



**Annual Report according to
the KZR INiG Report 2018**

Approved by

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- (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. There is no formal changes in this area in comparison to the Report 2017. Certification process shall be carried out according to EN ISO 19011 standard and certification body (CB) have to be accredited according to EN ISO/IEC 17021 standard.

The basic frequency of auditing is one year. An economic operator loses participant status, if it does not comply with this rule. 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). It is emphasized (especially during trainings and auditing) that switching of certification body/certification scheme or a break in certification does not cause that the certification process starts again. In these cases the certification process shall be carried out as recertification.

Audits of economic operators have to performed always on-site. On-site means in the place where the economic operator runs his activity. It happens that is does not correspond to company's registration address. In some cases it is allowed to perform audit of farmers as a desk audit. Desk audit shall provide the same level of assurance as an on-site audit. Desk audit shall be conducted at the same level of the risk (according to risk analysis guidance). Moreover, the auditor, before the decision regarding desk audit , must consider the availability of:

- high quality satellite images of the cultivation area, and databases regarding, for example, protected areas, areas with high biodiversity, peatland, etc. (both current and as of 1st January 2008);
- reliable documents confirming land status (both current and as of 1st January 2008). Documents issued by governmental institutions (e.g. land register or documents, including satellite images, confirming participation in the EU support system (cross-compliance) can be considered reliable.

Desk audit can be applied only in order to verify land (2008) status. Good agriculture practices are always verify on a farm. Thus, desk audit can be performed only within EU.

Performing risk analysis before an audit is obligatory. The KZR INiG documents provide detailed guidelines for performing risk analysis for farmers. Appropriate risk level is assessed and amount of samples of farmers is multiply accordingly. There are no defined rules with specific factors (as it is in case of a farmer) for other economic operators. However, duty of carrying out a risk analysis is still in force. In case of detecting risk level higher than low,

amount of audited samples have to be increased. The issue of assessment of risk analysis for economic operator was one of subjects of obligatory training for certification bodies.

The KZR INiG website provides some additional guidelines and clarifications concerning auditing or rules for economic operators.

(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;

The detailed procedures concerning proceeding with complaints and also internal monitoring procedures are described in the document "System KZR INiG/1" point 8 "Transparency and independence of the KZR INiG System, complaint procedures, internal monitoring".

Rules for dealing with non-conformities are described in the document "System KZR INiG/10" point 5.2.

In 2018 the following non-conformities were detected:

- 2 major non-conformities, both concerning mass balance and resulting in a loss of certificates. In one case a system participant appealed to the KZR INiG System Council. The Council examined the case and maintained the original decision.
- 110 minor non-conformities.

Minor non-conformities can be grouped by the following category:

- Minor abusing of mass balance rules: 23 cases
- Minor abusing of GHG emission rules: 18 cases
- Mistakes or deficiencies in the documentation: 69 cases

All non-conformities were identified during audits by a certification body.

There were no serious allegations of wrongdoing reported by a third party.

The KZR INiG's internal monitoring detected two cases of abusing of the KZR INiG scheme rules. According to our internal monitoring rules, certification bodies are obliged to report all certification processes every six month. The Report contains important information such as date, place of audit, auditor/s, audited locations, non-conformities, etc. CBs are obliged to sent the half-year report until February/August 15. The review of CBs reports (January-June 2018 period) showed that three certification bodies [REDACTED] reported audits performed by the same auditor at the same time. KZR INiG carried out an investigation. As an outcome of the investigation it was stated that in one case [REDACTED] the date of the audit was wrongly reported. [REDACTED] corrected the report accordingly. In the case of second CB, it was found out that in fact the place and time of the audit were different that reported to KZR INiG (by [REDACTED]). The change of the place and time were not reported in the audit documentations. This situation made doubt if the audit was correctly

carried out. Thus, an additional audit in audited company was carried out. The purpose of the audit was both: to confirm correctness of the previous audit and to confirm correctness of company's activity according to KZR INiG requirements. Result of the audit was positive. Despite this, KZR INiG shortened the period between successive assessments of TUV Rheinland. The KZR INiG audit was carried out in April 15 instead of October 2019.

The same problem was identified after reviewing of CB's reports of the period July-December 2018, and also for the same CBs. In this case the first certification body [REDACTED] wrongly reported to KZR INiG date of the audit. All other documents (Audit plan, attendance list) confirmed other audit date. In case of TUV [REDACTED] the explanation process is ongoing.

As a preventive action undertaken by KZR INiG was: to remind all CBs that there is obligation to record in a audit report all changes of audit in relation to the audit plan and, moreover, special activity was undertaken in relation to [REDACTED] and [REDACTED]. KZR INiG decided to carry out an extra audit (both on site and witness audit) in [REDACTED] the onsite audit was performed of 24 April 2019. In relation to [REDACTED] INiG shortened the period between successive assessments of [REDACTED]. The KZR INiG audit was carried out in April 15 instead of October 2019.

(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. Currently there are 9 certification bodies approved.
- 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. During trainings KZR INiG always draws attention to the last column "remarks" where they are published date of temporary suspensions of certificates.

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.

Audit reports prepared by auditors are kept by the certification body and available for inspection by the 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 KZR INiG scheme is owned and administrated by the Oil and Gas Institute, represented by the managing director. There is no stakeholders in the scheme's structures. However, the KZR INiG system participants are represented in the Council.

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 2018 the Council met two times. First meeting was on May 10, second meeting was in September 22. During the meeting in September participant's complaint was considered.

Contact data are openly available on the website, thus system participants ask for clarification and express their opinion directly to the scheme. 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.

Verification of compliance with the KZR INiG 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 (KZR INiG System/9 and KZR INiG System/10).

Ensuring independency by a certification body is a subject of audits carried out by KZR INiG in the certification body (in accordance with internal monitoring procedure). During every on-site audit performed at CB, the KZR INiG auditors assesses:

- a list of approved auditors and then the suitable qualifications of one auditor are verified. It is in order to confirm that certification body appoints auditors according to the KZR INiG rules;
- internal monitoring of auditors, if periodical assessment is performed by CB;
- internal CB's system of maintaining staff competences e.g. planned trainings

The KZR INiG System pays particular attention to supervising an auditor competences. This is why 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 competences, also for staff involved in the KZR INiG certification process (not only auditors).

The KZR INiG organizes trainings for auditors. One of the trainings is obligatory for auditors and this training ends with an exam. In 2018 there were two sessions of this basic trainings, in March and October. Additionally, every year KZR INiG organizes a training called "Improvement of auditing of KZR INiG". The training is obligatory for the KZR INiG certification bodies. Scope of this training is always adjusted to current issues. The common mistakes made by an auditor/certification body are always discussed. In 2018 the training took place on 10-11 December.

(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 2018 there are 354 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.

The System participants are obliged to report every 3 months amount of the products, that were sold with the KZR INiG proofs. Usually 3 months period is equal to calendar quarter. Reporting is required on the KZR INiG forms and the forms are suitable to gather all information needed to prepare KZR INiG report according to ILUC Directive. Verification of reported data is carried out by an auditor during audits. Auditors are obliged to note in the report amounts of goods with the KZR INiG proof, sold by audited company. The information shall come from internal mass balance records of audited company. Next, information is transferred semi-annually to the KZR INiG as a part of certification body report. KZR INiG compares this information with amounts reported by certified entity. If there are differences every case is investigated separately. In 2018 KZR INiG noted 5,44% reports completed with mistakes.

(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 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.

There is a strong emphasis on the necessity for verification of validity of the supplier's certificate on the KZR ING's website.

Any case of revoking or suspending of a certificate is published on KZR INiG website. In case of suspending and restoring a certificate, information about the period when the certificate was suspended is still published on the website (column "Remarks").

(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. KZR INiG is also responsible for supervision of authorized certification bodies. However, 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.

In 2018 KZR INiG carried out 19 audits in certification bodies. Two regular audits (on site and witness audit) for each recognized certification body (9 CB) and one extra audit carried out in January 2018 at [REDACTED] certification body. This extra audit was performed due to non-conformities identified in 2017.

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

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

In practice, after signing the agreement between the certification body and 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 the staff and their competence, procedures for implementing the KZR INiG requirements, etc. In 2018 KZR INiG accredited one certification body.

(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). The KZR INiG requirements define an internal monitoring procedure. The procedure consists of monitoring of certification bodies, in particular:

- periodic witness audits carried out by 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 in 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 indentified 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 complaints 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 the 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 KZR INiG.

In 2018 KZR INiG carried out eight periodic (planned) on-site audits, eight periodic (planned) witness audits, one accreditation on-site audit and one accreditation witness audit and one extra on-site audit. The extra audit was performed because of serious non-conformity identified in 2017. In 10 cases there were no non-conformities detected, in 8 cases there was some minor non- conformities detected. In one case KZR INiG detected non-conformities which can potentially lead to major non-conformities. In this case it was decided to carry out one extra audit at this certification body until end of April 2019.

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

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:

KZR INiG organises the following types of trainings:

1. Basic training, obligatory for each KZR INiG auditor. Auditors, before being appointed are required to attend a training course organized by KZR INiG, and they have to pass the final examination (two sessions see point (e)).
2. GHG emission calculation training. The training is divided into two days. First day is dedicated to Biodiesel production pathway, second day: ethanol production pathway. One such training took place in 2018.
3. Betterment of auditing according to KZR INiG. All authorized certification bodies are obliged to take part in this kind of 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 KZR INiG at CB. In 2018 the training was organized in December 10-11. The scope of the training is always adjusted to cover the current issues and covers lectures and workshop. Results of internal monitoring, especially results of witness and on-site audits performed by KZR INiG, are core topics for the training. In 2018 particular emphasis has been placed on verification of mass balance, good practice of auditing in relation to the KZR INiG requirements, verification of GHG emission calculation and correctness of filling out the checklist.

One day of the Fuels Zoom annual conference (this is a scientific and technical conference organized by the Oil and Gas Institute) is devoted to sustainability aspects and certification; In 2018 the Fuels Zoom conference was organized on 13-14 of November.

KZR INiG provides a newsletter function.

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