). In 2017, the BLE was responsible for the recognition of 15 out of a total of 32 CBs cooperating with ISCC.

Recognition (accreditation) of a CB can also be done by Accreditation Bodies which are members of the International Accreditation Forum (IAF), by the bodies referred to in Article 4 of Regulation (EC) No 765/2008, or by bodies having a bilateral agreement with the European Co-operation for Accreditation. Accreditation Bodies shall work in line with ISO 17011: 2004 or otherwise detail what the alternative is. In 2017, 17 out of a total of 32 CBs cooperating with ISCC were accredited and monitored by Accreditation Bodies.

In 2014, ISCC has developed an accreditation program together with the American National Standards Institute (ANSI). This accreditation program verifies that the competence of certification bodies is in conformance with ISO/IEC 17065 “Conformity Assessment - Requirements for bodies certifying products, processes and services”. ANSI is a signatory to the International Accreditation

Forum Multilateral Recognition Arrangement (MLA) for the accreditation of product certification bodies. This means, the ANSI-accredited program is recognized on a worldwide basis, reducing the need for duplicative credentials for different markets. ANSI's accreditation program meets the requirements of ISO/IEC 17011 "Conformity assessment - General requirements for accreditation bodies accrediting conformity assessment bodies", which represents the highest internationally accepted practices for Accreditation Bodies.

The monitoring of CBs is generally performed by the respective body, which is responsible for the recognition or accreditation of the CB. In case of recognition by the BLE, the BLE conducts audits of the recognized CB's office as well as witness audits of the CB's clients. During witness audits, BLE auditors accompany the auditors during regular certification audits and evaluate the auditors' performance. In case of an accreditation by an Accreditation Body, the monitoring is done via controls conducted by the respective Accreditation Body. The frequency and details of controls depend on the respective national authority or Accreditation Body responsible for the recognition or accreditation.

Monitoring of the CB by national authorities or accreditation bodies is complemented and supported by ISCC through the ISCC Integrity Program. Integrity Assessments can be conducted at the CB's head office (office audit) or at System Users certified by the CB (customer audit). Both head office and customer audits aim to assess and evaluate the performance of the CB and of individual auditors working for the CB in particular. The result of an Integrity Assessment is an Integrity Report in which the performance of the auditor and the CB is evaluated and points of improvement and/or non-conformities are identified based on the findings of the audit. The CB is obliged to allow for and to participate in office audits scheduled by ISCC. Participation of the CB in customer audits scheduled by ISCC is not mandatory, but highly recommended. ISCC is entitled to forward the Integrity Report to the competent public national authority or accreditation body responsible for recognition or accreditation of the CB, especially in case of serious non-conformities of the CB or its auditors.

In the event of non-compliant behaviour of a CB cooperating with ISCC, its auditors or its representatives, ISCC may impose sanctions against the CB or the individuals responsible for the non-conformity. Warnings may be issued if minor non-compliances with the ISCC requirements are detected. A Yellow Card may be issued if non-conformities with the ISCC requirements are detected (e.g. in the framework of the ISCC Integrity Program) or if the CB does not react or does not report in response to a written request by ISCC. A Red Card may be issued if major deviations from the ISCC requirements are detected (e.g. in the framework of the ISCC Integrity Program), if required improvement measures due to a Yellow Card are found to have not been sufficiently implemented, if the CB does not react or report on repeated written requests by ISCC, or if the

accreditation body or competent national public authority has suspended the accreditation or recognition of the CB. Contract cancellation may take place particularly in cases of verified fraud, if a Red Card could not be lifted after the agreed time period, bankruptcy, loss of the required recognition or accreditation of the CB by a national authority or accreditation body.

In 2017, ISCC issued three warnings and three yellow cards due to non-conformity of the CB with ISCC requirements. The detected non-conformities resulted in a close monitoring of the CBs performance and a higher probability to be subject of further Integrity Assessments (also see chapter three).

8 Promotion of Best Practices

Chapter 8 provides achievements on *Art. 18 No. 6 (k) RED: Possibilities to facilitate or improve promotion of best practice*.

ISCC is committed to a continuous improvement of the certification scheme. The continuous improvement includes the implementation of best practices. The following options to facilitate or improve the promotion of best practices can be identified under ISCC:

- Open Multi-Stakeholder dialogue: Stakeholders of ISCC can introduce best practice approaches under ISCC. The main tool to promote best practices under ISCC is the Regional Stakeholder Committees (also see chapter 4). Furthermore, best practices are promoted during the annual General Assembly of the ISCC Association, by giving feedback during the Public Consultation phase of new documents, or by directly contacting ISCC via phone or email (ISCC helpdesk).
- Feedback from CBs: Best practices can be facilitated through the regular dialogue with the CBs cooperating with ISCC. For this, ISCC is meeting at least twice a year with the cooperating CBs, to exchange latest experiences and developments regarding sustainability certification and risks identified that are relevant for ISCC.
- ISCC Integrity Program: Through the Integrity Program, ISCC continuously monitors the implementation and the verification of the ISCC requirements. During Integrity Assessments, the ISCC Integrity Auditor evaluates the performance of CBs and the compliance of System Users. The Integrity Assessment and the resulting Integrity Report provide valuable feedback to CBs and System Users on how to improve the implementation of ISCC and thus promote best practices.

- Training Program: ISCC offers regular three-day basic trainings, which are open for all interested stakeholders and cover all aspects of the ISCC system. The participation in such a basic training is mandatory for ISCC auditors before the auditor can conduct an ISCC audit. Furthermore, ISCC offers training courses that focus on specific topics that are important for sustainability certification. In 2017, ISCC has offered two trainings on Greenhouse Gas (GHG) Emissions and seven ISCC Basic Trainings. In 2017, a total number of 453 participants have been trained by ISCC, of which 208 were ISCC auditors. ISCC has conducted a total of 64 trainings since the start of ISCC's operations in 2010. ISCC trainings have been conducted in Europe, Asia, South America and North America.
- Audit procedures and other tools: ISCC provides detailed audit procedures (checklists) containing the relevant ISCC requirements and further guidance on how the individual requirements are to be assessed and verified. ISCC also provides electronic versions of the audit procedures to facilitate efficient audits on farms and plantations. Additionally, ISCC provides a tool that helps farmers and auditors to identify hazardous chemicals and pesticides and if they are banned in specific countries. ISCC also engages in the development and promotion of tools to improve risk assessments via remote sensing analysis (GRAS – Global Risk Assessment Services) and traceability databases ensuring secure claims on origin and sustainability of materials (Trace Your Claim - TYC).
- ISCC is an ISEAL subscriber and as such commits to the ISEAL mission to strengthen sustainability standards systems for the benefit of people and the environment. The assessment and risk management process under ISCC takes into account best practice principles of the ISEAL "Code of Good Practice for Assuring Compliance with Social and Environmental Standards".