

ISCC – International Sustainability and Carbon Certification

Report to the European Commission for the Calendar Year 2018

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, waste and residues as well as recycling materials. 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 20,000 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 is issued under the ISCC EU standard.

All elements along the supply chain from agriculture or the point of origin of waste and residues down to the end user of the final product are covered. ISCC targets the:

- 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 more than 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 specific elements to be reported were communicated in a letter from the Commission to the voluntary schemes in September 2015 (Annex I). To fulfil 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 according to elements (a) – (k) of Annex I. Best Practices according to “Art. 18 No. 6 (k) RED: Possibilities to facilitate or improve promotion of best practice” have been included in each chapter in order to avoid duplications.

For calendar year 2018, 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 2018. Chapter 6 outlines a detailed process description of the data gathering.

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.*

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 referred to as CB) verifies compliance with the applicable ISCC requirements. 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. ISCC audits have to be conducted annually and 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. The requirements for conducting audits are specified in ISCC EU System Document 204 “Audit Requirements and Risk Management” (version 3.0) and have not been amended since the last Report to the European Commission for the Calendar Year 2017 (as provided on 30 April 2018).

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).

In addition 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”), that is described in more detail in the following chapter. In 2018, with 66 on-site Integrity Assessments more than the square root of all ISCC System Users were evaluated during independent Integrity Assessments conducted by ISCC. The Integrity Assessments take place on top of the annual certification audits of the ISCC System Users conducted by the CBs and on top of 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.

The individual requirements for CBs and auditors applicable under ISCC in 2018 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.

Industry Best Practice: Audit Procedure System (APS)

ISCC has developed an electronic tool – the Audit Procedure System (APS) in order to further facilitate the certification process. APS simplifies the audit preparation and contributes to a more efficient audit performance. APS provides more flexibility, allowing different auditors to work on the same client at the same time, e.g. in case the audit of the client requires sample audits of farms. The program is available for laptops and tablets running on Windows and Mac.

The objective of APS is to display only the questions relevant for the particular audit and to automatically generate reports ready to print. Therefore, a step- by-step process by answering the questions is implemented. This reduces the risk for mistakes and ensures that questions which are not relevant for the audit will not be displayed.

In 2018 ISCC has updated APS and released version 4.0 of the programme. New features include a new and improved user interface and navigation, search function for audit questionnaire, enhanced layout of exported PDF files, improved import and export option (e.g. import and export of system user data, reduced file size, etc.) and the voluntary option to include examples for best practices and recommendations for voluntary improvement.

Industry Best Practice: Internal review

In addition to conducting independent Integrity Assessments, ISCC internally reviews all audit documents submitted to ISCC as a part of the risk management process. This includes an internal document check of the certificate, Summary Audit Report (SAR) as well as audit procedures and other requested documents (e.g. warehouse, dependent collecting point list) before a certificate and the SAR is published on the ISCC website. During the internal review ISCC also documents company-specific data as for instance GHG emission information that is evaluated with respect to plausibility. In case ISCC detects inconsistencies or mistakes in the certification and audit documentation, the CBs are contacted for clarification or correction of documents. Such internal reviews further facilitate consistent audits and go beyond best industry practices. In line with the internal review of received audit documents goes the constant development of ISCCs APS tool as ISCC uses learnings from the internal review and welcomes feedback from auditors to constantly improve the application.

Industry Best Practice: Use of innovative technology

ISCC is a high quality system, using and providing innovative tools and technologies which ensure a credible, effective and cost-efficient certification process. One 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 took 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. In the future APS will also be used for semiautomatic evaluations regarding impact and other KPIs.

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. An exception takes place for farm and plantation audits where all major musts and 60% of the minor musts have to be fulfilled. 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 issuance 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-conformities with the mass balance requirements, non-conformities of sustainability declarations (e.g. false information) or non-conformities 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.)

ISCC Integrity Program and Integrity Assessments

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 and it guarantees a high quality and integrity of the ISCC system. 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 different kind of measures established to ensure the high quality and credibility of the certification scheme by identifying non-compliance and preventing fraud.

To protect ISCC's 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 and in ISCC EU System Document "Governance" (version 3.0), chapter 9 "Conflict Resolution". The document further outlines the ISCC procedure of dealing with received complaints in detail in chapter 9.2 "Conflict Resolution Process".

On-site Integrity Assessments can be conducted at System Users certified by the CB (customer audit) or, in exceptional cases, at the CB's head office (office audit). ISCC on-site Integrity Assessments are planned randomly or risk-based particularly following risk evaluations based on e.g. market developments, complaints received via phone/mail/letter 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 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.

In the 66 on-site Integrity Assessments conducted in 2018 24 out of 26 active CBs (in 2017) were controlled during independent Integrity Assessments conducted by ISCC. Not all cooperating CBs were evaluated in 2018 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. The ISCC Integrity Programme also aims to reflect the distribution of ISCC certified companies, meaning that in 2018 71% of Integrity Assessments were conducted in Europe, 21% in Asia, 5% in Latin America and 3% in North America.

ISCC EU System Document 102 “Governance (version 3.0), chapter 10 “Non-conformity and sanctions” describes the consequences in case non-compliance of System Users is detected during audits conducted by the CB or during Integrity Assessments conducted by ISCC. The ISCC Terms of Use allow setting up a 60-month ban for re-registration and recertification 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.

Non-conformities with ISCC requirements have been found in 40 out of the 66 Integrity Assessments. Of those non-conformities found during the Integrity Assessments, in around 39% of conducted Integrity Assessments minor non-conformities and in 33% 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. 59% of detected NCs relate to mass balance & traceability, 29% to documentation, 24% to GHG emissions, 21% to the management system, 15% to basic data and 6% to the ISCC sustainability criteria.

In 2018, five ISCC EU certificates were withdrawn due to serious non-conformities with the ISCC requirements. Seven System Users were suspended from certification. Withdrawn certificates as well as suspended System Users are published transparently on the ISCC website. This is also used as a measure to avoid certification “scheme hopping” as other voluntary schemes are by this in the position to receive publicly available information of System Users that did not comply with ISCC requirements and therefore have been excluded (for a certain period of time) from the ISCC scheme. Additionally, in 2018 ISCC received information 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.

As a further tool for fraud prevention ISCC controls already in the registration phase the received information in the registration template and compares it automatically with existing information in its internal data bank. In case obvious connections to companies that have been e.g. suspended from the ISCC scheme are identified, an investigation takes place and the (new) registration may not be accepted (i.e. same address and/or same contact person).

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 ISCC's high sustainability requirements.

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. Additionally, this information is used for clarifications in the ISCC System Updates and mailings as well as a measure for improvement for standard documents, updates in audit procedures or established documents as well as the development of new documents.

Best Practice: Continuous development of Integrity Program measures

ISCC has identified a growth in actual GHG emission calculations of certified System Users based on an internal data bank evaluation. Similarly, ISCC increasingly receives complaints and questions from market participants with regard to this topic and is also contacted by national authorities asking for clarification of unusual low GHG values that have been forwarded into the market. It appears that the increasing complexity of the GHG calculation methodology may potentially lead to inconsistencies and mistakes and with that, non-conformities. Hence, it was decided to put a special focus in the framework of the Integrity Program on companies conducting individual calculations by implementing additional GHG desk audits. Desk audits can include internal GHG calculation verifications realized by ISCC and/or specific mailings to CBs where ISCC is requesting verification and confirmation from CBs regarding implausibly low GHG values. ISCC constantly works at further measures to e.g. evaluate data bank information as GHG values with regard to plausibility and find solutions for automated mailings requesting for clarification from Systems Users and/or CBs. Prior every on-site Integrity Assessment an extensive GRAS analysis is conducted and ISCC also continuously strengthens its cooperation with GRAS to detect potential non-conformities and fraud of System Users.

Best Practice: Missing sample audits for farms/plantations and point of origin audits

Based on learnings from an Integrity Assessment in 2017, ISCC has selected the topic of (missing) on-site audits as another key point for the Integrity Program 2018. While it has been detected in an earlier assessment of 2017 that no sample audits at Points of Origin supplying more than 10 mt/month (120 mt/year) of waste/residue material to a certified CP had been conducted, it was detected at another Integrity Audit in 2018 that sample farm audits of a FGP were also not realized on-site by the respective auditor. ISCC System Document 204 outlines that requirements for main and sample audits have to be verified on-site of the operational unit and/or the site chosen for a sample audit. This means consequently that desk certification audits without prior explicit confirmation of ISCC represent a major non-compliance of the Certification Body with ISCC requirements. In order to maintain the standards credibility and apply a consistent approach, ISCC decided to set-up several consequences with regard to this non-compliance: a specific mailing was sent out to all CBs clarifying this requirement, underlining the importance of on-site audits and pointing out that sanctions will be applied in case ISCC detects the respective non-conformities at other System Users. Additionally, further Integrity Assessments will be planned where the detection of this potential NC stays in the focus, in 2019 one certification body has received a red card and one responsible auditor was timely suspended.

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 mandatory summary audit reports (SAR) 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. For all audits conducted after October 16 2017 and onwards, the report has to be compiled and is published on the ISCC website.

In 2018, 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 and output) materials/products
 - 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
- 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 31 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.

Under ISCC the proof of conformity for a delivery of sustainable material is a so-called “sustainability declaration” (SD) or, in case of final biofuels, 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 time 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 is provided. Necessary information includes the type and amount of material, GHG emissions, information if the raw material (feedstock) was a waste or residue, country of origin of the raw material, etc.

Best Practice: ISCC Website

Besides the transparent overview of different kinds of certificates and companies that have been suspended from the scheme, also all relevant (system/guidance) documents and templates can be

downloaded from the ISCC website. ISCC provides also a downloadable tool that helps farmers and auditors to identify hazardous chemicals and pesticides and if they are banned in specific countries.

Additionally, ISCC System Updates (in English and German) are publicly available on the ISCC website in both languages. ISCC informs its System Users on a regular base regarding relevant changes of the certification standard via ISCC System Updates. Relevant updates include i.e. changes in requirements, amendments of system documents and audit procedures, new templates. Information on upcoming trainings, events and other communication measures as articles or press releases are shared with subscribers via the ISCC Newsletter. While for ISCC contact persons of certified operational units and CBs it is mandatory to receive the ISCC System Updates, for the latter every market participant interested in the ISCC certification scheme can subscribe via the ISCC webpage. In 2018, six System Updates have been sent out to System Users and CBs as well as 23 ISCC Newsletters (including specified event mailings).

5 Stakeholder Involvement

This chapter presents ISCC's 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 consists 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. Hand in hand with the expansion of the ISCC certification, the ISCC association is growing as well. In the founding year 2010, the association counted 20 members, which has since more than increased by five-fold, counting 106 members as of December 2018. The members come from 31 countries, approximately 67% from Europe, 16% from Asia and Oceania, 16% from the American continent and 1% from Africa. In 2018, 72% of the members represented the private sector, 22% worked for governmental and non-governmental organisations while another 22% came from Research & Development. The remaining 6% of the members were individuals.

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 Technical Stakeholder Committee focusing on solid biomass and since 2018 a Technical Committee dealing with “Waste, Residues and Advanced Low Carbon Fuels”. It was established to support the constructive dialogue on the sustainability certification of waste and residues-based and advanced low carbon fuels. The Committee provides an important platform for stakeholders to engage in a dialogue to tackle challenges and opportunities associated with the innovative feedstocks and fuels. It aims to resolve practical problems and demands and contribute to shaping the future for low carbon fuels in the global transport sector (road, aviation, rail, maritime) and for industrial use. Particularly the following advanced low carbon feedstocks and fuels will be in the focus of the Technical Committee: low iLUC fuels, crop, forestry and processing residues, wastes, recycled carbon fuels and renewable fuels of non-biological origin. In order to reach this, ISCC provides and further develops a reliable and practical sustainability certification standard for low carbon feedstocks and fuels. Meetings will take place on a regular basis and working groups may be established as required.

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.

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 goals
- Mediation of local or regional conflicts

In 2018, ISCC organized the five below stated ISCC Stakeholder Committees meetings and conferences for interested parties counting more than 650 participants in total. This represents an increase of more than 80% compared to the previous year. 460 people attended the regional stakeholder committees and about 200 visited the annual ISCC Global Sustainability Conference.

- 20 February, Brussels, Belgium, 8th ISCC Global Sustainability Conference
- 06 March, Bogotá, Colombia, ISCC Conference “Promoting Sustainability in Agricultural Supply Chains”
- 17 July, Shanghai, China, ISCC Technical Stakeholder Committee Meeting “Waste, Residues and Advanced Low Carbon Fuels”
- 24 October, Kuala Lumpur, Malaysia, Regional Stakeholder Committee Meeting Southeast Asia
- 27 November, Las Vegas, USA, ISCC Regional Stakeholder Committee Meeting North America

Additionally, as a further tool increase stakeholder awareness of the ISCC certification scheme and contribute to the dialogue on diverse market developments, ISCC gave talks at more than 20 conferences in 2018. Among others at the Alternative Fuel Symposium in Singapore, at the Biofuels

International Conference in Düsseldorf, and the Sustainable Oils & Fats International Congress in Kuala Lumpur.

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. In 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 calendar year 2018, two meetings with the CBs and ISCC took place with approximately 20 participating representatives of CBs per meeting. 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.

During 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.

ISCC is partner of several initiatives and 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 to raise awareness among stakeholders and to tackle diverse sustainability issues. For instance, ISCC partners with the WWF, Welthungerhilfe (German World Hunger Aid) and ZEF (Zentrum für Entwicklungsforschung - Center for Development Research) to promote the Food Security Standard. Furthermore, 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”.

In 2018, ISCC became a partner of the Tropical Forest Alliance (TFA) 2020 to support the reduction of tropical deforestation. Besides ISCC supports traceability databases ensuring secure claims on origin and sustainability of materials (Trace Your Claim - TYC).

Best Practice: ISCC Smallholder Certification Programme

Currently, the majority of the world’s farms are managed by Independent Smallholders (ISH). Altogether those small farms operate about one tenth of the world’s agricultural land. Regarding the controversial oil palm cultivation, small farms even account for an estimated 40% of the total acreage. An investment in family-run agriculture provides an opportunity to enhance rural development; however, small-scale farming can also lead to deforestation, biodiversity loss and social issues due to a lack of knowledge and financial resources. ISCC aims to mitigate sustainability and deforestation risks through capacity building, GAP training and improved access to capital. To achieve these outcomes, ISCC develops innovative approaches and provides valuable tools and trainings that enable a more effective but less costly certification process, making smallholder certification possible. Besides relevant documents in Bahasa, ISCC, in cooperation with several partners, has created a comprehensive ISH online training in the framework of the ISCC Smallholder Academy. The training is open for all interested parties and can be conducted from any location at any time. Six chapters, each composed of an explanatory video, a downloadable section and a test, outline the regulatory framework conditions and the structure of the ISH certification and explain relevant tools. In March 2018 ISCC organized a stakeholder event in Jambi, Indonesia, where the “First ISCC Independent Smallholder Certificate” was ceremonially handed over to the certificate holders.

One further important tool is the ISH Field App, which has been developed by GRAS and which supports feasible and credible smallholder certification processes by enabling the efficient management, analysis, and visualization of smallholder data. For instance, it allows to capture the field’s polygons directly onsite and subsequently upload the collected outlines to the GRAS Tool. In the tool, the uploaded data can be visualized and managed and the compliance with ISCC Principle 1 can automatically be verified for each individual field. In October 2018, the first Smallholder App-training took place 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.*

The total number of ISCC EU certified System Users (participants) in the calendar year 2018 was 3106. The total number of ISCC EU certificates issued in the calendar year 2018 was 3303. The number differs as the first number relates to the amount of companies that hold a valid certificate in 2018 (including certificates that have been issued in 2017 and were valid in 2018) while the latter states how many ISCC EU certificates have been issued newly between 1 January 2018 and 31 December 2018.

In 2018, ISCC System Users were located in 99 countries and range from farms and plantations, and First Gathering Points (FGPs) for agricultural materials to Points of Origin (PoO) and Collecting Points (CP) for waste and residue feedstocks to different kinds of processing units (i.a. biodiesel, bioethanol and biogas plants) well as diverse set-ups for trading and logistic activities (traders, warehouses, logistic centers). The largest number of ISCC EU certificates in 2018 have been issued in Spain (9%), followed by Indonesia (7%) and Hungary (6%). Most common scopes are traders (54%), CPs (34%), FGPs (28%) and the diverse kinds of processing plants (28%). As ISCC certificates can have multiple scopes, the numbers do not sum up to 100%.

For the amounts of 2018, the final response rate dated on 30 April 2019 was 84,2% and the collected data is presented in the attached template (Excel spread sheet) including the amounts of feedstocks (raw materials) and biofuels certified under ISCC EU in the calendar year 2018 by country of origin and type as reported by the ISCC System Users.

In total 72,688,603 tonnes of raw material as well as 13,890,490 tonnes of final biofuels (excluding gaseous fuels) were reported to ISCC in this framework. This reflects a change of +4,17 % for raw materials and -4,95% for biofuels compared to the values of 2017. The highest amounts of agricultural raw materials collected under ISCC in 2018 are stated for palm fresh fruit bunches (FFB, 29,015,247mt), rapeseed/canola (10,517,053 mt) and corn (10,047,261 mt). For corn this reflects an increase of 25% compared to 2017; it can also be seen a slight decrease in palm (-2,17%) and a slight growth in rapeseed (+2,27%).

The most relevant waste and residues material collected under ISCC in 2018 are Used Cooking Oil (UCO, 2,522,439 mt), the categories biomass fraction of industrial waste (1,525,423 mt) and other waste vegetable and animal oils (1,314,144 mt). Comparing these values with the previous year, this shows a growth in UCO collection of 6,39% and 7,94% for other waste vegetable and animal oils,

while materials covered under biomass fraction of industrial waste were gathered by 17,15% more often.

Process description of Reporting data assessment:

To fulfil its reporting obligation, ISCC has to collect the amounts for each calendar year from relevant companies that were certified under ISCC EU in the respective calendar year. Companies that do not produce a final biofuel and companies trading and or storing sustainable material are not subject to reporting. For this purpose, ISCC sends out personalized mailings to all concerned System Users. The mailings include a link to an online web form where amounts shall be entered and a description of the process. System Users are obligated to submit the data within 30 calendar days after the first mailing has been sent out by ISCC. Once the report has been processed by ISCC, the System User receives an automated confirmation email confirming that it has fulfilled the reporting obligation and listing the data (type of product, type of raw material, country of origin, amounts). This confirmation mail and the data that was submitted to ISCC shall be reviewed and verified by the independent auditor during the next certification audit. Relevant System Users are obliged to provide the amounts of ISCC EU certified material truthfully and completely and submit the requested data to ISCC in due time. In case they do not comply with their reporting obligation because they do not provide the requested information in due time or not at all or if they submit incorrect information to ISCC, this will be marked as a non-conformity with the ISCC requirements during the audit. In this case, the provisions specified in ISCC EU System Document 102 “Governance”, chapter 10 (“Non-conformity and Sanctions”) apply.

Best Practice measures:

1. Webpage and onlineform

As ISCC continuously aims to improve every step of the data assessment to increase number of returns as well as correctness of data, several improvements have been set up for the webform. Prior to the mailing the functionality of the webform is checked and besides material updates more options for value corrections (double-checks prior submitting form, corrections for prior years), an improved guidance and more specific field names were implemented. On this webpage System Users also find a specific FAQ section for the reporting, a downloadable overview of different supply chains reflecting reporting examples as well as contact information of the ISCC help desk. This section is also updated continuously based on learnings and feedback from System Users and CBs.

Link to the webform: <https://www.iscc-system.org/client-section/system-users/eu-reporting/>

2. *Mailings*

In case System Users cannot not be contacted (e.g. due to changes in phone number, mail address, etc.), ISCC approaches the respective CBs in order to update the contact data and to resend the mailing. After the initial deadline has ended, ISCC sends out an overdue notice to those System Users who have not responded with a shortly extended deadline. After the extended deadline ISCC sends individualized mailings to CBs appealing for their support to reach those System Users that still had not provided the relevant information including lists with their clients' company names, scopes and contact data of those System Users.

3. *Plausibility of received data*

As soon as the web form is filled out, ISCC receives an email with the information that the System User has inserted into the form. At that stage the first internal plausibility check takes place as amounts above a certain threshold for different raw materials or biofuels will not be imported until confirmation or correction of the unusually high amounts is received in a separate message. If the amount still differs significantly from the threshold, this is also stated in the confirmation message as information to be verified during the next audit by the independent auditor. Furthermore, ISCC analyses the submitted amounts and sends out further individualized mailings to those who have reported implausibly high amounts for certain raw materials or biofuels (i.e. for amounts that lie below the general threshold but where individual factors like the production capacity raise questions about the plausibility) asking for explicit confirmation and correction.

Limitations to be taken into account for this data assessment:

- The provided information is a self-disclosure of the System Users and ISCC is not in the position to verify the correctness of the respective data hence several plausibility checks during the import phase.
- Due to the above described process ISCC receives corrections of the reported data during the upcoming 12 months after the deadline for the submission, meaning that only one year later the reporting data was independently verified by auditors and false amounts have been corrected. An update will be provided to the European Commission.
- In some cases, data submitted to ISCC may potentially not be verified: e.g. in case no recertification audit takes place or in case the company declares bankruptcy so that no responsible contact persons can be identified, reached or (former) employees are not able to provide the requested data due to restricted data access.

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

To ensure independence and to avoid conflict of interests, ISCC requires external third party audit and due to that cooperates respectively with Certification Bodies. The requirements for CBs and auditors applicable in 2018 are included in the ISCC EU System Document 103 “Requirements for Certification Bodies and Auditors” (version 3.0) and have not been amended since the last Report to the European Commission for the Calendar Year 2017 (as provided on 30 April 2018). All CBs and auditors must fulfil the stated requirements to be able to offer certification services according to the ISCC system.

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 2018, the BLE was responsible for the recognition of 13 out of a total of 37 CBs that cooperated during 2018 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 2018, 24 out of a total of 37 CBs that cooperated during 2018 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. Both types of on-site Integrity Assessments (CB 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 2018, ISCC issued one warning and two yellow cards due to non-conformities 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). With regard to the non-conformities identified in the broader framework of the Integrity Program that should have been detected by the CBs but were not, ISCC has decided to suspend five auditors in 2018. Those include the lifetime suspension of auditors for ISCC in general and suspensions for scope-specific audits until e.g. participation at an internal training, an ISCC GHG Training or other individual measures are implemented.

Best Practice: ISCC Training Programme

To improve capacities of ISCC auditors and train other stakeholders, ISCC offers an extensive training programme. It 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. If the CB is conducting audits and certifications which include the verification of individual 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. In 2018, ISCC has offered one training on Greenhouse Gas (GHG) Emissions with 33 participants and five ISCC Basic Trainings on three continents with 309 participants. In 2018, a total number of 342 participants have been trained by ISCC, of which 113 were ISCC auditors. Since the start of its operations in 2010, ISCC has conducted a total of 70 trainings in more than 20 cities with almost 3,000 participants. ISCC trainings have been conducted in Europe, Asia, South America and North America.