Experience with Sustainability Certification in Practice

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About ADM

We are:

• A Fortune 30 company, and named the Fortune Most Admired Company in the Food Production Industry in both 2009 and 2010.

• A leader in the agricultural processing industry - creating food, fuel and industrial products that connect the harvest to the home and serve vital needs.

• 30,000 people working across 60 countries with net sales in fiscal year 2010 of $62 Billion.

• And we are committed to the responsible, sustainable development of agriculture throughout the world.
The Audit Spectrum

Experience with sustainability certification in practice

- Farm Level
- First Gathering Point Certification
- Process Certification
- Germany

International

- EU
  - First Gathering Point Certification
  - Process Certification

- non-EU
  - Farm Level
  - First Gathering Certification
  - Process Certification
Structure and Definition - Potential Issues

• When is a farmer a firsthand supplier?

• What is a producer group?

• What is a first gathering point?

• Is a producer group a first gathering point?

• Is a trader a first gathering point if it buys from farmers?

• What entities and assets have to be certified?

• Who has an obligation to pass on documentation, and how?

• How to fix system boundaries?

It is vital that definitions are clear and consistent, and that they are not in conflict with how the supply chain operates.
Structure and Definition – Potential Issues

• Systems or legislation were initially developed for simple chain of custodies rather than diverse, long, international and complex chain of custodies.

• Complex, structured companies and companies with international and or diverse subsidiaries and supply chains do not automatically fit into legislation or sustainability schemes.

• Sustainability system adoption is often complicated and requires assistance of the certification system, as well as an open-minded approach from the legislative body.
Structural and Definition - Potential Issues

Legalisation appears to be designed for the simplest supply chain structure:
Structural and Definition - Potential Issues

But the supply chain is not as simple as it first appears:
Structure and Definition - Potential Issues

• **Risk of interruption with the chain of custody:** traders are not obliged to be certified and are sometimes not willing to give information about the upstream chain.

• **Information flow in the chain:** legislation and systems are required to ensure the fulfillment of sustainability criteria in the upstream chain. Given the length of the potential *string* this can be particularly difficult.

• **Third party warehouses are audited but not necessarily certified:**
  - No guarantee or direct control about fulfillment of sustainability criteria

• **It brings a significant administrative and risk burden:**
  - We have to ensure the potential impacts are assessed and control points are put into the business.
Chain of Custody

Traditionally many conversion sites have long “strings” of trade *behind* the contract with their direct supplier. This brings a very real risk of a break in the chain of custody but without much control over this issue for the conversion site.

This risk is heightened on international trade.
Legislation and Certification System Roll-outs

- Too few certification bodies and resources in order for companies to achieve timely certification.

- Certification auditors are learning as they go, and so delays can occur with clarification of issues and final certification.

- Lack of availability of checklists or guidelines or pre-audit opportunities.

- Lack of translation.

- Late entrants can gain commercial, financial and time advantage as legislation and certification systems evolve.

- Country specific requirements leading to additional audits, internal controls, differing mass-balance systems.
Legislation and Certification System Roll-outs

• Many updates and newsletters come within a short timeframe and it becomes a full time job keeping up with and then understanding them.

• Interpretation of legislation by certifying bodies varies and so different standards and requirements appear.

• Under these circumstances, once issued, a certificate must enjoy protection of confidence.
Legislation and Certification System Roll-outs

• Synergies between already existing standards and international or regional sustainable systems:
  - RSPO in SEA
  - Company Schemes
  - Global GAP
  - ACCS

• No complete bilateral acceptance between national or international legislation or certification systems:
  - ACCS & ISCC
  - Difficulties to convince farmers in one country to use an additional scheme if another one is already in place.

• Acceptance:
  - Generally it is difficult to convince farmers and stakeholder in the supply chain in one country to use a scheme just accredited under another country's law.
Legislation and Certification System Roll-outs

- We need clear timely information about political amendments on any legislation and we must have stakeholder consultation:

  e.g. NUTS 2 values: certification for first gathering point activity in Poland, including the use of default values, was issued. Latterly Poland has not submitted specific values required by the EC.

  → Potential consequence: No sustainable crop from Poland.

- ISCC was able to analyze and understand complex and different processes and was able to advise and support:
  - with regards to GHG emission allocation
  - with regards to the definition of system boundaries
  - with regards to system adaption within complex structures

- The provision of an e-mail information service in case of expiry and loss of certification is valuable to operators.
Summary

• There is no fast-track solution for certification under a sustainable certification system.

• Certification can bring a competitive position to your company.

• Free-trade and no cross-border trade barriers are a must for the integrity and future success of sustainability legislation.

• Country or regional specific solutions do not work and can penalise all market operators: acceptance and harmonisation is required.

• ADM is fully committed to sustainable biofuels as required with the EU’s Renewable Energy Directive.
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