

ISCC 206

GROUP CERTIFICATION

Version 3.1



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Version 3.1

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Summary of Changes

The following is a summary of all content changes to the previous version of the document. Other changes, e.g. corrections of spelling mistakes, are not listed.

Summary of changes made in version 3.1	Chapter
Addition: <i>“As a general requirement, entities should aim for selecting samples in a way to ensure that all group members are equally covered, generally within a timeframe of five years.”</i>	7.2
Amendment: <i>“A farm or plantation is defined as a distinct legal entity having control regarding the compliance with the ISCC requirements.”</i>	8.1
Addition: Footnote 4: <i>“Defined as ‘an association, corporation, partnership, proprietorship, trust, or individual that has legal standing in the eyes of law. A legal entity has legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued in its own right, and to be held responsible for its actions.’ http://www.businessdictionary.com/definition/legal-entity.html”</i>	8.1

1 Introduction

“Group certification is a practice of organising individual producers into structured groups and shifting responsibility in part from an external audit to internal inspections”.¹ The procedure for group certification under ISCC is based on best practices for the certification of groups, e.g. principles laid down by the ISEAL Alliance.

ISEAL principles

Group certification is based on the concept that an extensive part of the inspections required is carried out by internal auditors. Independent external auditors assess and evaluate the effectiveness of the internal audit system, conduct audits of a sample of the group members (sampling) and certify the entire group. In several cases, an individual audit of each single producer of raw material would impose disproportionate financial costs and effort on the entity and the general certification process. By joining a group, biomass producers can reduce the certification effort and costs considerably. This approach is of specific importance for the certification of smallholder farmers, producer organisations and cooperatives. Within ISCC, group certification can be applied to homogeneous groups of producers of raw material and feedstock, i.e. farms/plantations and points of origin for waste and processing residues, as well as to storage or logistic facilities.

Internal and external auditors

2 Scope and Normative References

This document specifies requirements for the certification of groups, including the principles for sampling. The requirements laid down in this document apply on a global basis.

Global application

As a basic principle, all ISCC documents published on the ISCC website in their latest applicable version are valid and must be considered for the scope of application.

3 General Requirements

Group certification is only possible for homogenous groups. A group is considered as homogeneous if the following criteria are met:

Homogenous groups

- > The members are located in the same region (geographic proximity)
- > The climatic conditions for agricultural production are similar
- > Similar production systems are applied
- > The risk assessment has shown a similar risk exposure for the group members.

The number of group members can be limited by the Certification Body (CB), depending on the audit results and the performance of the group.

¹ ISEAL Alliance, 2008: Common Requirements for the Certification of Producer Groups P035 Version 1

Group members which do not fulfil these conditions (e.g. due to considerably different production systems in size, nature or geography) will be treated as autonomous enterprises and cannot be part of the random sampling of the group. The external auditor should individually audit autonomous enterprises.

Autonomous enterprises

Group certification for farms and plantations, to demonstrate compliance with the land-related sustainability criteria specified in ISCC Document 202 “Sustainability Requirements”, is only acceptable when the areas concerned are near each other and have similar characteristics. Group certification for the purpose of calculating greenhouse gas savings is only acceptable when the individual members of the group have similar production systems and products, as specified in ISCC Document 205 “Greenhouse Gas Emissions”.² These criteria are usually also met by the agricultural producers supplying a first gathering point. Therefore, based on an assessment of the criteria indicated above, the farms and plantations supplying a first gathering point can usually be considered as one group. Farms and plantations can either become certified as an independent group under a central office, or under the framework of a first gathering point.

Proximity and similar characteristics

Group certification of points of origin under a central office is only allowed if the individual points of origin belong to a homogeneous group, share a harmonised management system, have similar processes and generate similar types of material (e.g. used cooking oil or animal fat). These criteria are usually met by points of origin supplying a collecting point. Therefore, based on an assessment of the criteria indicated above, the points of origin supplying a collecting point can usually be considered as one group. Points of origin can either become certified as an independent group under a central office, or under the framework of a collecting point.

Points of origin

Group certification of a group of storage facilities belonging to a logistic network is only allowed if the individual storage facilities belong to the same legal entity, share a harmonised management system and have similar processes. The principles of sampling can also be applied to such cases, when a System User rents external storage facilities from third parties (warehouses, tanks, etc.). The rationale for applying the principles of sampling is that the storage facilities in such cases do not become the legal owner of the sustainable material. This means that they have no contractual agreements with the supplier or the recipient of the sustainable material, and fully act on behalf of their client. Therefore it is the responsibility of the certified System User renting the storage facility to ensure that all relevant ISCC requirements are complied with.

Logistic network

² 2010/C 160/01: Communication from the Commission on voluntary schemes and default values in the EU biofuels and bioliquids sustainability scheme

4 Management Requirements

A group is represented by a head office responsible for the group management, i.e. central office, first gathering point, collecting point or logistic centre. The head office is responsible for the implementation of the internal management system and for the individual group members' compliance with the ISCC requirements. The responsibilities of the head office include:

*Responsibilities
of the head
office*

- > To set up a procedure to take in and register new group members
- > To inform the group members about their responsibilities and about the relevant ISCC requirements applicable to the group
- > To make sure that all group members have an adequate understanding of the requirements and processes
- > To run an up-to-date register of members
- > To plan and organise internal audits
- > To issue annual reviews
- > To inform the members about relevant changes or adjustments to requirements
- > To compile the necessary documentation
- > To exclude members in the case of non-compliance
- > To initiate preventive and corrective measures in member operations.

The rights and duties concerning the group members shall be documented and defined in a regulating contract or agreement between the group members and the head office of the group.

Documentation

First gathering points receiving sustainable biomass from farms and plantations usually operate as head office for a group of farms or plantations. Collecting points receiving sustainable waste and processing residues from points of origin usually act as a head office for a group of points of origin.

*First gathering
point and
collecting point*

The following responsibilities apply for group members:

*Group member
responsibilities*

- > Commitment to the group's head office to meet the standard requirements and to report intentional or unintentional non-conformities
- > Conducting a self-assessment and signing of a self-declaration
- > Providing necessary information to internal and external auditors, especially regarding the (major) production activities and sales or deliveries of sustainable material relevant to ISCC.
- > Granting access to the group members' premises to conduct internal and external audits

- > Commitment to the implementation of amendments and corrective actions.

5 Documentation and Records

The processes required by the ISCC standard must be documented and kept for at least five years. The following information especially must be documented:

- > List of all group members including name and address/location, the size of the production area, volume of production
- > Register of fields belonging to farms/plantations, maps of production area
- > Process instructions
- > Contracts and/or agreements between the group's head office and the group members
- > Records for (major) production activities and sales, deliveries and transportation of sustainable material relevant to ISCC
- > Audit results of internal and external audits including non-conformities and corrective measures
- > Review of the audit results by the group's head office.

Documentation of processes and responsibilities

An appropriate instrument for the documentation of processes and contents is a (quality) management handbook. The group should have a uniform method for mapping. Maps may be replaced by GPS-based information to allow for a more detailed overview and to improve the risk assessment, e.g. by using satellite data, databases or remote sensing tools.

Management and mapping methods

6 Internal Audit System and Review

The group must introduce an internal audit system which monitors the performance of the group management and controls compliance with the ISCC standard. The internal audits should ensure the individual group members' compliance with the certification criteria of the ISCC system. The internal audit should cover the ISCC requirements that are relevant for the group as a whole and for the scope of the individual group member in particular. A plan must be developed containing at least:

Internal audit of group members

- > The auditors in charge
- > The participants
- > The time frame
- > Audit emphasis

> The procedure.

All group members must be audited in an internal audit at least once a year. Prior to a first certification, all individual group members and the group as a whole must be subject to an internal audit to verify compliance with ISCC requirements and the functionality of the internal audit system. Before a new member can be registered, they must first be internally audited.

Annual internal audit

The internal auditors in charge must be qualified to professionally judge the relevant questions. Before they start auditing, they must be trained regarding the requirements of the ISCC system e.g. by participating in ISCC Basic Training. Training of the internal auditors should continue on a regular basis, especially with a focus on relevant risk factors identified for the group.

Qualification of internal auditors

The internal auditor must document his/her activities and the results of the internal audits. The documentation must be made accessible to the external auditor. The results of the internal audits must include major non-conformities, corrective measures and an action plan for improvement.

Documentation of internal audits

The group must carry out an annual review. As a minimum requirement, this review must contain the evaluation of the audit results and of possible inputs from a third party.

Review

7 External Audit

External audits of the group must take place on a yearly basis (i.e. at least every 12 months). The group's head office is always audited. The sample size of group members to be audited must be calculated by the external auditor, and is driven by the risk factor determined by the external auditor during the risk assessment. The external auditor is responsible for selecting and auditing individual group members within the scope of the sample.

Annual external audit

7.1 Calculating the Sample Size

The correct definition of the sample size (s) to be audited for compliance is the basis for a consistent and reliable group certification process. In order to determine the sample size, the total number of individual group members (n) relevant for sampling and the risk factor (r) determined during the risk assessment must be taken into account. The sample size is determined by the following formula:

Formula to calculate the sample size

$$s = r \times \sqrt{n}$$

s: sample size

r: risk factor

n: total number of group members.

The minimum sample size is the square root of the total number of group members (\sqrt{n}). The minimum sample size must be multiplied with the risk factor (r) determined by the auditor during the risk assessment. For a regular risk, the minimum sample must be multiplied by 1.0. For medium risk the minimum sample must be multiplied by 1.5. For high risk the minimum sample must be multiplied by 2.0. The auditor is entitled to increase the sample size according to the individual situation and based on the auditor's risk assessment in order to reach the necessary level of confidence to make a reliable statement regarding the conformity of the group. The lowest possible sample size is one.

Minimum sample size

In the case the result of calculating the sample size (s) is a decimal number, the sample size (s) is to be rounded up to the next whole number (integer). The decisive factor for rounding up is the first position after the decimal point. This means, calculated sample sizes (s) up to 1.04 will result in a sample size of 1. A calculated sample size of 1.05 or higher would lead to a sample size of 2 (1.05 must be rounded up to 1.1 which must be rounded up to 2).

Rounding up

Biomass producers or storage facilities that are certified individually or as part of a certified group under a (different) central office, or logistic centre, may not be considered for the total number of individual group members (n).

Certified entities

This formula ensures a control density of the group, following in principle the control requirements set by the European Commission in the framework of the EU Cross Compliance system. The formula reflects the typical homogeneity of agricultural operations. The sample size has also been confirmed by experience gained in regular certifications.

Farms and plantations which are participating in group certification must conduct a self-assessment and sign the respective self-declaration for compliance with the ISCC requirements, and provide it to the group's head office (e.g. central office or first gathering point). Thus the total number of group members (n) is composed of all farms and plantations which have conducted the self-assessment and signed the self-declaration at any time during the 12-month period prior to the date of the certification audit.

Self-assessment and self-declaration

Points of origin (producers of waste or processing residues) participating in group certification must sign the respective self-declaration for compliance with the ISCC requirements and provide it to the group's head office (e.g. central office or collecting point). As the risk of non-compliance and fraud at the points of origin level mainly depends on the amount of waste or processing residues generated, the total number of group members (n) is composed of the number of producers with relevant amounts (see ISCC Document 201-1 "Waste and Residues"), which have signed the self-declaration during the 12 months prior to the audit.

Points of origin

The principles for calculating the sample size apply equally to dependent storage facilities (rented by certified System Users) if sampling is applied.

Storage facilities

7.2 Selecting the Sample

The external auditor conducting the group audit must select individual group members to be included in the sample for verification of compliance with the ISCC requirements. The group members to be audited should be selected in a way that represents the whole group in a well-balanced manner. The selection should be based on a combination of risk-based selection and random selection. The auditor must consider at least the following factors when determining the sample:

- > Type of supplied raw material (if applicable, these should be represented appropriately in the random sample)
- > Different sizes of suppliers
- > Geographical location, e.g. by clustering the relevant area into different risk areas
- > Indication of non-conformity or fraud.

At least 25% of the selected group members should be determined per random process. For the risk-based selection, an auditor should preferentially select group members for the sample where there is indication of non-conformity, or fraud, or group members that are located in high-risk areas. In the case different risk areas have been identified by remote sensing analysis, e.g. via satellite data or databases, the selection of the sample should also take into account results and findings from previous audits conducted in the area (if available). This means a risk identified via remote sensing analysis should not be the decisive factor for the selection of the sample if this risk was not confirmed during previous audits (so-called "ground-truthing"). An example would be a farm - located in close vicinity to a no-go area - that has demonstrated compliance during an on-site audit by the external auditor, and that poses no further risks. In this case, the auditor should select a different group member for the next audit (usually one year later) if no additional risks are detected or indicated.

Where appropriate and in accordance with the criteria for risk-based and random selection, the auditor may select group members in a way that facilitates a cost-efficient auditing process, e.g. by selecting group members that are located near each other. As long as there is no indication of non-conformity from specific group members, none of the successfully audited entities from the previous year shall be part of the sample in consecutive audits, as long as there remain some entities that have not yet been subject to an external audit. As a general requirement, entities should aim for selecting samples in a way to ensure that all group members are equally covered, generally within a timeframe of five years.

Selection of individual group members

Random and risk-based selection

New group members in subsequent audits

The following factors bear specific relevance for group certification and must be considered by the auditor³:

- a Factors related to the type and size:
 - > Size of the group member
 - > Type of operation
 - > Value and amount of the products
- b Factors related to specific characteristics:
 - > Degree of similarity of the production systems and the crops or raw materials within the group
 - > Risks of intermingling and/or contamination
- c Experience gained:
 - > Number of years the group has functioned
 - > Number of new members registered yearly
 - > Nature of the problems encountered during audits in the previous years and results of previous evaluations of the internal audit system's effectiveness
 - > Management of the internal auditors' potential conflicts of interests
 - > Staff turnover

*Factors for
sample selection*

ISCC can determine additional specific regulations for certain regions / areas if this becomes necessary, e.g. due to concrete risk.

7.3 Audit of the Sample

The group members selected by the external auditor for verification of compliance must be audited successfully to demonstrate compliance with the ISCC requirements. Group certification audits are conducted on-site, unless conducted with tools that provide the same level of assurance as an on-site audit and which are explicitly approved by ISCC for conducting desk audits (see ISCC Document 204). In the case that the external auditor detects one or more group members from the sample to be non-compliant with the ISCC requirements, or one or more group members refuse to participate in the audit, the sample size (s) of the current audit must be doubled. In particular cases, in which System Users have applied highest levels of assurance (e.g. by using appropriate risk mitigation tools) a deviation from this rule may be considered in consultation with and after approval by ISCC. "Non-compliant" means that mandatory requirements of ISCC are not complied with, and compliance

*Consequences
of non-
compliance*

³ These factors are formulated in correspondence with the Guidance document for the evaluation of the equivalence of organic producer group certification schemes applied in developing countries (EEC November 6th 2003).

cannot be ensured within 40 days after the audit by implementing corrective measures. If in the increased sample, further group members are detected not fulfilling the ISCC requirements, the increased sample must be doubled again, and so forth. This process may continue until 100% of the group members have been audited. Group members that are audited non-compliant must be excluded from the group and from the certification under ISCC. Group members that were excluded may only participate in ISCC again once they have successfully passed an individual audit.

In order to avoid misuse and fraud, group members which are audited as not complying with ISCC requirements must be reported to the ISCC management.

*Reporting to
ISCC*

Example:

A first gathering point receives signed self-assessment / self-declaration forms from 100 (homogeneous) farms. These 100 farms form the total number of group members “n”. The minimum sample size in this case is 10 ($\sqrt{100}$). If the risk assessment has resulted in a medium risk for the group of farms ($r = 1.5$), the sample size (s) to be audited by the external auditor is 15 ($s = 1.5 \times 10$). If the auditor evaluates one or more farms from this sample as non-compliant, the sample size (s) must be doubled. The new sample size (s) of farms to be audited by the external auditor would be 30. If again one of the group members is audited non-compliant, the new sample size is 60.

*Example
calculation*

7.4 Issuing a Certificate

If the audit(s) of the sample as well as the audit of the group’s head office demonstrates compliance with the ISCC requirements, the CB can issue an ISCC certificate. Depending on the type of operation registered for certification, the certificate may indicate the group members on an annex to the certificate. Such an annex may be issued to independent groups certified under a central office or under a logistics centre, to clearly indicate the individual group members. Such an annex may not be issued to groups depending on other types of operation, e.g. first gathering points or collecting points, to ensure the confidentiality of commercially sensitive information.

*ISCC certificate
and annex*

In the case sampling is applied during a certification audit, a list of all group members at least including their name and address must be submitted to ISCC after the audit. ISCC is entitled to further specify the information to be provided on the list of group members, which must be submitted to ISCC.

*List of group
members*

8 Smallholders

8.1 Fundamentals

ISCC Document 201 “System Basics” defines farms or plantations as “agricultural operations where crops are cultivated sustainably, or where agricultural crop residues from sustainable cultivation occur”. A farm or

Definition farm

plantation is defined as a distinct legal entity⁴ having control regarding the compliance with the ISCC requirements. The entire land (agricultural land, pasture, forest, any other land) of the farm or plantation, including any owned, leased or rented land is subject to certification.

A clear understanding about how to identify a single farm is crucial for ISCC certification. The identification of farms is a precondition for audit preparation and audits at first gathering points and central offices and has a major impact on the audit scope. For example, it determines who has to sign the self-declaration, the total number of group members and thereby the sample size, risk management and the exclusion of farms in the case of non-compliances or violations of ISCC principles. Experience has shown that, in practice, the farm definition as per ISCC Document 201 is applicable and unambiguous in most cases. However, there are certain set-ups where a clear identification of a single farm remains a challenge. This especially applies to the Fresh Fruit Bunch (FFB) production for palm oil in Southeast Asia, and smallholder involvement.

*Distinct
identification of
farm*

This chapter aims to give additional guidance to support this process and to ensure that certification is consistently applied and the scope of audit is correct. It was developed in cooperation with the stakeholders involved in the ISCC Technical Committee V, “Southeast Asia”, and CBs. ISCC will further engage in pilot projects and stakeholder dialogues to support and facilitate the certification of smallholder schemes. Based on these projects and stakeholder dialogues, ISCC may develop further guidance to specify or adapt the requirements for smallholder certification and assessment.

*Stakeholder
involvement*

For the application of the ISCC standard, it is crucial to correctly identify the farm or plantation. The wording *farm or plantation* can cover individual estates, outgrowers, smallholders etc. as long as the definition of a farm or plantation, as laid out in the following, is applicable. The core indicators for the identification of a farm are legal status and independent management. The identification of a farm is straight-forward if it is legally independent and has its own independent management. However, in certain cases both indicators might point in opposite directions, especially when smallholder structures are involved.

*Legal status and
independent
management*

These cases and their implications for audits are described below, as well as implications for the exclusion of farms/plantations from ISCC certification in the case of non-compliance or violation of ISCC principles (also see overview table in figure 1).

⁴ Defined as ‘an association, corporation, partnership, proprietorship, trust, or individual that has legal standing in the eyes of law. A legal entity has legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued in its own right, and to be held responsible for its actions.’ <http://www.businessdictionary.com/definition/legal-entity.html>

Characteristic of Set-up	1. Independent Legal Entity and Management	2. Centrally Managed Leased Land
Legal status	Independent legal equity (e.g. farm/plantation/ smallholder)	Landowners leasing land to a company
Management of land ⁵ (see indicator list above)	Independent management	Land centrally managed by company
Centralised support in farming (by CO and FGP) ⁶	No centralised support	Everything done centrally
Implications for certification		
Which entity is considered the “farm/plantation”?	The independent legal entity (e.g. farm/plantation/ smallholder)	The management company
Type of certification	<ul style="list-style-type: none"> > Individual farm certificate or > Part of CO/FGP 	<ul style="list-style-type: none"> > Individual farm certificate or > Part of CO/FGP
Self-declaration	Signed by farmer (independent legal entity)	Signed by management company
Consequence of non-compliance of farm	<ul style="list-style-type: none"> > Individual certification not possible > Exclusion from group and farm sample size at CO/FGP doubled 	<ul style="list-style-type: none"> > Individual certification of management company not possible > Exclusion of management company from group and farm sample size at CO/FGP doubled

Figure 1: Overview table: Identification of farm/plantation and implications⁵

8.2 Identification of farm or plantation and implications

Legal status and management are the core indicators for the identification of an agricultural production entity as a farm. The following categories shall form the basis for the identification of a farm or plantation:

1 Independent smallholders

An independent smallholder, responsible for his own management and without management support by any larger company, is considered an independent legal entity with independent management. These independent smallholders need to sign the ISCC self-declaration for farm or plantation. The collecting point collecting the Fresh Fruit Bunches (FFBs) from an independent smallholder is considered the first gathering point under ISCC. If the independent smallholder

Different categories of farms

Smallholder signs self-declaration

⁵ With respect to management of land, subcategories are possible. See 4.2, section 3 above

⁶.CO = Central Office; FGP = First Gathering Point.

delivers the FFBs directly to a collecting point or to the oil mill, these are considered to be the first gathering point. For the first gathering points, the normal ISCC rules and procedures apply (please see respective ISCC Documents 201, 203, 204, 205). If an independent smallholder is non-compliant with the ISCC standard, it cannot supply sustainable FFBs to a first gathering point. If non-compliance is detected during the certification audit of the central office/first gathering point, the farm would need to be excluded from the group and the sample size to be audited would be doubled.

2 Independent legal entity and independent management

If the entity, with all its owned and leased land that is subject to categorisation, is an independent legal entity with independent own management, the identification is straightforward. The entity shall be identified as a single farm or plantation, no matter the size of the entity (this also applies to the independent smallholders mentioned above). The farm management would need to sign the ISCC self-declaration for farm or plantation. The farm could be individually certified, or certified as a part of a group organised by a central office or a first gathering point. If such a legally independent farm with own management is non-compliant with the ISCC standard, it cannot deliver sustainable material from any of its owned or leased land. If non-compliance is detected during the certification audit of the central office/ first gathering point, the farm would need to be excluded from the group, and the sample size to be audited would be doubled.

*Farm
management
signs self-
declaration*

3 Centrally managed leased land

Landowners leasing land to a company that is in charge of the management of the land are not considered as farm or plantation. These landowners own the land but the management of the land is not in their hands. The land is mostly leased and centrally managed by a company that unites many smallholders. In this case, this company could be individually certified as a farm or plantation, or certified as part of a group organised by a central office or a first gathering point. The managing company and not any of the individual smallholders would sign one self-declaration for the entire land. If the managing company that is considered a farm or plantation is non-compliant with the ISCC standard, it cannot deliver sustainable material from any of its own or leased land. If non-compliance is only detected during the certification audit of the central office/first gathering point, the entire company (farm or plantation with all its smallholders) would need to be excluded from the group, and the sample size to be audited would be doubled.

*Managing
company signs
self-declaration*

4 Partially centralised management

The cases two and three described above can also occur in subcategories with respect to the indicator of management.

Subcategories

Under case two (independent legal entity and independent management), parts of the management could be centrally organised (e.g. storage of plant protection products). In this case the respective entity would still be regarded as a farm / plantation. However, the areas that are managed centrally would also need to be audited centrally. If there were non-compliances, the respective farm or plantation would be excluded from certification. Again, if non-compliance is only detected during the certification audit of the central office/first gathering point, the farm / plantation would need to be excluded from the group, and the sample size to be audited would be doubled.

Centralised audit

Under case three (centrally managed leased land) it could be the case that one company has leased land from different landowners but that the land is still partly managed by the landowners. In this case the entire land leased by the company could be considered as one farm or plantation. However, those areas managed as decentralised would also need to be audited as decentralised. If there were non-compliances detected in the decentralised managed areas the entire farm or plantation (including the entire leased land) would be excluded. If non-compliance is only detected during the certification audit of the central office or first gathering point, the farm or plantation would need to be excluded from the group, and the sample size to be audited would be doubled.

Decentralised audit

8.3 Indicators for central farm or plantation management

The core indicator for the identification of a farm or plantation is the centralisation of management. Whenever management is fully centralised, the unit responsible for central management is considered the farm or plantation, no matter the legal structure of the land (owned or leased). The decision about management centralisation can be based on the following indicators. The management is centralised when the management unit is responsible for and in a position to decide on:

Indicators for centralised management

- > Land use, land development and change in land use
- > Storage, use and waste management of pesticides and fertilizers and other dangerous goods
- > Record keeping
- > Analysis of soil and soil maintenance measures
- > Health and safety organisation
- > Measures on social standards and labour relations
- > Staff recruitment, personnel management, human resources development

If the management unit is responsible for all the indicators listed, the management takes place centrally and the managed land is to be considered as one farm or plantation.