Certification Concept for Independent Smallholders
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**Abbreviations**

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>FFBs</td>
<td>Fresh fruit bunches</td>
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<td>GHG</td>
<td>Greenhouse gases</td>
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<td>GRAS</td>
<td>Global Risk Assessment Services</td>
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<td>ISCC</td>
<td>International Sustainability and Carbon Certification</td>
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<td>ISH</td>
<td>Independent Smallholders</td>
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<td>PPP</td>
<td>Plant Protection Products</td>
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<td>CO</td>
<td>Central office</td>
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1 Summary

Millions of smallholders depend on selling their agricultural products for their livelihood but are facing problems of low yields, little income and lack of market access. Therefore, the pressure on land to expand agricultural activities continues. For example in Indonesia, almost 45% of the total area cultivated with oil palm is owned or managed by smallholders. However, smallholders produce only 35% of all crude palm oil (CPO) output of Indonesia¹. Certification can provide an option for smallholders to increase productivity and thus increase income and raise attention to potential customers.

In this context, an Independent Smallholder (ISH) certification concept for the ISCC certification system was developed.

The ISH certification concept is applicable to ISH producing fresh fruit bunches (FFBs). ISH certification is a group certification under the scope of a Central Office (CO). The CO is the holder of the ISCC certificate and is responsible for certain tasks like ISH management, administration, subcontractors or fund management. However, it does not take legal ownership of the material produced by the ISH at any time.

In order to make the system more smallholder-friendly, several responsibilities are transferred from the ISH to either external professionals or the CO. One example for this approach is the verification of compliance with ISCC Principle 1. Verification of compliance with Principle 1 can be concluded by using the GRAS tool, which is recognized by ISCC for the verification of No-Go Areas and Land Use Change (LUC). The necessary GRAS analysis is performed by remote sensing specialists and subsidized by ISCC. Another example of transferring responsibilities is spraying. Certified ISH will no longer do spraying on their own land and store plant protection products in their home. This is transferred to a spraying team working under the responsibility of the CO.

The certification process of ISH follows mainly three steps:

1. Preparation, Scoping and Risk assessment
2. Management and Implementation
3. Self-assessment, Internal audit and Certification

The main objective of the “Preparation, Scoping and Risk Assessment” step is the identification of the region where certification takes place as well as the detection of ISH land eligible for certification and the set up of the CO. In the step “Management and Implementation”, training of the CO as well as identification and training of ISH take place. In addition, organizational adaptations are implemented. In the “Self-assessment, Internal audit and Certification” step, CO and ISH go through internal and external audits and, if succesful, the CO obtains the ISCC certificate.

As soon as a CO receives the ISCC certificate, FFBs produced by ISH under this CO can be sold as sustainable (ISCC certified). ISH can be continuously added to an existing ISCC certificate.

The certification concept is based on a Train-the-trainer concept with three levels. ISCC trains eligible parties or master trainers (1st level), who then train the CO (2nd level). Finally, the CO trains ISH (3rd level). The main objective of the training is to provide the CO and ISH with knowledge on good agricultural practices, the ISCC's ISH certification concept, the specific ISCC requirements for ISH and the CO and the audit procedure.

The ISCC certification can help ISH to:

- Increase productivity and thus, increase income
- Raise attention at potential customers and ease selling of FFBs
- Get access to international markets
- Exclude supply chain levels and thus, gain their arbitrage
- Ensure long-term stability and growth
- Provide funds for children and following generations
- Increase social well-being
- Act beneficial for the environment and thus, also for themselves
2 The ISCC’s ISH certification concept

The ISH certification concept is applicable to ISH producing fresh fruit bunches (FFBs). Those ISH can be certified under the ISCC’s ISH certification concept within the ISCC certification system.

Under ISCC every single operational unit, i.e. operating site handling sustainable material has to be subject to certification. For ISH palm-based supply chains this means that all operational units handling, processing or somehow using palm from ISH, must obtain an ISCC certificate. Under the ISCC ISH certification concept, ISH are certified under the scope of a CO in a so-called group certification. Subject to ISH group certification is the CO together with the group members, the ISH. Independent from existing structures (like existing cooperatives or farmer groups), only ISH, which are interested in ISCC certification, can become group members and be ISCC certified.

Figure 1: Example of an ISH group certification under the scope of a CO (blue)

2.1 Elements of the supply chain relevant for ISH certification

Elements, which are exclusively relevant for ISH certification, are:

1 **Independent Smallholders**: Independent smallholders (ISH) under this standard are farmers, that grow FFB on own land and fulfill certain additional requirements. Land falling under the classification of ISH land is defined by:

   • Size: Planted oil palm area is less than 50 hectares
   • Family-owned: Labour is principally provided by family and farm provides the major source of income
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- **Independents:** Freedom to choose how to use land, which crops to plant and how to manage them. The land is not contractually bound to any oil mill and may receive support or extension services from government agencies or other support systems (e.g. ISCC).

Under ISCC, ISH have the option to be certified under the ISH group certification approach. In order to participate, ISH, which, according to the initial GRAS risk analysis (see chapter 2.2.1), are eligible for ISCC certification, have to do a specific ISCC training and provide a signed self-declaration/ self-assessment form to the CO. All ISH must undergo an internal audit and a sample of these ISH is subject to an external audit.

2 **Central Office of ISH:** A CO is the representative body of at least one group of ISH that are certified as a group, and that are independent from a first gathering point or an oil mill. In order to get certified as a group, the ISH must be located in the same area and must be homogenous in terms of size, types of crop and production processes.

A CO does not receive ownership of the sustainable materials. The CO is responsible for the following tasks:

1. **ISH Management,** i.e. training, internal audit of group members, inclusion of new ISH and exclusion of ISH, planning and documentation
2. **Responsibility for certain tasks** (i.e. spraying, storage of chemicals, coordination of transport and logistics) or for subcontractors conducting those tasks
3. **Responsibility for certain sustainability requirements** (for the tasks)
4. **Administration,** i.e. registration at ISCC, bookkeeping, supply chain documentation
5. **Management of funds** (e.g. ISCC, external funds)

A CO is certified with respect to certain sustainability requirements, the management system, traceability and chain of custody, as well as GHG emissions. A sample of all ISH that are members of the group is subject to an audit.

### 2.2 Structure of the ISH certification concept

The certification concept for ISH is structured in three steps:

1. **Preparation, Scoping and Risk Assessment**
2. **Management and Implementation**
3. **Self-assessment, Internal Audit and Certification**
2.2.1 Preparation, scoping and risk assessment

Preparation, scoping and risk assessment includes certain actions for a company interested in ISH certification.

Any company interested in setting up an ISCC ISH certification process, has to pre-register at ISCC for ISH certification (step 1). Within the registration process the company needs to provide basic information on the region (like location) that is considered for ISH certification (step 2).

Based on this information, an initial risk assessment of the region is conducted to assess the availability of ISCC protected areas. For all risk areas, a full GRAS\(^2\) analysis is conducted (step 3) to assess the compliance with ISCC Principle 1.

ISCC Principle 1 protects land with high biodiversity value, protected areas and areas of high carbon stock. This includes primary forests and other wooded land of native species, highly biodiverse grassland, peatland, wetland, continuously forested areas, areas designated for the protection of rare, threatened or endangered ecosystems or species, as well as high conservation value (HCV) areas. According to ISCC Principle 1, land use change of these areas is not allowed after January 2008. This means that every plantation, where a land use change of those areas took place after January 2008, cannot participate in ISCC certification. For the ISH group certification, the landscape approach of the GRAS tool is used. The assessment is conducted by overlapping the considered ISH region with overlapping the considered ISH region with

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\(^2\) Global Risk Assessment Services (GRAS): www.gras-system.org

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areas protected under ISCC Principle 1 (see figure 3). For risk areas, where a land use change might be in place, a full GRAS analysis is conducted to identify all Go areas and also No Go areas (areas where a land use change since January 2008 took place). All non-risk areas and Go areas can be considered for the ISCC ISH group certification (step 4). No further verification is required during internal and external audit to assess the compliance of ISH with ISCC Principle 1. Thus, effort and costs for ISH or CO are reduced. Once the area for ISH certification is determined, ISH eligible for sustainability certification can be detected and a CO can be set up.

2.2.2 Management and implementation

At this point, the formal ISCC ISH group certification procedure starts. A CO is established, who holds the responsibility for ISH certification. Four steps are required in order to implement and manage the ISCC ISH group certification.

Once the CO is established, the CO undergoes an ISCC training (step 1) which was exclusively established for ISH certification. The ISH training is based on the Train-the-trainer concept, which means that the CO will be trained by an ISCC Master trainer and will train its ISH (see chapter 3). After participation in the training, the CO is in the position to organize and manage ISH and to take all relevant steps required for certification. This includes the official registration of the CO and all ISH (step 3); the comparison of ISH with the results of the initial GRAS assessment and ISCC Principle 1 compliant regions as well as ISH data acquisition and training (step 3); and organizational adaptations (step 4). For these steps, the ISH Data Management Tool is used.

The ISH Data Management Tool

The Tool for Independent Smallholder and Central Office Management allows adding, managing, modifying, analyzing and visualizing ISH data. The system is based on three components: ISH Data Management System, Smallholder App and GRAS Visualization Interface.

The ISH Data Management Tool allows adding data for the CO and for each ISH. Data can be entered directly to the system within a web-application (the ISH Data Management System) or through the Smallholder App. The Smallholder App allows collecting field polygons, basic data and to take pictures and uploading them directly to
the ISH Data Management System. Field polygons are checked against deforestation and protected areas automatically to prove compliance with ISCC Principle 1 and thus, to check if the ISH is suitable for certification.

The collected ISH data is visualized in the GRAS Visualization Interface, which provides maps of the ISH’s fields matched with the collected smallholder information and allows to print out ISH-specific reports.

After training, the CO is able to register himself and potential ISH interested in ISCC certification in the ISH Data Management System for data matching (step 2). To do so, the CO shall collect specific information about the potential ISH. The information includes:

- ISH name and address
- ISH photo
- ISH’s field(s) polygons
- Further sustainability data

In order to collect ISH’s field polygons, the CO uses the Smallholder App. The Smallholder App allows to collect GPS data directly on fields for the respective ISH and to upload this data into the System.
Through the collected data, the CO can check whether the ISH’s fields are actually located within “Go” areas according to the GRAS results for the region (step 3 of “Preparation, Scoping and Risk Assessment”). If the coordinates of an ISH are outside of “Go” areas, the ISH cannot take part in the ISCC certification and is excluded from the ISH group certification program. If the ISH lies within a “Go” area and thus, is compliant with ISCC Principle 1, he/she can take part in the ISCC certification.

Once the ISH base is identified, the CO has the responsibilities of training the ISH (step 3). This training is also part of the Train-the-trainer concept (see chapter 3). Subject of the training will also be data provision of ISH via the ISH Data Management Tool. After participating in the training, the ISH are able to provide further data to the CO. This data will be uploaded into the ISH Data Management System by the CO and displayed in the GRAS Visualization Interface. The data includes for example number of fields, land title, yield, applied fertilizers, applied plant protection products or also geo-coordinates of new fields (geo-coordinates are provided through the Smallholder App). As soon as ISCC training for the ISH has been conducted, the CO can also insert proof of attendance for the ISH (e.g. the participation list) in the ISH Data Management System.

At any time, the CO can log-in to the GRAS Visualization Interface, identify all its ISH and request a record for each single ISH by typing in the search field the ISH’s ID.
Furthermore, reports of the ISH can be printed.

![Example of ISH report within GRAS](image)

While the basic data and fields polygons shall be provided in step 3, further sustainability data can be provided to the CO via the self-declaration or at latest during the internal audit.

For ISH certification, certain responsibilities have been transferred from the ISH to the CO. Step 4 Organizational Adaptations includes CO responsibilities on ISH & subcontractor management, administration and management of funds. It can be conducted after or also in
parallel to data acquisition & training. In order to fulfill those responsibilities, the CO shall put into action several adaptation measures.

Within ISCC ISH certification, the responsibility of storing and applying plant protection products (PPP) has been transferred to the CO. Thus, the CO is responsible for setting up a storage house for PPP, for initiating and training of a spraying team that applies the PPP at the ISH, and for proper handling and disposal of PPP. The compliance with relevant ISCC sustainability requirements (regarding the storage, handling and application of PPP and workers’ rights) have also been transferred to the CO and will be part of verification at the CO.

The CO is also in charge of several management and administration tasks. Management tasks include the inclusion of new ISH into the ISCC group certification, the conduction of internal audits at ISH vor verifying their compliance with ISCC (see chapter 2.2.3) and, in case of insurmountable non-compliances, also the exclusion of ISH from the ISCC ISH group certification. Administration tasks include registration at ISCC, bookkeeping and supply chain documentation. In particular, the CO is responsible for coordinating the sales/delivery of sustainable FFBs from ISH to oil mills or traders and the respective ISCC sustainability’s documentation of the ISH products.

The ISCC delivery documentation (sustainability declaration) includes information on the ISH, the sustainability of the delivered product and respective greenhouse gas (GHG) emission information. For ISH the disaggregated default value for FFB cultivation can be used. Under an ISCC EU certificate (where products end in the EU biofuels market) the statement “Use of disaggregated default values for cultivation/extraction” must be made on the sustainability declaration. Under an ISCC PLUS certificate, where the end-market could be global food or feed markets, the disaggregated default value for cultivation 123.04 kg CO₂eq per ton of FFB can be stated on the sustainability declaration.

Figure 10: The CO is responsible for providing the ISCC sustainability documentation to the recipients of the ISH products.
In cases, where the CO is also responsible for the transportation and logistics of the FFBs from the ISH to the oil mills or traders, certain requirements apply. The transportation can be outsourced from the CO and can be performed by the ISH’s cooperatives or by specific subcontractors organized by the CO.

2.2.3 Self-assessment, Internal Audit and Certification

The final step of a successful ISH group certification is “Self-Assessment, Internal audit and Certification”.

Once the ISH have participated in the training, they can perform a self-assessment on their compliance with ISCC and provide a signed ISCC self-declaration to the CO. This is a mandatory step in order to become certified under the ISCC ISH group certification. By signing the self-declaration, the ISH confirm their compliance with relevant ISCC sustainability principles. ISCC developed specific ISH self-declarations, which must be used by the ISH and which include further important ISH data gathering (for the step data acquisition discussed previously) as well as a non-conformity list. Here, ISH have to highlight non-conformities detected during the self-assessment as well as actions taken to solve those non-conformities.

Additionally, the CO performs an internal audit on the ISH, who delivered a self-declaration. The internal audit must be repeated annually. In the 1st internal audit all ISH who have provided a self-declaration need to be audited. From the 2nd internal audit on, a sample of 25% of ISH needs to be checked.
This is valid only if the number of ISH under one CO does not change until the next internal audits after one year.

ISH, which are added to the group within the year, need to provide a self-declaration and internally audited before they can deliver sustainable ISH material. For the 2nd regular internal audit (12 months after the first one), 25% of the new total number of ISH must be checked.

In order to verify compliance with ISCC Principle 1, the internal auditor has to compare the field(s) polygons of all new ISH with the GRAS analysis results. For verifying compliance with ISCC Principles 2 - 6, the internal auditor has to follow the ISCC audit procedures for ISH. In case the CO detects non-compliances, corrective measures need to be defined and
implemented. Only ISH which successfully passed the internal audit and implemented all corrective measures, can be considered ISCC-compliant and sell their material as sustainable under the ISCC certificate.

Within the ISH Data Management System, the data on compliant ISH need to be continuously updated in order to keep track of ISH selling their material under the ISCC certificate.

The full ISCC certification requires the external audit by an independent certification body (step 3). The delivery of sustainable ISH material cannot be started, until a first certificate was issued by the certification body.

Therefore, the CO has to select one of the certification bodies cooperating with ISCC\(^3\) and needs to register at the ISCC website as a System User. ISCC will provide an ISCC registration number to the CO.\(^4\) The certification audit is conducted by an auditor of the certification body, who visited an ISCC ISH training for certification bodies. Depending on the responsibilities, the auditor will verify the compliance with ISCC requirements:

At the CO:
- Compliance with ISCC sustainability requirements that are implemented by CO
- Bookkeeping and supply chain documentation
- Training documentation of ISH and participants list

At the ISH:
- Compliance with ISCC sustainability requirements
- Participation in ISCC ISH training

At subcontractor level, the audit verifies:
- Compliance with ISCC sustainability requirements that are implemented by subcontractor

Only a sample of ISH is checked during the external audit. The sample is calculated as the square root of all ISH registered under the CO. In case of any non-conformities, corrective measures need to be implemented within 40 days. If an ISH refuses to be audited or is not able to solve the detected non-conformities, the ISH has to be excluded from certification (i.e. the ISH cannot sell his/her material as sustainable) and the sample size of ISH must be doubled. The procedure is repeated until all sampled ISH are compliant. If the audit is successful, the auditor issues an ISCC certificate to the CO. The certification body also sends a copy of the certificate and certification documents (audit procedures) to ISCC. After a successful internal review, ISCC publishes the certificate on its website. ISCC additionally publishes the location of the CO and the audit procedures if the CO has agreed to its disclosure. As soon as the certificate is published on the ISCC website, the CO can start to sell sustainable material.

\(^3\) A list of recognized certification bodies is available on the ISCC website.

\(^4\) Please note that the receipt of the ISCC registration number does not entitle the System User to handle material as sustainable, this is only allowed after the receipt of a certificate.
ISCC certificates are valid for 12 months. A certification audit is conducted once a year. The beginning and end of the period of validity are clearly indicated on the certificate. The validity of a certificate starts on the date indicated on the certificate (not the date of publication on the ISCC website). ISH can be continuously added under an existing ISCC certificate. After data-matching of the interested ISH with ISCC Principle 1 via the ISH Data Management Tool and training (see step 3 of “Management & Implementation”), the ISH must provide a self-declaration and successfully undergo an internal audit. Once completed, the respective ISH are covered by the ISCC certificate and can sell their products as sustainable. Within the recertification audit, all ISH (the one present at the 1st audit and the one who have joined at a later stage) will be considered for calculating the sample to be audited.

![Figure 14: ISH can be continuously added under an existing ISCC certificate](image)

### 3 Train-the-trainer Concept

Training is an important feature for the successful integration of ISH in sustainability certification. The objective of the ISCC training is to increase knowledge on good agricultural practices and sustainable farming practices, to raise awareness on benefits of certification and to prepare participants for ISCC certification, requirements and organizational adaptations. As the main challenges of ISH to participate in a training are limited access and reliance as well as costs of training, ISCC developed the “Train-the-trainer” concept. This training is based on a three-level approach, whereby ISCC trains eligible parties or master trainers (1st level), who are then entitled to train the CO (2nd level). The CO trains all eligible ISH (3rd level).

The 1st and 2nd level trainings for master trainers and COs consists of four modules. Module 1 (ISCC- Who we are, what we do and why to join the system) provides an overview on
sustainability & certification as well as commitments in markets and the advantages of an ISCC certification for ISH. Module 2 (Requirements for sustainability certification under ISCC) explains the 6 ISCC sustainability principles and respective criteria and verification indicators to be fulfilled by the ISH and the CO. Module 3 (ISH organization) describes the steps to be taken to successfully pass an ISCC audit and obtain certification for ISH and CO. Module 4 (Relevant documents) clarifies relevant documents that CO and ISH should be able to show in order to demonstrate compliance with ISCC sustainability requirements during an audit. The module also introduces relevant ISCC audit documents like audit procedures for ISH and CO and the ISCC certificate.

During training, the CO will receive relevant training materials for the ISH. The 3rd level training for ISH consists of three modules and is explicitly designed for the needs of ISH. Modules “ISCC – Who we are, what we do and why to join the system” and „ISCC requirements” are similar to the modules for master trainers and COs but are shortened to the needs of ISCC. The Module „How to get ISCC-certified” explains all relevant steps for the ISH to participate in ISCC group certification. During the training of ISH, an on-site visit at one of the ISH in order to show the application of the Smallholder App and examples of good agricultural practices.

Where possible, ISCC trainings for ISH can be embedded into other existing training schemes such as trainings on Good Agricultural Practices. Any feedback from ISH, COs or the master trainer provided during the trainings shall be transferred to ISCC for inclusion into the training concept.

Further information on the “Train-the-trainer” concept is provided in the document “Training Concept for ISCC Independent Smallholder Certification”

Furthermore, a specific ISH training for auditors has been developed. Only auditors, that have participated in this ISCC training for ISH group certification can do ISH certifications. A pre-requisite to participate in the ISH training is that the auditor participated in the ISCC basic training.

**4. Support tools**

Support tools that have developed for ISH are the scorecare (to ease training) and the “Price Premium Contribution” mechanism.

**4.1. Scorecard**

The scorecard helps to identify gaps at ISH and COs and enables customized ISH training. Scorecards allow for monitoring of the progresses of the sustainability performances of the ISH and required training contents at different points in time. The scorecard is a synthesis of assessment categories from ITC Standards Map embodying also ISCC sustainability criteria.

The scorecard uses an interactive approach and aims at improving the performances of the smallholder through training on sustainability gaps. At a first sustainability assessment
through the scorecard, sustainability gaps at the ISH are detected. The ISH is then trained to overcome the detected sustainability gaps. After the implementation of measures a reassessment can take place to detect further sustainability gaps and adapt training. This approach can be repeated until sustainability gaps are overcome and the minimum level for certification compliance is reached.

4.2 ISH Price Premium Contribution

Currently ISHs are mostly covered by Book & Claim Certification, where ISH certificates are directly acquired by interested final processors. This often leads to price premiums, however, has the disadvantage that traceability is completely lost. Within fully traceable Mass Balance supply chains, ISH do not really have full access to price premiums, which are mostly generated at the downstream end of the supply chain.

The challenge is to enable ISH to participate in price premiums and at the same time ensure full traceability. A potential solution is to generate a so-called "Price Premium Contribution (PPC)" for every ton of certified FFB, which is sold under a mass balance chain of custody to a certified oil mill within the ISCC database.

The ISH PPC concept compensates for ISH, which are participating in traceable mass balance chain of custodies. Downstream final processors of palm/palm kernel oil or derivatives can buy the "contributions" based on the FFB equivalent of their palm-based products. The generated revenues are forwarded to an ISH fund accessible for the certificate holder.