

## SSAP-RED

Report to the European Commission on the implementation of SSAP-RED, according to the EC Letter from the Directorate General for Energy on new legal reporting requirements for voluntary schemes, as of 1st September 2015

Reporting period: 2019



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

Audits are performed on a yearly basis, according to section 5 of the Governance structure document. Audits are based on the self-assessment declaration of the farmers, subsequent on-site visits and documentary review. These self-assessment declarations are collected by the First Gathering Points ('FGPs') and based on the outcome of the data analysis. The Certification Body ('CB')/auditor evaluates whether the FGP should be classified as high-, medium- or low-risk, whereby risk refers to the likeliness of finding Non-Compliances with the SSAP-RED. The risk classification will determine whether on-site audits should be performed, resp. the number of samples that will be taken at farm level. Given this is the first year of introducing the SSAP-RED into the market, on-site audits are required in any case. The described process of applying farmer self-assessments and subsequent (potential) site visits by an independent third party is fully in line with current market practices of comparable standards and constitutes an efficient way to monitor the sustainability performance of a larger group of supplying farmers. Therefore, it is essential the risk classification is conducted correctly, and that the auditor is capable of identifying and evaluating the relevant criteria to perform his risk classification assessment. Like other RED schemes, the SSAP-RED has developed its own risk assessment tool that can be utilised by both the FGPs as well as the CB. The risk assessment tool indicates whether the tracts are located in an area that is classified as critical, whereby critical is defined as non-compliant with the sustainability requirements as determined in the SSAP-RED, e.g. areas with high carbon stock, natural parks, non-permitted land use changes etc. In case none of the tracts is located in such an area the risk is classified as low. In case the tract is located in such an area, then additional due diligence needs to be done at more detailed level in order to be able to potentially minimize the risk.

In addition, building on already existing best practices in the U.S. soy market, it is noteworthy that a pre-requisite of participating in the SSAP-RED program is the participation of the farmer in the national SSAP program. Such participation already indicates high level of compliance with the applicable national laws and regulations. Furthermore, it also inherently includes compliance assessments by the local governmental authorities, i.e the NRCS/USDA. We understand the number of yearly compliance assessments is higher compared to the respective number in case a square root methodology was applied. Taking the square root for sampling purposes is the usual methodology applied for certification programs.

<p>The audit frequency is based on a yearly cycle resulting in the validity period of the scope certificate also being 1 year. This helps SSAP-RED to ensure that system users adhere to the SSAP-RED requirements, as opposed to standards where the certificate has a longer validity period (e.g. of 5 years) and therefore have a less rigorous assessment regime. Since the SSAP-RED was introduced in 2019, the audit that was performed was only an initial audit whereby the FGP was to demonstrate that they understood the scope of SSAP-RED and implemented the process correctly in order to ensure future compliance with the standard.</p>
<p><b><i>(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 wrongdoing on the part of members of the scheme;</i></b></p>
<p>The SSAP-RED protocol foresees in the possibility to identify non-compliances ('NCs') of the system users vis a vis the stipulated requirements of the scheme. Therefore, the protocol has set up an assessment process based on the respective checklists and questionnaires. However, due to the fact that 2019 is the year of introducing the SSAP-RED scheme we have not yet gained any experience with NCs since this can potentially only occur in the beginning of the second year, upon re-certification of the system users. In the first year the CB will only check whether the scope is understood by the system users and the respective processes to manage compliance are in place. Whether the system users adhere to these processes or not will only be assessed upon re-certification marking the beginning of the second year and then only NCs can be given.</p>
<p><b><i>(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;</i></b></p>
<p>The scheme is publicly available on the SSAP-RED website. Given the scheme has a limited scope, only applicable for U.S. soy farmers producing soybeans in the U.S., there are no foreseen language barriers. The list with certified operators is published on the SSAP-RED website. At present, SSAP-RED does not foresee in the possibility to give access to the auditor's reports. As for transparency, we have noticed that parties initially were not fully aware of the implications that the current version of the SSAP-RED protocol only foresees in the option of GHG value calculation based on default values. Merely applying default values along the entire supply chain will not allow system users to meet the required GHG threshold values. In order to ease the GHG value calculation for the system users we have therefore decided to extend the current SSAP-RED scope with an option to calculate GHG emissions based on actual values. We are in the process of submitting the SSAP-RED scope extension (for actual value based GHG calculation) to the European Commission.</p>
<p><b><i>(d) 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;</i></b></p>
<p>The initial drafting of the protocol included a stakeholder consultation of the most relevant stakeholders within the U.S. soybean market revealing the need to achieve compliance also with EU regulations in order to export soybeans into the EU for biofuel purposes. Given the scope of SSAP-RED addresses only the U.S. market and builds on legal compliance with all national laws and regulations under the national SSAP protocol, accompanied by subsequent</p>

compliance audits by the NRCS/USDA, we did not encounter a specific need to perform consultations especially addressing indigenous communities. Any issues resulting from violation of respective protection laws would already have been addressed by the national SSAP program, leading to non-applicability for the respective violating parties. However, in case such violation would still occur the SSAP-RED foresees in a grievance mechanism where such an issue could be addressed.

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

It should be stated SSAP-RED is a relatively straightforward program with only one single feedstock, one geographical region and a limited scope. Therefore, we do not expect SSAP-RED to become a major player in the market, ultimately resulting in a smaller organizational structure being able to swiftly address market/regulatory needs and respond to proper implementation of the scheme. The protocol is especially designed to address the needs of soybean farmers enabling them to export their product into the EU for biofuel purposes whilst capitalizing on the already existing compliance with all national laws under the SSAP program. As stated earlier, participation in the national SSAP program is a pre-requisite for participating under the SSAP-RED.

The SSAP-RED program is operated by SES LLC consisting of the Management Board, an Advisory Committee and the Secretary to run the day to day operations. We deem the structure of the managing entity, SES LLC, to be sufficiently staffed and equipped to operate the SSAP-RED diligently and responding accurately to market and regulatory changes and requirements. We have implemented internally a clear split/definition of tasks and responsibilities, established a grievance mechanism for internal and external occurrences, and for the proper implementation of the SSAP-RED we have appointed an independent third party. This is Control Union Certifications as an international recognized, independent CB with extensive knowledge regarding voluntary schemes, both internationally as well as in the U.S. Therefore, Control Union Certification also have the capacity and knowledge in terms of personnel/auditors to perform the audits. Given Control Union is also accredited against ISO 17065 and ISO 17021 their management system is strictly supervised by regulatory authorities and accreditation bodies. That management system is also applied for the SSAP-RED program.

***(f) market updates of the scheme, the amount of feedstocks and biofuels certified, by country of origin and type, the number of participants;***

Since it is the first year of introducing the SSAP-RED program we can only report on one system user, for soybeans, see file attached. We found that the GHG calculation methodology only based on default values creates a barrier for stronger market uptake. Therefore, we have decided to extend SSAP-RED by an actual value based calculation methodology and will submit the protocol to the EC shortly.

***(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 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;***

<p>Given the limited scope of SSAP-RED, predominantly addressing the needs of the well-established trading houses in the U.S. we deem the potential fraud risk to be anyhow limited, this also in light of all applied U.S. regulations which compliance is assessed yearly by the NRCS/USDA. SSAP-RED does not operate in different jurisdictions, neither with a variety of feedstocks, excluding waste streams and processing products and within a well manageable, short supply chain. Hence the complexity of monitoring the certified volumes is low. All these factors contribute to considering the fraud risk to be low. However, in order to make the system more user-friendly SSAP-RED has developed a traceability platform that allows its users to input all their transactions and running the Mass Balance enabling them to check at any time accurately the volume, traceability and status of their certified product/certificate. Given the system is designed for different users it ensures compliance with the relevant privacy regulations.</p>
<p>In addition, SSAP-RED is operating a risk assessment tool, based on GIS data and displaying the critical and non-critical land use areas. The tool facilitates this additional service for both the system user as well as the auditor. This allows the auditor to cross check and verify the presented land use data of the system user easily.</p>
<p>Given it is the first year of introducing the SSAP-RED, given the only participant being a well-established international trading house, given traceability for the product is guaranteed, given double counting prevention measures are being implemented (primarily through crosschecking volumes and verifying potentially with other RED schemes by the auditor) we deem the overall fraud risk to tend against nil.</p>
<p><b><i>(h) options for entities to be authorised to recognise and monitor certification bodies;</i></b></p>
<p>Due to the market size of the program and the limited scope we currently do not see any need to outsource the monitoring of the CB. In addition, we have chosen for Control Union as a CB since they are experienced in certifying against voluntary schemes, have trained personnel and lastly are subject to strong supervisory and accreditation regulations, like the ISO 17065 and ISO 17021. The monitoring activity will be performed internally by SES LLC. So far, SES LLC has checked whether the CB qualifies as certifier and meets the criteria stipulated. Given the initial stage of the program we deem the current systems in place to be sufficient.</p>
<p><b><i>(i) criteria for the recognition or accreditation of certification bodies;</i></b></p>
<p>Please see the list of criteria that SES LLC has checked to assess the qualification of the CB.</p>
<p><b><i>(j) rules on how the monitoring of the certification bodies is to be conducted.</i></b></p>
<p>At this stage, we have little market uptake and therefore we do not see the necessity to set up a specific monitoring process for the CB, beyond the current process. Upon completion of the certification process the certificate is forwarded by the CB to SES LLC and subsequently, after being checked on its correctness, uploaded on the SSAP-RED website. However, in case there was any indication of misconduct or little rigidity for the implementation of the program SES LLC still have the right, according to its Terms of Use, to perform its own integrity assessments and review the audit and certification activities</p>

of the CB. In addition, we have implemented a grievance mechanism which would reveal potential shortcoming and subsequently trigger an integrity assessment.

***(k) possibilities to facilitate or improve promotion of best practice.***

SSAP-RED is based on the farmer's participation in the local SSAP program which has been applied in the market already for a couple of years. Therefore, there are already best practices being adopted in the local market and as such also applied under the SSAP-RED program. However, in order to adopt further best practices, more aligned with the specific RED sustainability (land use) criteria, we have an independent Advisory Board that could provide further advise in this respect. Therefore, the advisory board is comprised inter alia of supply chain actors, like farmers, whose experience can help to improve the scheme and its implementation. Also, leveraging on the experience of a CB heavily involved in sustainable, and particularly, RED schemes will contribute to implementing best practices as they have been deployed in other sectors or schemes.