



ISCC 207 Risk Management

Risk Management

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1 Introduction

In order to provide for the requirements of the certification system with high reliability, a risk management procedure is defined. This procedure is an integral part of operations and decisions in the ISCC system and is based upon a number of risk indicators that are monitored and adjusted continuously.

2 Scope

Implementation of certification procedures and monitoring on farms and in the other relevant elements of the supply chain.

3 Normative references

As a basic principle, all relevant ISCC documents are valid for the scope. The normative references display the documents whose contents are linked and have to be considered as conjoint points.

Relevant references:

ISCC 201 System Basics

ISCC 202 Sustainability Requirements – Requirements for the Production of Biomass

ISCC 203 Requirements for Traceability

ISCC 204 Mass Balance Calculation Methodology

ISCC 205 GHG Emissions Calculation and GHG Audit

ISCC 206 Regulations to issue Proofs of Compliance with Sustainability Requirements

ISCC 207 Risk Management

ISCC 208 Requirements for the logo use

ISCC 251 Requirements for Certification Bodies

ISCC 252 Regulations to carry out Audits

ISCC 254 Cooperation with other Certification Systems

ISCC 300 Country-specific Advice and Guidelines

ISCC Audit Procedures

4 Risk Management

4.1 General principles of the ISCC Risk Management

The following general principles apply for the organization of the risk management:

- Different levels of the risk management guarantee the consistent and reliable implementation of certification procedures within the ISCC system:
 - Level of the participating elements of the supply chain
 - Level of the certification bodies
 - Level of the ISCC system
- The risk management is a component of all decision-making processes within the ISCC System. Wherever relevant, the risk indicators of the system are regarded in decision-making processes of the elements and institutions.
- The risk indicators listed in this document are subject to continuous monitoring and adjustment, based on the audit results as well as on the general experiences from the ISCC practice.
- In principle, a certificate is only issued to a participating element after an on-site audit.
- The results of the risk management are incorporated in the continuous improvement of the ISCC system and thus, in the refinement of the standards, where appropriate.
- Regarding the sustainability requirements, the focus of the risk management is on the farms which are audited as supplier of a first gathering point. Regarding the traceability, the focus is on all elements of the value chain.
- The evaluation of the risk on farm level and of the resultant sample size has to be done by means of the applicable document, ISCC 300, for the consideration of country-specific peculiarities. Thereto, the region in which the farms supplying to the first gathering point are situated has to be checked regarding its risk by means of the information and data bases listed. The sample size for the farms is determined according to the detected risk.
- Generally there are no country-specific demands regarding the traceability. If an accumulation of misuse emerges in single countries, ISCC immediately will implement a Technical Work Group for the development of improvement actions. These improvements will look about the specific reasons for the misuse.
- Only after a careful risk analysis and a well-founded determination of the sample size (which may in certain cases deviate from the standard sample size) can a certificate be issued to a first gathering point whose suppliers do not hold a specific certificate for sustainable biomass production.

4.2 Levels of the Risk Management

4.2.1 Implementation of the standards through the participants in the ISCC system

Each element of the supply chain that aspires to take part in the ISCC system must start the ISCC standards implementation process by carrying out a self assessment in view of the ISCC risk categories. Analogical to the external evaluation through the certification body, the self assessment is conducted based on the risk indicators listed in this document.

Corresponding to the evaluation result, the element of the supply chain must design its management system in a way to minimise the identified risks.

In their audits, the certification bodies take into account the interconnection of the self assessment's result and the design of the management system.

4.2.2 Activities of the certification bodies

By applying the risk management the certification body ensures that the relevant elements of the supply chain are assessed frequently and intensively enough. Certification bodies control these elements according to the specifications of their risk management and according to the risk-relevant specifications of ISCC.

Prior to each first audit, the certification bodies must conduct a risk assessment for the relevant element of the supply chain and classify it according to the three ISCC risk categories (regular, medium, high).

The risk indicators listed in this document are to be used for such classification.

Corresponding to the result of this assessment the style and frequency of the audits are determined.

Prior to each first certification, the certification bodies must take into account the latest version of the document ISCC 300, as published on the ISCC website, for the particular country/region where the relevant element of the supply chain is located and check whether there are any country-specific particularities that have to be considered. The result of this check must be taken into consideration when the audits are carried out.

4.2.3 Activities of ISCC

A risk management is integral part of the quality management of the ISCC system.

For all regions in which elements of the supply chain opting for a participation in ISCC are located, ISCC develops an abstract of country-specific particularities, which have to be considered with regard to the risk management. This is being done by the analysis of global data, the identification of national protected areas and areas of international protection value (e.g. on the basis of global maps such as the World Database on Protected Areas, protected areas declarations, laws on nature conservation).

The demarcation of the area is decided upon on an individual basis and documented accordingly.

If a certification body inquires about a region in which elements of the supply chain participating in ISCC or planning to do so are located and none of the information specified above is available, ISCC has to provide this information within six months.

4.3 Risk indicators

The risk indicators form the basis for the assessment and evaluation of the risk on the different levels of the ISCC system. They shall be applied to all relevant elements of the respective company/ site to be audited

As long as not defined by ISCC, a further definition of the indicators shall take place by the certification bodies as a more detailed definition cannot take place a priori.

4.3.1 General risk indicators

- Specification of the responsibilities and decision-making power (decision-maker(s) determined, documented and available)
- Expertise, education and training of all employees
- Proportion of permanent, temporary and seasonal employees as well as communication and language diversity
- Determination, structuring, organization and documentation of the number of work flows and their complexity (in-house processes)
- Number, structuring, organization, expertise, management, involvement and controlling of the subcontractors
- Number and structuring of the workflows that are carried out by subcontractors compared to the ones that are carried out by permanent in-house staff
- In-house quality management system, internal audits
- Transparency (public reporting, involvement of local interest groups, independent audits, Triple Bottom Line)
- Mechanisms for conflict resolution established independently, documented and implemented
- Management of conflicts of interests and corruption prevention
- Risk of corruption (OECD list) – i.e. how serious is the external risk of corruption and how does this influence the implementation
- Yield or conversion factors in internal processes.

4.3.2 Supplementary risk indicators for farms

In addition to the general risk indicators, the following factors must be taken into account when dealing with farms:

- (1) Proximity to and/or overlap with no-go areas (forest land, peat land, wetlands, highly biodiverse grassland, etc.)
- (2) Allotment (conversion) of new farm land after January 1st 2008
- (3) Cultivation of sustainable and non-sustainable biomass on the same farm and/or in close proximity.

- (4) Factors influencing the output per acreage and the output per ha.

4.4 Assessment, evaluation and management of the risk

The identification, the evaluation and the management of the risk is carried out in four steps:

- (1) Identification of the risk
- (2) Analysis of the risk
- (3) Evaluation of the risk
- (4) Management of the risk

These four steps are adjusted to each application level. The results of all four steps must be documented.

4.4.1 Identification of the risk

At first, the relevant risk indicators listed in chapter 4.3 of this document will be assessed for the unit to be evaluated according to its individual conditions. An analysis of the bio geographic conditions and/or the relevant processes may require defining further risk factors which are not specified within the ISCC system.

4.4.2 Analysis of the risk

For the analysis of the risk, the following elements can be taken into consideration:

- Causes and sources of the risk
- Possible consequences from the risk and the probability of its occurrence
- Factors influencing the consequences and the probability
- Differing appraisal of the risk by different stakeholders

4.4.3 Evaluation

After the risk has been specified, the specific situation to be evaluated is designated to one of the three risk categories:

- Regular risk (risk factor 1,0)
- Medium risk (risk factor 1,5)
- High risk (risk factor 2,0)

The designation is based on an estimation on how the existing regulations of ISCC must be adjusted in order to account for the respective risk factor. If the risk is not known the highest risk category must be applied.

4.4.4 Management of the risk

After the evaluation and the audit, a management of the risk is undertaken. This is usually by applying the following elements:

- Adjusting the intensity and the frequency of audits

- Carrying out unannounced audits
- Adjusting the tasks of the management of an element of the supply chain, specifically concerning
 - Specification of responsibilities
 - Training of the employees
 - Documentation
 - Duty to report
 - Internal auditing system
- Extending the definition of risk factors for certain areas by ISCC

4.5 Sample of the suppliers of the first gathering point

At the first gathering point a random sample of minimum 3% in EU Member States where direct payments apply and of minimum 5% in the rest of the world of the total amount of suppliers must be drawn.¹ For warehouses that belong to the logistics network of a company, the sample drawn must include the logistics centre and a minimum of 5% of the warehouses.

An adaptation according to the individual situation and based on the risk assessment described above is possible.

Should one or more of the suppliers (farm or plantation) from the sample be non-compliant with respect to the sustainability requirements the sample must always be doubled. For example: Of 100 agricultural companies/ sites in Europe a minimum of 3 must be audited. If one or more of the audited suppliers do not comply with the requirements the sample must be doubled. Already audited agricultural companies/ sites cannot be used again within the new sample. The supplies from suppliers that were non-compliant can no longer be claimed as sustainable at the first gathering point. This is valid until the respective agricultural companies/ sites based on their own initiative pass a successful audit. A comparable procedure must be practised for the warehouses.

As long as there are no indications of abuse none of the successfully audited companies/ sites from the previous year shall be part of the sample of consecutive audits as long as not all of the companies have already been subject to an audit.

¹ The random sample must always consist of a minimum of one supplier. In addition, economic rounding must be applied.