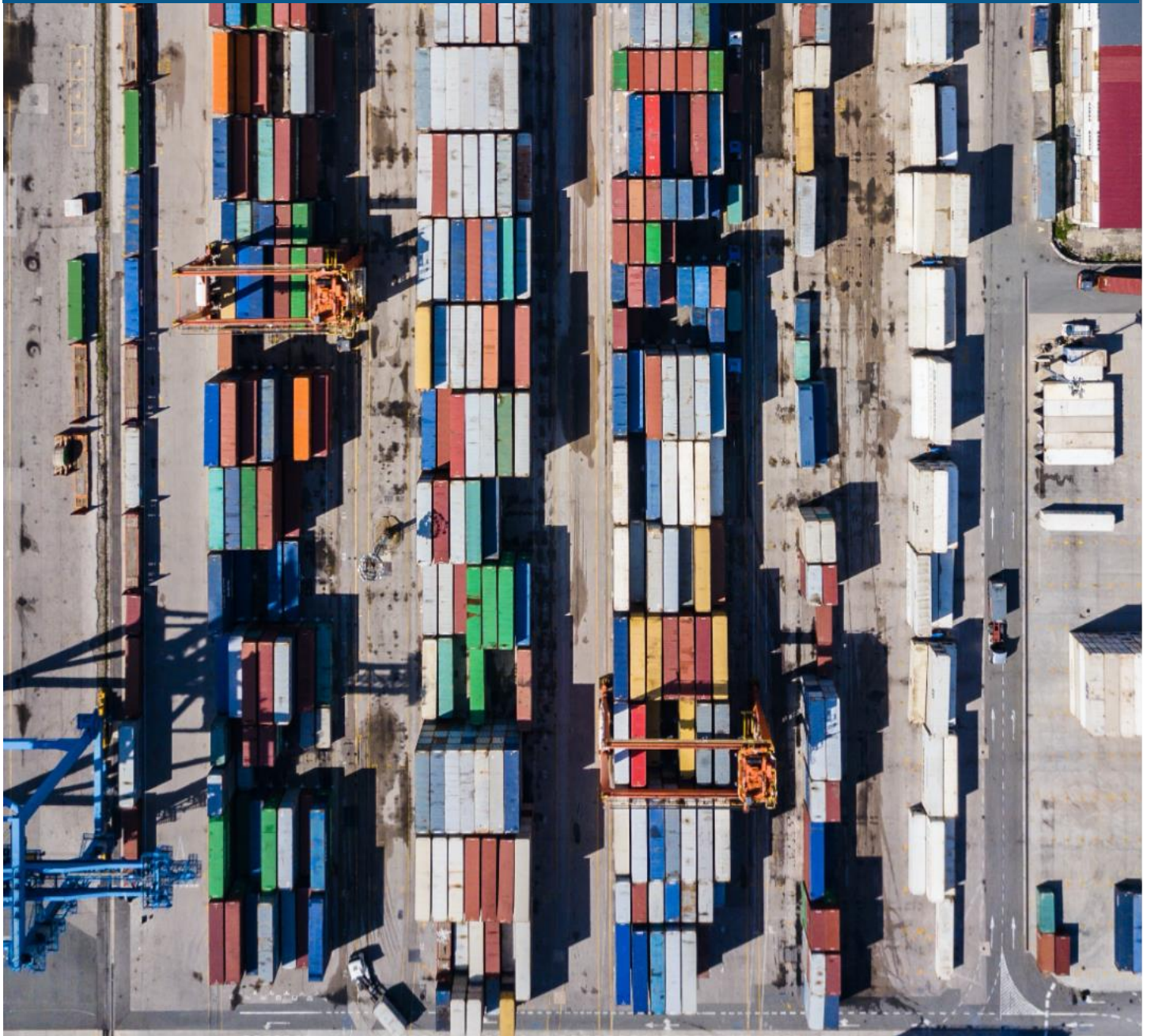


ISCC EU 203 TRACEABILITY AND CHAIN OF CUSTODY



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Version 4.0

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Note: From 1st July 2021, only the version 4.0 of this ISCC document is applicable. This version of the document has been submitted to the European Commission in the framework of the recognition process of ISCC EU under the legal requirements of the Renewable Energy Directive (EU) 2018/2001 (RED II). The recognition of ISCC EU in the framework of the RED II is pending. This ISCC document may be subject to change depending on further legislation and further requirements of the European Commission.

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Summary of Changes

The following is a summary of the main changes to the previous version of the document (ISCC EU Document 203 v 3.1). The revision of the document is a major review in the framework of the rerecognition of ISCC under the Directive (EU) 2018/2001 (recast) (RED II). Minor amendments, e.g. corrections of phrasings and spelling mistakes, are not listed.

Summary of changes made in version 4.0	Chapter
General: All reference with regard to the RED refer to the Renewable Energy Directive (EU) 2018/2001 (recast) (also referred to as RED II)	
Addition: <i>"This also applies to the Union database that should be put in place by the competent authorities to ensure transparency and traceability of renewable fuels used within the EU Member States. Once this database has begun operating, relevant economic operators must enter all relevant information into this database. Auditors have to verify that the information entered into the database is consistent with the audited data. Where appropriate, ISCC may request system users to use specific database solutions, provided that they comply with data protection and other relevant requirements under the RED II."</i>	3.3.1
Addition: <i>"Fossil fuels and biofuels are different product groups. Even if sustainable renewable fuels, biofuels or fossil fuels have similar chemical characteristics, a fossil fuel cannot be regarded as non-sustainable material within a specific product group."</i>	3.3.2
Addition: <i>"suspended and withdrawn ISCC certificates" under point "valid certification"</i>	3.3.2
Amendment: <i>"...if the material has already been taken into account in the calculation of the share of renewable energy in any Member State replaced "...if the material has already been counted towards a national biofuel quota"</i>	3.3.2
Addition: Paragraphs on due diligence, protection of trust and cancellation of sustainability declarations	3.3.2
Amendment: Date and address of dispatch/shipping point of the sustainable material (e.g. processing unit, storage facility, loading station, biomethane entry point)	3.3.3
Addition: <i>"Address of receipt/receiving point of the sustainable material (e.g. processing unit, storage facility, loading station, biomethane exit point)"</i>	3.3.3
Amendment: Statement: <i>"The raw material complies with the relevant sustainability criteria according to Art. 29 (3)-(7) RED II" (applicable to agricultural and forest biomass including residues from agricultural, aquaculture, fisheries and forestry)"</i>	3.3.3
Addition: <i>"Additional statement: The agricultural biomass was cultivated as intermediated crop" (if applicable)</i>	3.3.3
Amendment: Statement <i>"The raw material meets the definition of waste or residue according to the RED II" (applicable to waste and residues and products produced from waste and residues)</i>	3.3.3
Addition: <i>"Information on whether support has been provided for the production of the consignment, and if so, the type of the support scheme has to be stated (may be applicable economic operators in biogas, biomethane and bio-LNG supply chains" under product related information</i>	3.3.3
Addition: <i>"...For deliveries under ISCC PLUS the claim "ISCC Compliant" has to be made in any case..."</i>	3.3.4
Addition: <i>A fourth option for points of origin to apply self-declarations"</i>	3.3.6
Amendment: The specific requirements for supply chain elements now cover information formerly included in ISCC EU System Document 201-1 "Waste and	3.4

Summary of changes made in version 4.0	Chapter
Residues" (v3.0) and ISCC EU System Document 204 "Audit Requirements and Risk Management (v3.0)	
Adjustment: "...A farm or plantation must be compliant with all requirements stated in ISCC Principle 1 and all immediate requirements of ISCC Principles 2-6 when it starts supplying sustainable material. Immediate requirements cover relevant EU regulations (e.g. Cross Compliance regulations, good agricultural practice requirements, relevant social legislation). In EU Member States which have implemented Cross Compliance (CC), farmers that fulfil the CC criteria through implementation and official recognition of CC are only audited with respect to the requirements set out in ISCC Principle 1 and criteria that are not covered by EU legislation. The short-term and mid-term requirements specified in ISCC Principles 2-6 have to be implemented as part of a continuous improvement process over a specified period of 3 years and 5 years respectively. Additionally, farms or plantations can choose to implement the best practice requirements. Best practice requirements fulfilled by a farm or plantation can be highlighted on Sustainability Declarations and/or certificates."	3.4.1
Addition: Verification of existence of points of origins prior to the audit	3.4.6
Addition: "...If a storage facility is also the owner of sustainable material it also has to be certified as trader."	3.4.7
Addition: "A certified trader must be able to prove at which (certified) site the sustainable material is physically available. In the framework of an audit, the auditor must be able to verify the physical location of the material as well as where it will be (potentially) supplied to. On the Sustainability Declaration the information on the place of receipt or place of dispatch must clearly indicate the site of the storage location (i.e. address) where the sustainable materials was physically received or dispatched respectively. All relevant documents regarding the transport of the material have to be available and presented to the auditor during the audit that are required to ensure the traceability of the material. Paper trader may forward the Sustainability Declaration as received from their supplier of the sustainable material."	3.4.7
Addition: "ISCC certificates are site specific which means that only the address of the audited operational unit can be stated on the certificate. For traders and traders with storage an exception is possible in the case that the legal address differs from place where the daily operations are conducted. In this case the audit is conducted at the place where actual operations are taking place. This address has to be stated in the audit procedure. On the certificate both the legal address of the trader as well as the place of the audit are stated"	3.4.7
Addition: Specific requirements for the trade of biomethane (formerly included in ISCC Guidance Document "Biogas and Biomethane"	3.4.7
Addition: "Start date of the operation of biofuel, bioliquid or biomass fuels installation" under additional requirements for sustainability declarations	3.4.7
Addition: Information on tolling agreement for processing units	3.4.8
Addition: "Start date of the operation of biofuel, bioliquid or biomass fuels installation" under additional requirements for sustainability declarations	3.4.8
Addition: Specific requirements for the production of biogas and biomethane (formerly included in ISCC Guidance Document "Biogas and Biomethane"	3.4.8
Addition: Chapter "Requirements for Mandatory Surveillance Audits"	3.4.10
Addition: Chapter "Requirements for Group Certification" (replaces ISCC System Document 206 "Group Certification" (v.3.1)	3.5
Amendment: The minimum sample size is the square root of the total number of group members (\sqrt{n}) "or 10% of the total number of group members (n) whichever number is higher" under calculating the sample size	3.5.5.1

Summary of changes made in version 4.0	Chapter
Addition: <i>“To minimise the risk of multiple accounting an eligible and high-level member of staff of the economic operator issuing the sustainability declarations has to sign a statement/declaration confirming the awareness of the requirement that multiple accounting is not allowed”</i>	4.2
Addition: <i>“The transfer of sustainability characteristics from biogenic to fossil material is not possible even if they have the same chemical composition. If biogenic and fossil material are mixed in a joint conversion process (co-processed) or are stored jointly in the same physical compartment (i.e. one individual tank or a pipeline) then the equivalent to the amount of the biogenic input can be claimed as sustainable. The same applies for biogenic materials having different physical phases or states as these states are determined by different energy levels. Sustainability characteristics can therefore only be transferred if these biogenic materials with different states are stored in the same physical compartment or are jointly processed. For example, the transfer of the sustainability characteristics from biomethane to bio-LNG is only possible if the respective quantities share the same physical storage facility or pipeline or are jointly processed. If sustainability characteristics were transferred from one material to another the CB has to verify during the audit that this was not applied to materials with different energy states which were not co-processed or physically stored in the same physical compartment.”</i>	4.2
Addition: <i>“To reduce the administrative burden for economic operators, it is possible to apply the mass balance approach (e.g. mixing of materials) to different types of raw materials and fuels provided they belong to the same product group (i.e. they have the similar physical or chemical characteristics, heating values and/or conversion factors). The mass balance system allows to mix batches of raw material with differing energy content if they are mixed for further processing, e.g. in a co-digestion plant, and if the size of the batches is adjusted according to their energy content”</i>	4.4.1
Addition: <i>“Although the application of the mass balance system that allows the mixing of different types of raw materials and fuels it must be ensured that the targets for renewable energy that are laid down in the RED II are correctly applied and cannot be circumvented. This is done, for example, by the correct allocation of sustainability characteristics to outgoing batches of materials. (see chapter 4.4.3 for further information)”</i>	4.4.1
Addition: <i>“Sustainable material can only be included in a mass balance if it is physically received at the site of the economic operator covered by certification, i.e. a physical link between the mass balance and the material is required. It is not possible to add sustainable material to a mass balance without the physical intake of the material at the site for which the mass balance is kept (e.g. no “jetty kissing” allowed)”</i>	4.4.1
Addition: <i>“The mass balance approach can also be applied to gas transmission and distribution infrastructure (i.e. gas grid). Renewable gases, such as biomethane can be mixed in the gas grid if the infrastructure is interconnected, i.e. if the economic operator feeding the renewable gas into the grid and the economic operator taking the gas out of the grid are physically interconnected through the grid. Both economic operators have to document the injection and withdrawal respectively, and both must be certified under ISCC.”</i>	4.4.1
Addition: Mass balance has to be made available to auditor prior to audit	4.4.1
Adjustment: Maximum mass balance period for first gathering points sourcing agricultural or forest biomass	4.4.2
Addition: Details on the allocation of sustainability characteristics to outgoing batches of material	4.4.3
Addition: Chapter “Overview of Requirements for the Audit of Mass Balances	4.4.5

Summary of changes made in version 4.0	Chapter
Addition: Annex I "Allocation of Sustainability Characteristics to Outgoing Batches of Materials"	Annex I
Addition: Annex II: "Smallholders – Identification of Farms/Plantations" (formerly included in replaced ISCC EU System Document 206 "Group Certification" (v.3.1))	Annex II

1 Introduction

Every element of a supply chain for sustainable materials must provide evidence of compliance with the sustainability and greenhouse gas (GHG) emissions saving criteria of the Renewable Energy Directive (EU) 2018/2001¹ (often referred to as RED II). This is obtained through the individual certification of every supply chain element. To ensure that all of the relevant product properties and related sustainability characteristics are forwarded through the supply chain to the fuel supplier (i.e. an entity supplying sustainable fuel to the market), adequate traceability and chain of custody measures are required.

*Evidence of
compliance with
RED II*

According to the International Organization for Standardization (ISO) the term 'traceability' describes the ability to identify and trace the origin, processing history, distribution and location of products and materials through supply chains. Traceability includes the requirement to be able to physically trace products and materials through supply chains but also to be able to tell of what products are made of and how they have been processed.

Traceability

'Chain of custody' is a general term for the process of transferring, monitoring and controlling inputs and outputs and related specific information as they move through the supply chain. This provides credibility that a given batch of material or product is associated with a set of specific characteristics (e.g. regarding sustainability and GHG savings) and that the information on the specific characteristics linked to the material or product is transferred, monitored and controlled throughout the supply chain. Different chain of custody methods are available for the handling of sustainable materials along the supply chain, including the two methods that are applicable under this standard: Product segregation and mass balance. A third method, known as book & claim is not allowed.

Chain of custody

The combination of both the traceability and chain of custody requirements ensure that the physical flow of materials can be traced back and forth throughout the supply chain, which guarantees the integrity of sustainability statements. The transfer of sustainability characteristics along the supply chain must always be accompanied by a physical transfer of material. This also ensures that sustainability characteristics and GHG emissions savings can be assigned to individual physical consignments of material, and that the amount of sustainable materials and products withdrawn at any stage of the supply chain does not exceed the amount of sustainable material added. The term consignment, or 'batch', describes a specific amount of material with the same sustainability characteristics and GHG emissions savings. In the following the term 'batch' will be uniformly used.

*Assignment of
sustainability
characteristics*

¹ In the following referred to as RED II

Under this standard, the compliance with the sustainability and greenhouse gas emissions savings criteria of the RED II can be demonstrated for biofuels, bioliquids, biomass fuels, renewable liquid and gaseous transport fuels of non-biological origin and recycled carbon fuels. In the following, the term “sustainable fuel” will be uniformly used to cover the aforementioned types of fuels.

Sustainable fuels

Chapter 2 defines the scope and normative references of this document.

Overview of the content

Chapter 3 covers the framework for traceability by describing in detail the general and specific audit requirements for all elements of the supply chain. This includes the minimum requirements for the management system of a certified operational unit, and the requirements for documents such as Sustainability Declarations and Self-Declarations for farms/plantations and points of origins. The approach for the group certification of farms/plantations, points of origins and storage facilities is also covered in this chapter.

Chapter 4 describes the requirements for the chain of custody methods physical segregation and mass balance that are eligible under this standard. The requirements cover the physical handling of materials and the respective bookkeeping, including the mass balance calculation and credit transfer. The physical segregation method enables either the preservation of the identity of specific batches of sustainable material or the physical separation of sustainable and non-sustainable material. The mass balance method allows the physical mixing of sustainable and non-sustainable materials. According to Art. 30 (1) of the RED II, economic operators are required to use a mass balance system, and therefore mass balance is the most common chain of custody method applied under this standard. Furthermore, this chapter covers the requirements for allocating sustainability criteria to outgoing batches of material on sustainability declarations. An overview of requirements for the mass balance audit is also provided.

2 Scope and Normative References

The requirements described in this document apply to all elements of the supply chain of sustainable materials that have to be covered by certification (farms or plantations, point of origins of wastes and residues, first gathering points, central offices, collecting points for waste and residues, processing units, and traders and storage facilities). They have to be taken into account by all participants in the certification system, i.e. certification bodies (CB) and auditors as well as System Users and other economic operators covered by ISCC certification.

Relevant for entire supply chain

3 Requirements for Traceability

3.1 Basics

According to the RED II, economic operators along the physical supply chain have to demonstrate that the sustainability and GHG emissions saving criteria of the RED II have been fulfilled. The sustainability criteria relevant under the RED II include the description of the raw materials and the country of origin of the raw materials, material related greenhouse gas (GHG) emissions, and evidence that the land related sustainability criteria of the RED II for the production of the raw materials have been fulfilled. This information is thereafter collectively referred to as ‘sustainability characteristics’.

*Sustainability
criteria of the
RED II*

Under ISCC the following elements of the supply chain are subject to certification: farms and plantations, points of origins, first gathering points, central offices, collecting points, traders, storage facilities and processing units. Transport and any modes of transport (e.g. road, rail, air, river or sea) are not subject to certification. All relevant information regarding the transport of sustainable materials (e.g. delivery documents, means and distance of transport, and respective greenhouse gas emissions) are covered by the certification of the aforementioned economic operators. A valid certificate provides evidence that the certified element complies with the criteria of the RED II and the ISCC standard.

*Supply chain
elements*

Evidence of the sustainability characteristics of a sustainable material is documented and forwarded through the supply chain by using ‘Sustainability Declarations’. A ‘Sustainability Declaration’ is a delivery document containing relevant information about the sustainable material that has to be issued by the supplier for each delivery of sustainable material. Producers and suppliers of sustainable fuel often use the term ‘proofs of sustainability (PoS)’ when referring to Sustainability Declarations. In the rest of this document the term ‘Sustainability Declaration’ is uniformly used.

*Sustainability
Declarations*

Elements of the supply chain that are not certified cannot handle material as sustainable and are not allowed to issue Sustainability Declarations according to this standard. Recipients of sustainable material have to ensure that their supplier was certified at the date of the physical dispatch of the material. All of the valid certificates are displayed on the ISCC website. In the case of doubt, ISCC must be contacted to verify the validity of certificates.

*Certification
required*

Self-declarations are forms that have to be completed and signed by farms or plantations and points of origin for waste and residues materials before they can deliver sustainable material into the supply chain. This is a mandatory requirement for farms/plantations and points of origins which are not individually certified.

Self-declarations

Under ISCC, the identification and tracking of the origin, processing history distribution and location of materials can be done “step-by-step” through the entire supply chain (Figure 1). The information provided on the Sustainability

*Step-by-step
traceability*

Declarations that are passed through the supply chain is crucial for this approach.

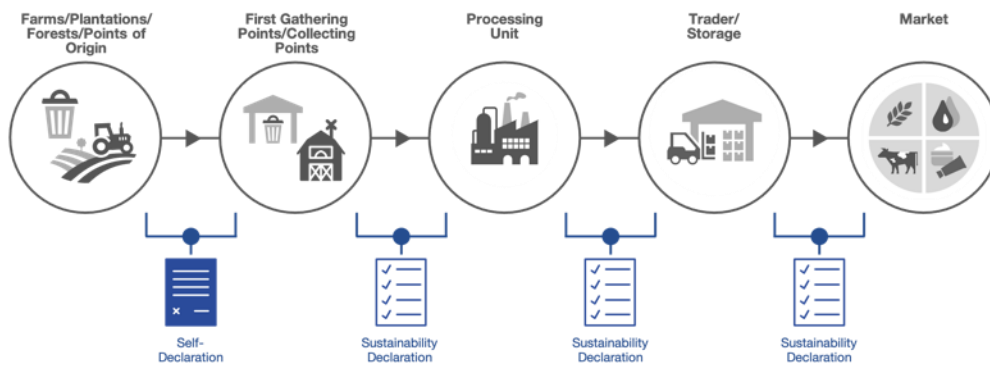


Figure 1: Step-by-Step Traceability of Sustainability Characteristics through Sustainability Declarations

3.2 Minimum Requirements for the Management System

The management system describes the scope of responsibilities and internal company processes and procedures for ensuring that an economic operator is able to implement and update all of the requirements for achieving the objectives of this standard. The management system must ensure that good management practices with respect to sustainability, greenhouse gas emissions, traceability and chain of custody requirements are applied at every critical control point. All the elements of the supply chain have to ensure that their management system covers these requirements.

*Appropriate
management
system*

Any audit for verifying compliance with the requirements of this standard is related to a legal entity at a specific site (defined as being a geographical location with precise boundaries). If economic operators outsource or delegate tasks that are related to sustainability, traceability or chain of custody requirements to service providers (e.g. transport, storage or processing of sustainable materials) they must ensure that the service providers comply with the ISCC requirements. This includes contractual agreements and the distribution of relevant information and documentation between the certified economic operator and the service providers.

*Site specific
requirements*

The management system has to be adequate regarding the nature, scope and quantity of the required activities. Risk management factors also have to be considered when designing the management system (see ISCC EU System Document 204 “Risk Assessment”).

*Risk
management*

3.2.1 Responsibilities of the Management

The management of a company has to commit itself in writing to complying with ISCC requirements, and this commitment has to be made available to the employees, suppliers, customers and other interested parties.

*Commitment of
management*

The management of a company has to conduct regular internal audits regarding compliance with this standard.

Internal audits

The management has to identify and nominate competent employees at critical control points whose tasks include the implementation and maintenance of processes and documentation to ensure the compliance of the company with all relevant requirements of this standard. In this respect, it is a key task of the management to provide adequate training to those employees. The tasks of the employees include:

*Key employee
task*

- 1 Sourcing, first gathering or registration of incoming sustainable products, identification of origin and evaluation of the quantity of sustainable products and related GHG emissions or GHG emissions savings
- 2 Conversion or processing of sustainable products and/or evaluation of the portion of sustainable products and related GHG emissions or GHG emissions savings
- 3 Delivery, storage, sales and distribution of sustainable products and evaluation of the quantity of sustainable products and related GHG emissions or GHG emissions savings
- 4 Quantity-bookkeeping, reporting, documentation, issuing Sustainability Declarations or other documents within the scope of points (1) to (3)
- 5 Planning and/or execution of self-assessments and internal audits

3.2.2 Procedures, Reporting and Documentation

The internal company procedures with respect to the relevant requirements according to this standard must be documented in writing. This documentation has to contain at least the following elements:

*Internal
documentation*

- 1 Description of the company's internal material flows
- 2 Organisational structure, responsibilities and authorities with respect to sustainability, GHG and chain of custody requirements
- 3 Procedures related to traceability and the chain of custody regarding all requirements in this standard

The company has to establish and maintain a reporting system which satisfies the requirements and operates both effectively and efficiently. Furthermore, it has to guarantee that relevant records are kept for all critical control points. These records must ensure a clear link between products, product flow and documentation at all times. Companies have to provide, at a minimum, the following records:

*Critical control
points*

- 1 Plant operation permit including layout plan and capacities of storage facilities
- 2 Records of incoming and outgoing sustainable products (e.g. weighbridge tickets, bill of lading and Sustainability Declarations)

- 3 Records of any internal processing of sustainable products including the respective yields/conversion factors
- 4 Records on the periodic reporting on opening and closing stock for incoming and outgoing sustainable and non-sustainable material
- 5 List and contracts with all suppliers (including farms/ plantations, points of origins and certified suppliers) and recipients of sustainable material
- 6 List and contracts with subcontractors and service providers related to sustainable products
- 7 Records regarding data transfer to the certification system chosen by this company or to the relevant public authority in charge or to the certification body which conducted the audit with respect to this standard
- 8 Records regarding the transfer of data to and from any sustainability databases used
- 9 Records of internal audits, non-conformities with these standard, related corrective actions and/or identified discrepancies within the documentation
- 10 Records of other certification standards with comparable scopes used, non-conformities with these standards and related corrective actions, and if applicable, information on withdrawn or suspended certificates
- 11 A signed version of the ISCC Terms of Use in force

All companies have to operate a periodic reporting system (e.g. monthly and yearly/calendar year) regarding the incoming quantities and storage levels at beginning and end of the period, and the outgoing quantities of sustainable and non-sustainable products. Companies are obliged to inform their certification body immediately if any discrepancies occur in the documentation, reporting and material flow.

Periodic reporting system

All companies handling and supplying sustainable products to other companies are obliged to provide their recipients with all of the necessary documents and sustainability and GHG information in the scope of this standard.

Transfer of information

Furthermore, the company must keep all the relevant records and documents (as hard copies and/or electronically) for at least five years.

Retention period

Documents and information are to be treated as confidential and must not be made accessible to unauthorised third parties.

3.2.3 Qualification and Training of Employees

- 1 The company has to ensure that all members of staff responsible for and working on the implementation and maintenance of the sustainability, GHG, traceability and chain of custody requirements

Competent staff

shall be competent and have the appropriate training, education, skills and experience

- 2 The company has to establish and implement a training plan regarding the critical control points and covering the positions involved in its chain of custody system
- 3 The company has to keep records of the trainings provided to staff in relation to this standard

3.2.4 Technical Equipment

The company has to identify, provide and maintain the infrastructure and technical facilities that are required to ensure effective implementation and maintenance of the requirements of this standard.

Technical facilities

3.2.5 Internal Audits

The company has to conduct internal audits at least once a year covering all the relevant requirements of this standard and establish corrective and preventive measures if required. Relevant service providers and subcontractors have to be taken into account for the internal audits.

Annual internal audit

The report from the internal audit has to be reviewed by the company's management at least once a year.

3.3 General Documentation and Information Requirements

Appropriate information and documentation for incoming and outgoing sustainable material are crucial for fulfilling the traceability and chain of custody requirements under this standard. This chapter provides an overview of the general requirements for information and documentation that have to be kept by all economic operators along the supply chain and that are verified during the audit.

Documentation requirements include: Records and documents on traceability and quantity bookkeeping, which must be complete, up-to-date and accessible at the certified supply chain element

Information requirements include: requirements for Self-Declarations and Sustainability Declarations

The requirements in this section referring to incoming material are not applicable to farms and plantation or points of origin.

3.3.1 General Requirements

Companies have to keep the following records for all incoming and outgoing sustainable materials respectively

Incoming and outgoing materials

- > List with names and addresses of suppliers and recipients of sustainable products

- > Contracts with relevant subcontractors/service providers, suppliers and recipients of sustainable products
- > Sustainability Declarations, weighbridge tickets, bills of lading or other documentation for all incoming and outgoing sustainable material
- > Quantity bookkeeping for sustainable and non-sustainable material and, if applicable, a mass balance calculation
- > In the case of individual GHG calculations, the GHG calculation itself as well as the input data used for the calculation

Records and documentation on traceability, quantity bookkeeping, mass balance and GHG emissions have to be up to date and must be fully accessible to the auditor in the audit process. If at the time of the audit a company is also certified under other sustainability certification schemes with comparable scopes or has been certified in the twelve months prior to the audit, information on the other certifications has to be provided to the auditor, including the name of the scheme and certification scope (see also ISCC 201 “System Basics”). Furthermore, all records regarding the quantity bookkeeping and mass balance calculations for the other certification schemes used have to be made available to the auditor. This is crucial to verify that no double-accounting (or multiple accounting) of sustainable material is taking place. For further information see also chapter 4.2. This should also mitigate the risk of scheme hopping, i.e. economic operators getting certified under another scheme to avoid recertification and thus avoid the inspection of requirements and transactions conducted under the previously used certification scheme.

Disclosure of all schemes used

If the company uses sustainability and traceability databases, all records of incoming and outgoing data transfers have to be made available to the auditor.

Traceability databases

This also applies to the Union database that should be put in place by the competent authorities to ensure transparency and traceability of renewable fuels used within the EU Member States. Once this database has begun operating, relevant economic operators must enter all relevant information into this database. Auditors have to verify that the information entered into the database is consistent with the audited data. Where appropriate, ISCC may request system users to use specific database solutions, provided that they comply with data protection and other relevant requirements under the RED II.

Union database

3.3.2 General Requirements for Sustainability Declarations

Sustainability information of materials are forwarded within the supply chain through Sustainability Declarations. A Sustainability Declaration is always

Link to material

linked to a specific batch of material. The Sustainability Declaration covers the sustainable amount of material of a delivery.²

The interrelation of a Sustainability Declaration and the respective physical delivery depends on the chain of custody option applied. This means that in the case of segregated deliveries, the information on the Sustainability Declaration reflects the product physically delivered. If the traceability is based on mass balance, the Sustainability Declaration does not necessarily reflect the product physically delivered. The Sustainability Declaration must at least reflect the product group of the physically delivered product. A product group is defined by similar physical or chemical characteristics, heating values and/or conversion factors (i.e. soybean is a different product group to rapeseed). This means, for example, that it is not permissible to issue a Sustainability Declaration referring to soybean for a physical delivery of rapeseed. Fossil fuels and biofuels are different product groups. Even if sustainable renewable fuels, biofuels or fossil fuels have similar chemical characteristics, a fossil fuel cannot be regarded as non-sustainable material within a specific product group.

*Chain of custody
option*

A supplier of sustainable material must be in possession of a valid certificate on the date of the dispatch of the sustainable material. The supplier must also be in possession of a valid certificate on the date of issuance of the sustainability declaration if the date of dispatch and the date of issuance differ. A Sustainability Declaration cannot be issued outside the validity period of a certificate. A recipient of sustainable material is obliged to verify, whether the supplier was in possession of a valid ISCC certificate on the date of the dispatch of the sustainable material and at the date of issuance of the Sustainability Declaration. If the supplier was not in the possession of a valid certificate on either of the dates the recipient should not accept the respective Sustainability Declaration. All valid, suspended and withdrawn ISCC certificates are displayed on the ISCC website. If there is any uncertainty, economic operators must contact ISCC for clarification. The receipt of sustainable material is also only possible if the recipient has a valid certificate (for exemptions for first gathering points and collecting points see chapter 3.4).

Valid certification

The recipient of the Sustainability Declaration has to check whether all relevant information according to the RED II and this standard are both available and consistent. Sustainability Declarations that are obviously lacking information or contain incorrect or inconsistent information should not be accepted by the recipient. In such cases the supplier of the Sustainability Declaration should be asked for a corrected document.

*Complete and
correct
information*

The recipient of a Sustainability Declaration can generally trust that data received from certified suppliers is correct. If the recipient of the Sustainability Declaration has demonstrated due diligence by verifying the validity of the supplier's certificate and checking the incoming Sustainability Declaration for

*Due diligence
and protection of
trust*

² Non-sustainable parts of the delivery, such as fossil additives cannot be included in the amount of material stated on a Sustainability Declaration.

complete and correct information as described above, the information provided on the incoming Sustainability Declaration can be regarded as covered by protection of trust.

If there is incorrect information, it may be possible for the issuing party (supplier) to cancel or correct a Sustainability Declaration under the condition that the recipient has not used (i.e. forwarded) the incorrect Sustainability Declaration and cancels or corrects the corresponding information from the mass balance. The supplier of the Sustainability Declaration has to inform the recipient, their respective CB and ISCC in writing about the intention to cancel or correct one or more specified Sustainability Declarations. The CB of the recipient must confirm in writing to the supplier, their CB and ISCC that the request was received and documented. The supplier may then issue corrected Sustainability Declarations. The CB of the supplier shall also document a non-conformity in the audit procedure of the supplier (providing incorrect data to recipients). In the next scheduled audit, the CB of the recipient has to verify that the Sustainability Declarations have been cancelled or corrected in the recipient's mass balance. Should the supplier and/or the recipient change the CB for the next audit the newly contracted CB must be informed accordingly to ensure that the specific transactions are covered in the next scheduled audit. This procedure also applies for cases in which Sustainability Declarations handled within databases (such as Nabisy) have to be cancelled.

Cancellation of a Sustainability Declaration

When reporting on the type of raw material the relevant definitions of the RED II have to be applied (e.g. "ligno-cellulosic material" and "non-food cellulosic material"). See ISCC EU System Document 201 "System Basics" for a list with relevant definitions.

Application of definitions

The timely issuing and receipt of sustainability characteristics is crucial for the documentation and verification of the quantity bookkeeping. For this reason, the supplier should issue Sustainability Declarations no later than 30 days following the date of the physical dispatch of the sustainable material.

Timely issuing

It is possible to aggregate Sustainability Declarations for a number of deliveries of batches of material, i.e. to issue one Sustainability Declaration for a number of deliveries of sustainable material. In order to do so, the following conditions have to be fulfilled: All material is covered under one contract and has identical sustainability and GHG characteristics. The period for all deliveries should not exceed one month. The whole delivery period has to be stated in the Sustainability Declaration. Each individual delivery must be documented by weighbridge tickets or similar documents to allow the verification of the overall amount and the delivery dates of the entire batch. The locations from where the material is supplied to the location where the material is received must not change during the delivery period.

Aggregation of Sustainability Declarations

The issuing of more than one Sustainability Declaration for the same batch of material is not permitted. If, for example, a Sustainability Declaration is issued for a batch of material within the scope of a database (for instance databases in EU Member States, such as Nabisy for Germany), no further Sustainability

Only one declaration per batch

Declarations can be issued for the same batch (e.g. on the template for proofs of sustainability as provided by ISCC) or vice versa.

It is not permitted to issue a Sustainability Declaration or Proof of Sustainability for a batch of material if the material has already been taken into account in the calculation of the share of renewable energy in any Member State.

*Share of
renewable
energy in
Member States*

Sustainability Declarations must contain the information that is stated in this document. However, no provisions are made with regard to the form or layout of the Sustainability Declarations. The requirement of the RED and other ordinances of EU Member States to avoid excessive administrative burden is therefore satisfied. Economic operators can develop a template for a delivery note which includes all the required sustainability information. Alternatively, they can attach a document with the required sustainability information to existing of delivery documents (e.g. bill of lading). This may be a solution for e.g. Brazil where the existing delivery note ("Nota Fiscal") is an official document, and any amendments have to be made by means of an appendix. ISCC provides templates for Sustainability Declarations, e.g. for raw materials and intermediate products and for final sustainable fuels (Proof of Sustainability). The use of the templates is voluntary. The templates are available as downloads on the ISCC website.

*No provision for
layout*

3.3.3 General Information of Sustainability Declarations

The following general information must be available on Sustainability Declarations for all incoming sustainable material as well as on the Sustainability Declarations issued by the certified party for all sustainable output material. Specific information requirements for each supply chain element are included in chapter 3.4.

*Content of
Sustainability
Declarations*

General information

- > Name and address of the supplier
- > Name and address of the recipient
- > Related contract number
- > Date of dispatch of the sustainable material
- > Address of dispatch/shipping point of the sustainable material (e.g. processing unit, storage facility, loading station, biomethane entry point) (applicable if different from the address of the supplier)
- > Address of receipt/receiving point of the sustainable material (e.g. processing unit, storage facility, loading station, biomethane exit point) (applicable if different from the address of the recipient)
- > Name of the certification system and certificate number of the supplier
- > Date of the issuance of the Sustainability Declaration

- > The number of the group member (in case of group certification)
- > Unique number of the Sustainability Declaration

Product related information:

- > Type of product (e.g. raw material, crude oil, biodiesel, biomethane, HVO, etc.); the product group has to be reflected
- > Raw material (e.g. rapeseed, sunflower, UCO, crude glycerine, etc.)
- > Country of origin of the raw material³: Country where the farm or plantation is located (for biomass and products derived from biomass); country where the point of origin is located i.e. where the waste/residue was generated (for waste/residues and products derived from waste/residues)
- > Scope of certification of raw material (relevant statement(s) must be applied)⁴:
 - Statement “The raw material complies with the relevant sustainability criteria according to Art. 29 (3)-(7) RED II” (applicable to agricultural and forest biomass including residues from agricultural, aquaculture, fisheries and forestry)
 - Additional statement: “The agricultural biomass was cultivated as intermediate crop” (if applicable)
 - Additional statement: „The agricultural biomass additionally fulfills the measures for low ILUC risk feedstocks” (if applicable)
 - Statement “The raw material meets the definition of waste or residue according to the RED II” (applicable to waste and residues and products produced from waste and residues)
- > Quantity of delivered sustainable product in metric tons or m³ at 15°C or MWh (for biogas/biomethane)⁵
- > Statement(s) “ISCC Compliant” and/or “EU RED Compliant” (if applicable, please see Chapter 3.3.4 for further information)
- > For biogas supply chains: Statement if for the production of the biogas incentives/subsidies were received and if so, specification of the type of the support scheme⁶

³ The specific country (e.g. France or Brazil) has to be stated. Statements such as North America or Europe are not sufficient as countries of origin

⁴ If required, the list can be extended by further sustainability information which may be necessary to further describe certain sustainability characteristics of the raw material and final product

⁵ The statement of the quantity in MWh may be applied for other types of fuels and applications if agreed by ISCC

⁶ According to Art. 2(5) of the RED II support schemes can include investment aid, tax exemptions or reductions, tax refunds, renewable energy obligation support schemes including those using green

GHG emission information (one of the following options has to be applied). Please see ISCC EU System Document 205 “Greenhouse Gas Emissions” for further information.

GHG information

- 1 Statement: **“Use of total default value”**, OR
- 2 Statement that disaggregated default values are used. In this case the statement “Use of disaggregated default value for (respective calculation formula element)” has to be made on the Sustainability Declaration. Further specifications have to be made if relevant:
 - Process technology, e.g. for a palm oil mill, the following statement could be made: “Use of disaggregated default value for processing (process with methane capture at the oil mill)”.
 - If the disaggregated default value does not cover the entire pathway of the element (e.g. for a sunflower oil refinery the following statement could be made “Use of disaggregated default value (DDV) for oil extraction only”), AND/OR
- 3 Statement of an **actual value in kg CO₂eq per dry-ton of product**. If applicable, for raw materials and intermediary products the information on GHG emissions have to be provided in the unit kg CO₂eq/dry-ton of raw material or kg CO₂eq/dry-ton of intermediary product respectively. For e_{td} (transport and distribution) the means of transport and the transportation distance from the supplier to the recipient have to be included on the Sustainability Declaration

In case of using option 2 or 3 the relevant RED II calculation formula elements have to be reported separately:

- > e_{ec} : Emissions from the extraction or cultivation of raw materials (not relevant for waste and residues)
- > e_p : Emissions from processing
- > e_{td} : Emissions from transport and distribution

If one or more of the elements below was calculated, only option 3 can be applied. In this case, separate reporting has to be included for every relevant element:

- > e_l : Emissions from carbon stock changes caused by land-use change (if applicable, the bonus for severely degraded land e_B of 29 g CO₂/MJ can be taken into account. This information has to be explicitly stated in the Sustainability Declaration)
- > e_{sca} : Emissions savings from soil carbon accumulation via improved agricultural management (the bonus of -45 g CO₂eq/MJ manure (-54 kg CO₂eq/t fresh matter)) can be applied for improved agricultural and

certificates, and direct price support schemes including feed-in tariffs and sliding or fixed premium payments

manure management if animal manure is used as substrate for the production of biogas and biomethane. This information has to be explicitly stated in the Sustainability Declaration)

- > e_{ccs} : Emission savings from carbon capture and geological storage
- > e_{ccr} : Emission savings from carbon capture and replacement

Important note: Only actual values (including NUTS2 values for extraction and cultivation e_{ec}) can be stated in kg CO₂eq emissions per dry-ton of product. For the other options **no values but only the statements** ('use of total default value' or 'use of disaggregated default value for the relevant element of the supply chain') are provided on the Sustainability Declaration.

3.3.4 ISCC Claims

Under ISCC the "ISCC Compliant" or "EU RED Compliant" claims can be applied to outgoing deliveries.

The claim "ISCC Compliant" means that the entire upstream supply chain, including the cultivation or collection of the raw material is certified according to ISCC, and the material used in the supply chain consists entirely and solely of ISCC material, at least on a quantity bookkeeping basis. The claim "ISCC Compliant" can be made by ISCC certified operators for outgoing deliveries by adding the statement "ISCC Compliant" to the Sustainability Declaration. The statement "ISCC Compliant" can only be made if the ISCC certified operator has received an equivalent amount of incoming material with the statement "ISCC Compliant" on the Sustainability Declaration. First Gathering Points can only make this statement for deliveries from farms or plantations that comply with the ISCC requirements. Collecting Points can only make this statement for material that is collected from points of origin complying with the ISCC requirements.

ISCC Compliant

The claim "EU RED Compliant" means that the entire upstream supply chain including cultivation or collection of the raw material is certified under a voluntary scheme that is recognised in the framework of the RED. Sustainable material has to be considered "EU RED Compliant" if the ISCC certified operator receives deliveries from suppliers that are certified under any recognised voluntary certification scheme.

*EU RED
Compliant*

For deliveries under ISCC EU the certified operators may choose not to include any of the claims above on the Sustainability Declarations. Deliveries of sustainable material without any such statement must be considered "EU RED Compliant" by default. For deliveries under ISCC PLUS the claim "ISCC Compliant" has to be made in any case. For further information on the use of claims and logos under ISCC please see the ISCC Document 208 "Logos and Claims".

*Application of
the claims*

3.3.5 Information Requirements for Internal Company Processes

No Sustainability Declarations are issued for internal processes within an operational unit. However, in order to ensure that the amount of outgoing sustainable material does not exceed the amount of incoming sustainable materials the economic operator must carry out periodical reporting. This provides the basis for the quantity bookkeeping (e.g. the mass balance). The following records have to be maintained if an economic operator stores sustainable material or conducts processes that impact on the physical and/or chemical properties of the sustainable material:

- > Description of internal processes (oil extraction, refining, esterification, dehydration, blending, co-processing or other) and key data
- > Quantities of raw materials if they are not identical with the incoming sustainable product (e.g. share of sugar beet syrup used for ethanol production within an integrated sugar mill/ethanol plant)
- > Quantities of co-products, if required for GHG calculation or other purposes
- > Quantities of waste or residues if required for GHG calculation or other purposes
- > Relevant yields/conversion factors
- > Allocation factors
- > GHG process emissions
- > Date of production if required

*Information for
quantity
bookkeeping*

3.3.6 Self-Declarations/Self-Assessments

The obligation for certification according to this standard starts with the first gathering point and collecting point respectively. Farms or plantations and points of origin of waste and residue materials may gain individual certification or group certification under a central office on a voluntary basis. All farms or plantations that are not certified individually must conduct an annual self-assessment and provide a signed self-declaration/self-assessment to the first gathering point or central office. All points of origin that are not individually certified have to provide a signed self-declaration to the collecting point or central office.

*Mandatory self-
declaration/ self-
assessment*

A self-declaration is an important document to ensure the traceability of sustainable material up to the farm/plantation or point of origin. By signing the self-declaration, a farm/plantation or point of origin declares compliance with all legal obligations and the relevant ISCC requirements, confirms the type of raw material provided as sustainable and confirms that they will give external auditors access to the premises to verify conformity with the ISCC requirements. First gathering points, collecting points and central offices can only accept material as sustainable from farms/plantations or points of origins

*Traceability and
access*

respectively if they have received a signed self-declaration. No party other than the farm/plantation or point of origin is allowed to sign the self-declaration. Farms/plantations and points of origins must provide the signed self-declaration to no party (e.g. local agents or dependent collecting points) other than the certified first gathering point, central office or collecting point.

ISCC provides templates of self-declarations/ self-assessment forms for farms and plantations and self-declarations for points of origin respectively. The templates are available in several languages to download from the ISCC website. The templates themselves or the exact wording from the templates must be used.

Templates available

There are three options for the application of self-declarations:

Options to apply self-declarations

- 1 The self-declaration is completed and signed for each single delivery of sustainable material
- 2 The self-declaration is used for all deliveries within a contract between the first gathering point and farm/ plantation or collecting point and point of origin respectively
- 3 The content of the self-declaration is transferred with exactly the same words into the contract between the first gathering point and farm/ plantation or the collecting point and point of origin respectively

Under option 2 and 3 the self-declaration has a validity of twelve months, starting from the date of issuing.

For points of origins a fourth option is available: a combination of a clause in the contract between the point of origin and the collecting point and the availability of the self-declaration template on the website of the collecting point. The contract has to contain an unambiguous statement (e.g. "By signing, the self-declaration as published on the website (URL of the collecting point website) applies and is a valid part of this agreement for the contractual period. If no objection is made by the customer up to twelve days before the expiry of each calendar year of this agreement, the self-declaration is confirmed for the following year."). On the website where the template of the self-declaration is available to download a further unambiguous statement must be included (e.g. "The self-declarations for deliveries of (insert material such as used cooking oil) on this page are a valid part of the contract between (company) and its customers. The self-declaration will be presented to the customer either within the contract or within the terms and conditions. If the self-declaration is part of the written contract, it shall be considered to be accepted from the effective date of the contract. If the self-declaration is included in the terms and conditions, then it shall be considered to be accepted if the customer does not submit an objection to (company) within 14 days after the terms and conditions have been presented to them. If the customer does not object, this will be considered as an agreement to the terms and conditions. The self-declarations will be considered to be accepted after the 14 days have passed.")

Additional option for points of origins

3.4 Specific Requirements for Elements of the Supply Chain

This section describes the individual supply chain elements and their specific requirements relevant under this standard.

3.4.1 Farms or Plantations

Farms or plantations under this standard are agricultural operations where crops are sustainably cultivated, or where agricultural crop residues from sustainable cultivation occur. A farm or plantation is defined as a distinct legal entity⁷ which has control regarding compliance with ISCC requirements. (see also Annex II regarding the identification of farms/plantations).

Farms or plantations have three options to participate under this standard:

- > Individual certification
- > As part of a group of farms organised under a central office
- > As part of a group of farms delivering to a first gathering point

Farms and plantations participating in group certification have to conduct a self-assessment and sign a self-declaration either to the first gathering point or to the central office responsible for the group. A copy of the self-assessment/self-declaration has to be available during the audit. Farms/plantations participating in group certification do not receive an individual certificate, as they will be covered by the certificate of the first gathering point or the central office.

Biomass produced on land that is in compliance with ISCC Principle 1 as laid down in ISCC EU System Document 202-1 “Agricultural Biomass: ISCC Principle 1” and ISCC Principles 2-6 as laid down in ISCC EU System Document 202-2 “Agricultural Biomass: ISCC Principles 2-6” is considered to be sustainable. The ISCC Principle 1 specifies the land-related legal requirements set under the RED II and must always be complied with. Violations of ISCC Principle 1 are critical non-conformities and cannot be subject to corrective measures. ISCC Principles 2-6 cover social, ecological and economic requirements. They are divided into ‘immediate requirements’, ‘short-term requirements’, ‘mid-term requirements’ and ‘best practice requirements’.

A farm or plantation must be compliant with all requirements stated in ISCC Principle 1 and all immediate requirements of ISCC Principles 2-6 when it starts supplying sustainable material. Immediate requirements cover relevant EU regulations (e.g. Cross Compliance regulations, good agricultural practice requirements, relevant social legislation). In EU Member States which have implemented Cross Compliance (CC), farmers that fulfil the CC criteria

*Certification
options*

*Self-assessment
and self-
declaration*

*Compliance with
land related
requirements*

*Immediate
requirements*

⁷ 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>

through implementation and official recognition of CC are only audited with respect to the requirements set out in ISCC Principle 1 and criteria that are not covered by EU legislation.

The short-term and mid-term requirements specified in ISCC Principles 2-6 have to be implemented as part of a continuous improvement process over a specified period of 3 years and 5 years respectively. Additionally, farms or plantations can choose to implement the best practice requirements. Best practice requirements fulfilled by a farm or plantation can be highlighted on Sustainability Declarations and/or certificates.

Continuous improvement process

The audit of a farm or plantation must always cover the entire land area (agricultural land, pasture, forest, any other land) of the farm or plantation, including any owned, leased or rented land. The area of the farm or plantation relevant for ISCC certification is not limited to areas where sustainable material is cultivated. Selecting particular areas of the farm or plantation which comply with ISCC requirements but not the areas of the farm or plantation which may not comply with the requirements ("cherry picking") is not permitted under ISCC.

No cherry picking

Farms or plantations which are audited non-compliant with ISCC requirements or which refuse to participate in an audit must be excluded from ISCC until the respective farm or plantation passes a successful ISCC audit on its own initiative. ISCC must be informed by the CB about farms which are audited and found to be non-compliant or which refuse to be audited as a part of a sample (see also chapter 3.5.5.).

Non-compliance

Farms and plantations are obliged to enable the full assessment and evaluation of all applicable ISCC requirements, including relevant activities which are outsourced to sub-contractors or service providers. Relevant sub-contractors or service providers, e.g. for the application of plant protection products, must be included in the farm audit if this is necessary to evaluate full compliance with ISCC. This should be included in contractual agreements between the farmer and the relevant sub-contractors and service providers as appropriate. Contractual agreements must be accessible during the ISCC audit.

Service providers and sub-contractors

Farms or plantations do not need to operate a mass balance system. However, chain of custody requirements include the documentation of amounts and origin of material as well as documentation reflecting that the yield per hectare times field size in hectare is plausible compared to the related quantity of biomass stored and delivered as either sustainable or non-sustainable. This is relevant for the plausibility check in the framework of the audit.

Plausibility check

Additional Audit Requirements for Farms or Plantations

The farm or plantation has to provide the following records:

- > Total area of the farm/ plantation classified as pasture, cropland and other areas (such as compensation area, set-aside-land, forest etc.), including all rented and leased areas for the respective certification period
- > Statement of the field numbers, field sizes, field status, crop, yield for the respective certification period (usually part of the field/crop report)
- > List of all recipients of sustainable crops or crop residues (first gathering points, storage facilities, processing units etc.) with names and addresses
- > Contracts with all first gathering points which have been supplied with sustainable crops or crop residues
- > Records of amounts of each crop or agricultural crop residues delivered as sustainable or unsustainable (classified per crop)
- > Copy of the signed self-declaration/ self-assessment form for the respective certification period (not applicable for individually certified farms or plantations)
- > Contracts with subcontractors (e.g. harvesting, spraying)

Farms or plantations delivering to a first gathering point have to receive a document from the first gathering point with the following information for each delivery of sustainable material:

- > Name and address of the first gathering point, and if the material is delivered to storage facilities related to the first gathering point, the names and addresses of the storage facilities
- > Name and address of the farm or plantation
- > Unique batch number
- > Type(s) of crop or agricultural crop residue
- > Weight of the delivered crop(s) or agricultural crop residue(s) in metric tons
- > Date of receipt of sustainable crop(s) or agricultural crop residue(s)
- > GHG emissions information (see below)

Additional Requirements for Sustainability Declarations issued by Farms or Plantations

Farms or plantations that are certified individually or as part of a central office have to issue Sustainability Declarations for their outgoing raw material (sustainable crops or agricultural crop residues). In addition to the general

*Issuing of
Sustainability
Declarations*

information stated in Chapter 3.3.2 the following information has to be included:

- > Group member number (in case of certification under a central office)
- > GHG emissions information (one of the following options has to be applied)
 - 1 Statement: "Use of total default value", OR
 - 2 Statement "Use of disaggregated default value for cultivation (e_{ec})", if the requirements of the RED II are fulfilled (i.e. a default value for the crop exists), OR
 - 3 Statement of an actual value in kg CO₂eq per ton of biomass. NUTS2 values also need to be forwarded as a number in kg CO₂eq/dry-ton of biomass⁸

For the two elements stated below individual calculations are required. If applicable, the respective values also need to be forwarded separately on the Sustainability Declaration:

- > e_i : Emissions from carbon stock changes caused by land-use change (and separate information if the bonus for severely degraded land e_B (29 gCO₂eq/MJ) can be applied)
- > e_{sca} : Emissions savings from soil carbon accumulation via improved agricultural management (and separate information if the bonus for animal manure used as substrate (45 g CO₂eq/MJ manure (-54 kg CO₂eq/t fresh matter)) can be applied)

3.4.2 Central Office for Farms/Plantations

A central office is the representative body of at least one group of homogeneous farms or plantations that are certified as an independent group of agricultural producers. A group of farms or plantations is regarded as homogeneous if they are, for example, located in geographic proximity, and are similar in their size, cultivated crops and production processes. The central office does not receive ownership of the sustainable materials. The central office is responsible for the management of the group, i.e. the implementation of the internal management system, the compliance of individual group members with the ISCC requirements, and for carrying out internal audits of the group members. The certificate is issued for the central office based on a successful audit.

*Group
certification*

A sample of all group members is subject to an audit. At least one farm or plantation has to be audited in the scope of the certification of a central office. A list of all farms/plantations participating in group certification must be available during the audit and must be submitted to ISCC together with the audit documents. This list must include at least the name and address or

Group members

⁸ If published on the website of the European Commission

location of the individual group members as well as the date when the self-declaration was signed for the first time. The central office is responsible for the calculation of the greenhouse gas emissions of the group. Each group member is responsible for issuing Sustainability Declarations for their respective deliveries of sustainable raw material. A copy of each Sustainability Declaration has to be provided to the central office. The central office has to keep a quantity bookkeeping system on the basis of the outgoing Sustainability Declarations. For further information on the group certification, see chapter 3.5.

Additional Audit Requirements for Central Offices

For traceability purposes the central office has to provide the following records:

- > List of all the farms or plantations that are part of the group (including at least the names, addresses and unique number for each group member)
- > Contracts/ agreements with all group members
- > Self-declarations/ self-assessments of the group members. At the date of the audit at least one self-declaration must be in place
- > Documentation of internal audits
- > Copies of all the Sustainability Declarations issued by group members for deliveries of sustainable material
- > Bookkeeping of outgoing quantities based on the Sustainability Declarations received from group members

Additional Requirements for Sustainability Declarations for Central Offices

Sustainability Declarations are issued by each farm or plantation that is a member of the group. The general requirements (Chapter 3.3.3) and additional requirements for farms or plantations apply.

3.4.3 First Gathering Point

First gathering points are economic operators that buy and receive the sustainable crops or agricultural crop residues directly from the farms or plantations. They then further distribute, trade or process this biomass. First gathering points have a contractual relationship with the supplying farms or plantations for the delivery of crops or agricultural crop residues and have to receive a signed self-declaration/self-assessment from each farm or plantation before the first delivery of the sustainable biomass. They have to conduct internal audits at their supplying farms or plantations. An important characteristic of a first gathering point is the task of determining and documenting the incoming biomass according to its origin, quality, amount and

*Direct sourcing
from farms or
plantations*

greenhouse gas emissions for cultivation. For further information on group certification requirements see chapter 3.5.

First gathering points are audited regarding the requirements of the management system, traceability, chain of custody and greenhouse gas emissions. A sample of all farms or plantations that have signed a self-declaration is subject to an audit in the scope of the certification of the first gathering point. At least one farm or plantation has to be audited in the scope of the certification of a first gathering point. The certificate is issued to the first gathering point based on a successful audit.

Audit requirements

The first gathering point is responsible for ensuring the traceability of sustainable material back to its origin and to comply with the mass balance requirements under ISCC. A mass balance must be kept for each location where sustainable material is stored on behalf of the first gathering point. The contracts between first gathering points and farms/plantations need to be taken into account in the framework of the audit to verify the amount of sustainable biomass provided by farms/plantations (plausibility check).

Traceability and mass balance

A first gathering point is also responsible for the correct determination of the greenhouse gas emissions for cultivation for the incoming biomass and is responsible for verifying whether specific options to state greenhouse gas emissions (for example, disaggregated default value for cultivation or NUTS2 values) can be applied.

GHG emissions

It is the responsibility of the first gathering point or collecting point to provide evidence to the CB of which sustainable materials are (or will be) received from farms or from points of origin. Evidence regarding the type of sustainable material can include self-declarations, delivery documentation, or contracts with suppliers. The respective materials will be published on the ISCC certificate.

Evidence of sustainable material

A first gathering point may use collection facilities (e.g. sites used during harvesting periods equipped with mobile weighbridges) or external storage facilities. If the external storage facilities store sustainable biomass entirely on behalf of a first gathering point they are considered to be dependent warehouses, i.e. they do not individually buy biomass from farms or plantations and sell it to customers in their own name. Such dependent storage facilities can be covered by the certificate of the first gathering.

Storage facilities

A sample of these dependent storage facilities is subject to an audit in the scope of the certification of the first gathering point (see chapter 3.5 for further information on the calculation of the sample size). A list of all dependent storage facilities must be available during the audit and must be submitted to ISCC together with the audit documents. This list must include at least the name and address of the storage facilities.

A first gathering point may use the service of so-called local agents or country dealer who facilitate the contracts for the delivery of sustainable biomass between farms or plantations and first gathering points. In all cases, the first

Local agents or country dealer

gathering point has to comply with all of the relevant requirements according to this standard. If local agents or country dealer act in their own name (i.e. by buying biomass from farms/plantations, holding the self-declarations and selling the biomass in their own name) these local agents or country dealer act as first gathering points and have to become certified individually.

All biomass that is received directly from farms or plantations is covered under the first gathering point scope. The scope is all biomass that is received directly from farms or plantations (with a self-declaration or from individually certified farms or plantations). If a first gathering point also buys sustainable material from certified suppliers other than farms or plantations (e.g. other certified first gathering points, traders, etc.), an additional certification as a trader is required.

Scope specific transactions

First gathering points may accept crops or agricultural crop residues from the harvest in the current or the previous year as being sustainable up to three months prior to the start of the validity of the certificate. The signed self-declarations from the delivering farms or plantations have to be in place at the date of receipt of this biomass, and the first gathering point has to fulfil all chain of custody requirements. All deliveries which a first gathering point receives from farms or plantations that have signed a self-declaration have to be booked into the quantity bookkeeping as being sustainable. The first gathering point can only dispatch and merchandise the biomass as being sustainable after the start of validity of the certificate.

Acceptance of material prior to certification

For first gathering points handling agricultural crop residues, the requirement for a surveillance audit six months after the first (initial) certification applies (see chapter 3.4.10 for further information).

Mandatory surveillance audit

Additional Audit Requirements for First Gathering Points

In addition to the documentation and information required under 3.3.1 the first gathering point has to document the following:

- > List of all farms or plantations supplying crops or agricultural crop residues including, at the least the full names and addresses of the farms or plantations
- > Self-declarations/ self-assessments of farms or plantations delivering crops or agricultural crop residues for the respective certification period. On the date of the audit at least one self-declaration/ self-assessment must be in place
- > Certificate numbers, the name of certification scheme and the number of the group member in the case of deliveries from individually or group-certified farms or plantations
- > List of all storage facilities acting on behalf of the first gathering point with names and addresses

- > Quantity bookkeeping. If dependent storage facilities are used, individual quantity bookkeeping is necessary for each storage facility

Additional Requirements for Sustainability Declarations of First Gathering Points

The Sustainability Declarations for outgoing sustainable material have to contain the information as specified in Chapter 3.3.3.

*Information
transfer*

For each delivery of sustainable material from a farm or plantation which has provided a self-declaration, the weighbridge protocols of the incoming sustainable biomass have to be supplemented by the following information:

- > Name and address of the farm or plantation
- > Name and address of the first gathering point or related warehouse to which the sustainable biomass is delivered
- > Unique batch number
- > Amount and type of each crop or agricultural crop residue
- > Related contract number
- > Means of transportation and transporting distance
- > Statement regarding the NUTS2 region where the biomass was cultivated (if applicable)

The first gathering point has to provide a document to the farm or plantation delivering sustainable biomass containing the following information:

- > Name and address of the first gathering point and, if the material is delivered to a storage facility related to the first gathering point, the name and address of the storage facility
- > Name and address of the farm/plantation
- > Unique batch number
- > Type(s) of crop or agricultural crop residue
- > Weight of delivered crop(s) or agricultural crop residue(s) in metric tons
- > Date of receipt of sustainable crop(s) or agricultural crop residue(s)
- > GHG emissions information for emissions from extraction and cultivation (e_{ec})
 - 1 Statement: "Use of total default value", OR
 - 2 Statement "Use of disaggregated default value for cultivation (e_{ec})", if the requirements of the RED II are fulfilled (i.e. if a default value for the crop exists)

- 3 Statement of an actual value in kg CO₂eq/dry-ton of biomass. NUTS 2 values also need to be forwarded as a number in kg CO₂eq/dry-ton of biomass ⁹

For the two elements stated below an individual calculation is required. If applicable, the respective values also need to be forwarded separately on the Sustainability Declaration:

- > e_i: Emissions from carbon stock changes caused by land-use change (and separate information if the bonus for severely degraded land e_B (29 g CO₂eq/MJ) can be applied)
- > e_{sca}: Emissions savings from soil carbon accumulation via improved agricultural management (and separate information if the bonus for animal manure used as substrate (-45 g CO₂eq/MJ manure (-54 kg CO₂eq/t fresh matter)) can be applied)

3.4.4 Point of Origin for Waste and Residues

Points of origin for waste or processing residues are operations where the waste or residue either occurs or is generated.

Definition

Points of origin have three options to participate under this standard:

- > Individual certification
- > As part of a group organised under a central office
- > As supplier to a collecting point

Points of origin delivering sustainable material under ISCC are obliged to enable an assessment and evaluation of all applicable ISCC requirements to ensure that the material generated meets the applicable definitions for wastes or residues. One requirement for points of origin to comply with, is to demonstrate that any waste or residue material occurring at their premises is not generated deliberately.

Assessment of waste/residues

Points of origin covered under the certificate of a collecting point or central office have to sign a self-declaration either to the collecting point or central office respectively (see also chapter 3.3.6). A copy of the self-declaration has to be available during the audit. By signing the self-declaration, a point of origin declares compliance with the ISCC requirements and allows on-site access for auditors to verify compliance with the ISCC requirements if required.

Self-declarations

If the traceability of waste and residues from the point of origin to the collecting point is ensured by existing systems operated by governmental authorities (delegated or otherwise authorised), e.g. on a local, regional or national level, ISCC can recognise the equivalence of such systems with the issuing of a self-declaration. The equivalence of such systems must be assessed and approved by ISCC. Depending on the type and size of the point of origin the

Equivalent systems

⁹ If published on the website of the European Commission

principles of group auditing (auditing based on a sample) can be applied. However, individual certification of such points of origin is possible on a voluntary basis. An up-to-date list of accepted systems is available on the ISCC website.

Any audit of a point of origin includes an assessment of the materials to determine if they meet the definition for waste and residues. For points of origins no determination of greenhouse gas emissions is required i.e. zero GHG emissions are assumed at the point of origin.

*Zero GHG
emissions
assumed*

In the case of residues directly derived from or generated by agriculture (e.g. straw, husks or shells), aquaculture, fisheries and forestry, the point of origin is a farm, plantation or forest management unit. In the case of residues from aquaculture, fisheries and forestry the point of origin is the equivalent to a farm or plantation for agriculture (see also chapter 3.4.1). For those points of origin, a sample has to be audited in the framework of the collecting point or central office certification regardless the amount of waste/residue generated.

*Agricultural and
forestry residues*

For individually certified points of origin, the requirement for a surveillance audit six months after the first (initial) certification applies (see chapter 3.4.10 for further information).

*Mandatory
surveillance
audit*

For waste and processing residues, different set-ups can be identified. In particular, they can be distinguished with respect to the type of the point of origin, the collection setup of the material and the risk of false declaration of non-waste material as waste.

*Waste and
processing
residues*

ISCC takes into account the different risk levels to ensure the integrity of ISCC, of claims made under ISCC, and to avoid unnecessary obstacles or administrative burdens related to the certification of waste and residues. In this way, ISCC facilitates the diversification of sustainable raw materials according to different categories of points of origin for waste and processing residues. These categories are considered separately with respect to the certification process and audit requirements.

*Categories
of points of origin*

In the following, different categories of points of origin, their relationship to the collecting point, their risk exposure and the particular requirements for the certification and audit process are specified:

Business and Companies

Business and companies are the most common category of points of origin. This includes, for example, restaurants or industrial operations using virgin oils to cook food, operations processing biomass or vegetable oils and other commercial processors generating waste or residues.

*Restaurants or
industrial
operations*

If case several points of origin are organised under a franchise system (e.g. fast food restaurants) two different set-ups are possible regarding the self-declaration to be issued and signed. If the point of origin is managed by a legally independent owner (franchisee), every individual entity (point of origin) must sign the self-declaration. In case several points of origin are operated

*Franchise
system*

locally by on-site employees but are fully owned and managed by a local or regional entity (franchisor) and not acting independently, the self-declaration can be signed by the competent local or regional manager responsible for the points of origin. In this case it is possible to issue and sign one self-declaration for all points of origin owned and managed by the franchisor. It must be ensured that a list is attached to the self-declaration which clearly identifies all individual points of origin (including their specific addresses).

Businesses and companies generating less than 10 metric tons of a specific waste or residue per month (or less than 120 metric tons per year based on a rolling average) are considered to have a low risk of fraud due to the marginal amount of material generated. Therefore, it is not usually necessary to conduct an on-site audit, unless there is indication or evidence of non-conformity with ISCC requirements. Businesses and companies generating more than 10 metric tons of a waste or residue material per month (or more than 120 metric tons per year) are considered to have a higher risk of fraud due to the higher amount of material generated. Therefore, it is obligatory to audit such points of origin on a sample basis, if they do not opt for an individual certification. Points of origin which are not certified individually and producing amounts above the respective threshold form the basis for the sample calculation during the certification of the collecting point or central office (see chapter 3.5 for details on the calculation of the sample size). Sampling can only be applied if the contractual basis on which the point of origin is operating avoids incentives for making false claims about the nature of the raw material, and if the risk of fraudulent behaviour is low. Points of origin, for which sampling cannot be applied, must be audited individually on-site. The CB is obliged to verify compliance with the ISCC requirements, especially if there is an indication or evidence for non-conformity of points of origin which are not certified individually. This rule applies irrespective of the size of the point of origin or the amounts generated.

Sample audits of points of origin

Community (Municipal) Collection / Landfill Sites

Such sites are usually operated by local (governmental) authorities and provide the service (e.g. to private households) of discard waste or residues at their premises. The risk of fraud is comparably low because sites like these are operated by local (governmental) authorities and are obliged to comply with local and national waste laws. Such sites can be considered to take on the role of a point of origin. Therefore, they must complete and sign a self-declaration to the certified collecting point or central office. Due to the fact that such sites might accumulate high amounts of material, they are subject to on-site audits based on a sample according to the principles specified under point "Businesses and Companies".

Compliance with local and national laws

Community collection sites must be able to demonstrate to the CB the type of material and the plausibility of the volumes received.

Plausibility of amounts

Public containers

Some EU Member States have implemented systems to facilitate the collection of used cooking oil (UCO) by using public containers in which private households can discard UCO. This is usually done using small containers or bottles, which are inserted into the public container. The container is then collected or emptied by an economic operator which would be considered a collecting point under ISCC. In order to ensure the plausibility of the amounts collected from such containers and to reduce the risk of fraud, the collecting point must meet specific requirements. The collecting point in charge for picking up the container is responsible for implementing an appropriate level of monitoring and identification of the incoming material. The collecting point has to indicate employees responsible for internal quality control and inspection of the material (e.g. truck drivers and/or employees handling the material). Indicators for internal monitoring of UCO can include (but are not limited to) for example: colour, smell, consistency or viscosity. The collecting point must have sufficient documentation in place to ensure that a CB can assess and verify the plausibility of the amounts collected. The required information includes:

- > Permit or license for collection issued by the competent authority
- > Total number of containers including size (volume) of the containers
- > Information about where each container is located and the respective permit/license from the authorities
- > Information about the residential area or the neighbourhood of the container including the population density of the area
- > Dates when specific containers have been emptied/collected and information on how often containers are emptied/collected (e.g. based on signed receipts from truck drivers)
- > Weighbridge reports or collection reports of the incoming material
- > Information about the average number of collections per day
- > Reports on the amounts and management of solid waste and waste water (e.g. from cleaning UCO)

Public containers must be audited on-site on a sample basis, irrespective of the amount of material collected from each container. The sample size has to be based on the total number of different locations (addresses) where public containers are located. Several public containers located next to each other at the very same location (address) shall be audited as one sample.

The collecting point is responsible for setting up appropriate measures to prevent contamination of the environment (e.g. by spillage or leakage) and to set up a process on how to handle contaminations. Each container should

UCO from households

Sample audits

Prevent contamination

show instructions, which at least indicate the type of material to be inserted into the container and how to act in the event of a spillage or leakage.

Private households

The amounts of waste or residue material (e.g. UCO) generated by individual private households are marginal. Furthermore, private households usually do not sell waste or residues to a collecting point. Thus, they have no economic benefit from providing waste or residues to a collecting point and there is no risk of fraud. It would be disproportionate to require signed documents or on-site audit of private households. Therefore, private households do not need to issue self-declarations to a collecting point, and they are not subject to on-site verification. However, the certified collecting point receiving or collecting the waste and residues generated by private households must be able to demonstrate to the CB the type of material and the plausibility of the amounts collected or received (e.g. by showing collection routes, frequency of collection and historic data of collected amounts).

No self-declarations required

3.4.5 Central Office for Points of Origin of Waste and Residues

A central office is the representative body of at least one group of points of origin. Points of origin within one group must be homogenous e.g. in terms of amounts and types of waste/residues generated. Group certification of points of origin is applicable e.g. for rendering plants operated by the same company, and where each point of origin regularly generates waste and residues above the threshold of 10 metric tons per month.

Head of group

Points of origin certified under a central office can sell their products directly to third parties.

The central office is responsible for the management of the group. A central office is audited with respect to its management system, traceability and chain of custody, and GHG emissions. A sample of all points of origin that are members of the group may be subject to an audit (see chapter 3.5 for further information).

For central office of points of origin, the requirement for a surveillance audit six months after the first (initial) certification applies (see chapter 3.4.10 for further information).

Mandatory surveillance audit

3.4.6 Collecting Point for Waste and Residues

Collecting points for waste and residues are economic operators that collect or receive waste and residues material (e.g. used cooking oil, crude glycerine, tall oil pitch) directly from the points of origin where the waste and residues are generated. For agricultural crop residues generated on farms/plantations the first gathering point is regarded as the collecting point (see above), or the equivalent for aquaculture, fisheries and forestry residues.

Declaration and documentation of materials

Collecting points either sell, distribute or process the collected waste and residues. Collecting points are responsible for the correct declaration and

Responsibilities

documentation of the types and amounts of collected waste/residues materials. Due to their role and responsibilities collecting points are the first elements in waste/residues supply chains which require an individual certification. Collecting points receive a certificate upon a successful audit. They will be audited regarding their management system, traceability, chain of custody and greenhouse gas requirements. The collecting point is responsible to ensure the traceability of sustainable material back to its origin and to comply with the mass balance requirements under ISCC. A mass balance must be kept for each location where sustainable material is stored on behalf of the collecting point.

The scope collecting point covers are all waste and residues collected or received directly from points of origin (with a self-declaration or from individually certified points of origin). If a collecting point also receives sustainable material from certified suppliers other than points of origin (e.g. other certified collecting points), an additional certification as a trader is required.

Scope specific transactions

Collecting points collecting waste and residues as sustainable from (not individually certified) points of origin must receive a signed self-declaration from these points of origin. Only when a self-declaration has been signed by the point of origin can the collected material be considered sustainable (see chapter 3.3.6 for different options to implement self-declarations). Material which has been collected from points of origin which are not certified individually and have not signed a self-declaration must be considered as non-sustainable. The self-declaration must be issued to the certified collecting point and must be available during the audit.

Self-declarations must be available

A sample of (not individually certified) points of origin generating on average more than 10 metric tons per month of a specific waste or residue (or more than 120 metric tons per year) must be audited in the framework of the audit of the collecting point. Points of origins that are certified individually or as part of a group under a central office do not fall into the sample. See chapter 3.5 for information on how the sample size is calculated and determined.

Audit of sample of points of origins

Collecting points must keep an up-to-date list of all suppliers of sustainable material. This includes points of origin supplying waste and residues with a self-declaration as well as individually certified suppliers.

List of suppliers

Prior to the audit, a collecting point shall submit the list of all points of origin that have signed the self-declaration and the indicative amount of material each point of origin can supply to the collecting point. Based on this list, the auditor¹⁰ shall verify the volumes supplied and existence of a sample of the points of origins on the list. The auditor has to verify the existence of at least the square root of all points of origins that have signed the self-declaration within 12 months prior to the audit (rounded up to the next full number).

Verification of existence of points of origin

¹⁰ The verification does not necessarily have to be carried out by the lead auditor. This task can also be carried out by competent staff in the office of the certification body.

Example: 500 points of origin have signed the self-declaration: $\sqrt{500} = 22.36$. This means the auditor shall verify the existence of 23 points of origin. This verification can be done remotely e.g. through internet research, with a telephone call, or through other substantiated evidence. If the existence of a point of origin cannot be verified remotely, on-site verification is mandatory before the point of origin is allowed to supply ISCC supply chains.

Economic operators that only collect waste and residues on behalf of a collecting point are regarded as dependent collecting points and do not need to be certified individually. However, they have to be audited on a sample basis in the scope of the audit of the collecting point. The same applies for external storage facilities used collecting point. A sample of those storage facilities has to be audited in the scope of the certification of the collecting point. (see chapter 3.5) The collecting point has to keep a list of all dependent collecting points and/or external storage facilities used. It is the responsibility of the collecting point to ensure that the certification body and ISCC are able to assess and evaluate compliance with the relevant requirements at relevant service providers. This can e.g. be included in the respective contractual agreements between the collecting point and the service provider.

*Dependent
collecting points*

All deliveries, which a collecting point receives from points of origin that have signed a self-declaration, have to be recorded in the quantity bookkeeping as being sustainable. Collecting points may collect waste and residues from points of origin as sustainable up to three months prior to the start of the validity of the certificate. The signed self-declarations from the points of origin have to be in place at the date of receipt of the material, and the collecting point has to fulfil all chain of custody requirements. The collecting point can only dispatch and merchandise the biomass as being sustainable following the start of validity of the certificate.

*Acceptance of
material prior to
certification*

For collecting points, the requirement for a surveillance audit six months after the first (initial) certification applies. If a collecting point deals with both waste/residues and virgin materials an additional surveillance audit has to be conducted three months after the initial certification (see chapter 3.4.10 for further information).

*Mandatory
surveillance
audits*

Summary Audit Requirements for Collecting Points

- > List of all points of origin supplying waste/residues including, at the least the full names and addresses and indicative amounts of waste/residues supplied by each point of origin
- > Self-declarations signed by points of origins supplying waste/residues
- > Certificate numbers, the name of the certification scheme and the number of the group member in the case of deliveries from individually or group-certified points of origins and other certified suppliers

- > List of all external storage facilities and dependent collecting points used by the collecting point with names and addresses
- > Quantity bookkeeping. If external storage facilities are used, individual quantity bookkeeping is necessary for each storage facility

Requirements for Sustainability Declarations of collecting points

The information requirements as stated in chapter 3.3.3 apply to sustainability declarations issued by collecting points.

3.4.7 Traders and Storage Facilities

Traders and storage facilities are economic operators that trade (i.e. buy and sell) or store sustainable materials (i.e. raw materials, intermediate products or final products). Storage facilities include warehouses, silos, tanks etc. A storage facility stores and/or transfers the sustainable material on behalf of the owner of the sustainable material. If a storage facility is also trading sustainable material it has to be additionally certified as trader.

Trading and storing

All traders and storage facilities trading and/or storing sustainable materials must be covered by certification.

Certification options

Storage facilities have three options to be covered under ISCC certification:

- > Individual certification as 'warehouse' (i.e. storage facility)
- > Certification as part of a 'logistics centre' (i.e. group certification of storage facilities)
- > Covered as dependent storage facility in the framework of the certification of a third party (e.g. first gathering point, collecting point, processing unit, trader with storage)

In order to decide which certification option is suitable for a storage facility it should be considered if the storage facility will be available to third parties. When certified individually or as part of logistics centre a storage facility can store sustainable material from third parties without being considered for the sample audits in the framework of the certification of the third party (i.e. reduced audit effort for the storage location).

Storage available to third parties

Individual certification as warehouse covers all on-site storage facilities of the certified economic operator.

Individual warehouse

Certification as a logistics centre is an option for economic operators that operate and manage a group of storage facilities under a single legal entity at different geographical sites but with a corporate management system. The certificate of a logistic centre contains an annex that lists all storage facilities (with address) covered under the certificate.

Logistic Centre

Certification as a dependent storage facility is an option if certified third parties (e.g. first gathering points, collecting points or traders) use (own or rented) storage facilities but do not offer storage to third parties.

Dependent storage facility

Warehouses and logistic centres receive a certificate upon a successful audit. They are audited regarding their management system. Furthermore, the auditor must verify the physical inventory, information on incoming and outgoing materials and the related documentation (e.g. weighbridge tickets), the technical equipment (e.g. weighbridge, calibrations, etc.), and the data transfer between the operator of the storage facility and the owner of the sustainable material. If the warehouse or logistic centre is owner of sustainable material it also has to be certified as trader (see below for further information).

Audit scope

For the certification of a logistic centre a sample of all storage facilities used for sustainable material is audited (see chapter 3.5 for rules to calculate the sample). The same applies to the certification of storage facilities in the framework of the certification of a third party (e.g. first gathering point, collecting point, trader, processing unit). Here, a sample of all storage locations that are not individually certified as warehouse or as part of a logistic centre are subject to an audit. Logistic centres have to keep an up-to-date list of all storage facilities used for sustainable material (including trade name and complete address). Third parties using storage facilities have to keep a list of all storage facilities used for sustainable material (including trade name, address and valid certificate number if storage is covered by individual or logistic centre certification). In both cases the list has to be kept up-to-date and the certification body has to be informed about any changes to the list. During the period of validity of a certificate, additional storage facilities can be added. They will be included in the determination of the sample audits of storage facilities for the recertification audit.

Sample audits

Operators of storage facilities that are covered by an ISCC certificate must enable the auditor to verify compliance with the ISCC requirements and must grant access to all relevant premises.

Ensuring access

The requirements regarding traceability and chain of custody apply to every individual storage site. This means that site-specific mass balances have to be kept. The certified owner of the sustainable material, i.e. the certified party using a storage facility (own or rented) is responsible for keeping the site-specific mass balances. During the audit the auditor has to check the mass balance of each individual storage location. It is not sufficient to only check a sample of the site-specific mass balances.

Site-specific mass balances

The certified owner of the sustainable material is responsible for receiving and issuing the Sustainability Declarations of the sustainable material that is physically received or dispatched respectively at every individual storage location. The information on the place of receipt or place of dispatch as required on each Sustainability Declaration must clearly indicate the site of the storage location (address) where the sustainable material was physically received or dispatched respectively.

Reference to storage site on sustainability declaration

Traders buy and sell sustainable materials. All traders of sustainable material have to be covered under ISCC certification. Traders that use their own or rented storage facilities are certified under the scope 'trader with storage'. So-called paper traders, i.e. traders without physical contact to the sustainable material (i.e. no use of own or rented storage facilities) have to be certified under the scope 'trader'.

Trader with storage vs. paper trader

Any trade of sustainable material under ISCC always refers to a specific batch of sustainable material and a sustainability declaration is issued for each delivery of sustainable material which is linked to a specific amount of physical sustainable material (see chapter 3.3.1). The issuance and trading of sustainability declarations without the link to an equivalent amount of physical sustainable material is considered as book-and-claim and thus not allowed under ISCC.

Link to physical material required

A certified trader must be able to prove at which (certified) site the sustainable material is physically available. In the framework of an audit, the auditor must be able to verify the physical location of the material as well as where it will be (potentially) supplied to. On the Sustainability Declaration the information on the place of receipt or place of dispatch must clearly indicate the site of the storage location (i.e. the address) where the sustainable materials was physically received or dispatched respectively. All relevant documents regarding the transport of the material have to be available and presented to the auditor during the audit that are required to ensure the traceability of the material. Paper trader may forward the Sustainability Declaration as received from their supplier of the sustainable material.

Verification of physical location of material

Traders and traders with storage receive a certificate upon a successful audit. They are audited regarding their management system, traceability and chain of custody requirements. If a trader uses storage facilities that are individually certified or certified as part of a logistic centre, these storage facilities do not have to be included in the sample. Traders with storage have to keep site-specific mass balances for every individual storage location used. Although (paper) traders have no physical contact to the sustainable material they must provide evidence about the transactions of the sustainable material (e.g. contracts, Sustainability Declarations).

ISCC certificates are site specific which means that only the address of the audited operational unit can be stated on the certificate. For traders and traders with storage an exception is possible in the case that the legal address differs from the place where daily operations are conducted. In this case the audit is conducted at the place where actual operations are taking place. This address has to be stated in the audit procedure. On the certificate both the legal address of the trader and the place of the audit are stated.

Place of audit different from legal address

If waste/residues materials are traded and/or stored the requirement for a surveillance audit six months after the first (initial) certification applies. If both waste/residues and virgin materials are traded and stored an additional

Mandatory surveillance audits

surveillance audit has to be conducted three months after the initial certification (see chapter 3.4.10 for further information).

Additional Audit Requirements

In addition to the general requirements stated in chapter 3.3.3 the following information has to be provided:

- > List of all the storage facilities where sustainable material is stored, including names and addresses
- > If the storage facilities used are certified individually or as part of a logistics centre, the name of the certification system and the respective certificate numbers have to be included
- > Separate mass balances for every single storage facility, based on the documentation of the stock inventory as provided by the respective storage facility
- > Plant layout plan for the storage facility
- > Contracts between the storage facility and clients
- > Relevant technical equipment and infrastructure to determine the flow of incoming and outgoing material
- > Documentation of the data flows between the storage facility and client
- > Documentation of the periodical inventory of the incoming and outgoing material per contract/ client, including weighbridge protocols
- > Contractual agreement providing access for certification bodies if required

Additional Requirements for Sustainability Declarations

Sustainability Declarations for outgoing sustainable materials must contain the information stated in chapter 3.3.3. If certified traders (with or without storage) receive and deliver final biofuels, bioliquids or biomass fuels the following additional information regarding GHG emissions and savings has to be stated on the Sustainability Declaration. It is important to note that the information of GHG emissions and savings for final biofuels, bioliquids or biomass fuels are calculated and provided by the producer of the final product, including the GHG information for transport and distribution of the final product up to the final market/filling station. They must not be altered by any element of the supply chain after the final producer. Traders (with or without storage) can only include the GHG information for final products on sustainability declarations for outgoing products as they have been provided by the producer of the final product For further information on the GHG emissions see ISCC EU System Document 205 “Greenhouse Gas Emissions”.

*Specific
requirements for
final products*

- > GHG emissions of the biofuel, bioliquid or biomass fuel in g CO₂eq/MJ

- > The relevant fossil fuel comparator in g CO₂eq/MJ
- > GHG emission savings (in per cent) compared to the relevant fossil fuel
- > Start date of the operation of the biofuel, bioliquid or biomass fuel installation¹¹

In the case of biomethane that is traded via the gas grid, the producer feeding the biomethane into the grid issues a sustainability declaration to the recipient. If the recipient is a (paper) trader, i.e. not receiving the material physically, the trader can sell the respective batch of ISCC certified material and forward the respective sustainability declaration to the recipient, e.g. to the economic operator taking the biomethane (physically) out of the grid. The grid in this case is considered as transport and the transport of biomethane (e.g. via shippers) must be documented. It is not permitted for a (paper) trader to buy or sell a sustainability declaration for biomethane without the link to the respective amount of physical sustainable material.¹²

Specific requirements for the trade of biomethane

A trader of sustainable biomethane must sign a declaration to confirm that no multiple claiming of sustainability attributes that are assigned to specific batches of biomethane is taking place (see chapter 3.4.8 for further information).

Statement: No multiple claiming

3.4.8 Processing Units

Processing units are facilities that convert input materials by changing their physical and/or chemical properties. Processing units can be oil mills, sugar mills, refineries, biodiesel and ethanol plants, biogas and biomethane plants, liquefaction (LNG) plants, HVO plants and others. Collection points or storage facilities conducting a mechanical filtration or sedimentation (e.g. of used cooking oil to remove contaminants such as bones, cutlery, etc. or to reduce the water content of the used cooking oil) are not regarded as processing units. This applies, if both the raw material and the material after the mechanical treatment can be classified and declared with identical waste codes. Facilities that only blend biofuels, bioliquids or gaseous biofuels, such as ETBE or MTBE plants, are not regarded as processing units either. They are certified according to the audit requirements for storage facilities (see 3.4.7) with the exception that sampling and group certification is not possible for blending facilities

Changing physical or chemical properties

¹¹ The installation shall be considered to be in operation once the physical production of fuel, heat or cooling, or electricity has started (i.e. once the production of fuels including biofuels, biogas or bioliquids, or production of heat, cooling or electricity from biomass fuels has started)

¹² Guarantees of origin that may be used by national platforms for the trade of biomethane or documents issued according to Art. 19 of the RED II must not be considered for trading and forwarding of sustainability characteristics in the framework of the certification of voluntary schemes to verify compliance with the sustainability and greenhouse gas emissions savings criteria of the RED II. According to Art. 2(12) of the RED II "guarantee of origin" means an electronic document which has the sole function of providing evidence to a final customer that a given share or quantity of energy was produced from renewable sources"

All processing units must be certified individually. Group certification or sampling is not allowed for processing units. The audit covers the relevant requirements of their management system, traceability, chain of custody and greenhouse gas emissions.

*Individual
certification
required*

During the audit of a processing unit the auditor must especially verify the traceability and plausibility of the incoming and outgoing amounts of sustainable material as well as the conversion procedure applied within the processing unit. A part of the assessment of the conversion process is the determination of conversion factors, including a description of the relation between sustainable input and sustainable output. It is the responsibility of the processing unit to provide evidence to the auditor of which types of sustainable material are (or will be) received and processed at the respective unit. Evidence can include production reports from the previous year, delivery documentation, or contracts with suppliers. The respective materials handled as sustainable by the processing unit will be published on the ISCC certificate.

*Audit
requirements*

All materials that is processed on-site and sold/dispatched to recipients is covered under the scope processing unit. If a processing unit receives or buys sustainable material that is sold or dispatched without being processed at the processing unit, an additional certification as a trader is required.

*Scope specific
transactions*

Processing units can operate under a so-called tolling agreement, i.e. an agreement or contract between the processing unit and the owner of the material to process the material. A fee ("toll") is agreed between both parties for the processing. In such cases the processing unit has two options for certification. The first option is the certification of the processing unit under its own name, i.e. the processing unit is the certificate holder. The second option is the certification of the processing unit under the name of the feedstock owner. In this case the feedstock owner is the certificate holder. The certificate has to include the legal name of the feedstock owner, the address of the processing unit and the information that the processing unit is used by the certificate holder under a tolling agreement. Under this option, the processing unit is not permitted to handle sustainable material under its own name as it is not the holder of the certificate.

*Tolling
agreement*

Under both options, the respective certificate holder is responsible for the fulfilment of all relevant ISCC requirements, including GHG determination, mass balances, sustainability declarations and the reporting of sustainable volumes to ISCC. Under option 1 the processing unit is responsible for determining the GHG emissions, keeping the mass balance and issuing the sustainability declarations to the recipient. Under option 2 the feedstock owner is responsible for determining the GHG emissions, keeping the mass balance and issuing the sustainability declaration to the recipient. The Sustainability Declaration must indicate that the place of dispatch of the sustainable material is the site of the processing unit. For both options, the certificates are issued based on a successful audit of the processing unit. Under the second option some aspects of the audit (e.g. mass balance, sustainability declarations) can

*Responsibilities
and audit
requirements*

be audited where those operations are conducted (e.g. at the site of the feedstock owner).

If a processing unit processes waste/residues materials the requirement for a surveillance audit six months after the first (initial) certification applies (see chapter 3.4.10 for further information).

*Mandatory
surveillance
audit*

Audit requirements for Processing Units

The requirements as stated in Chapter 3.3.1 and 3.3.4 have to be fulfilled.

Additional Requirements for Sustainability Declarations for Processing Units

Sustainability Declarations for outgoing materials have to comply with the requirements as stated in Chapter 3.3.3. If the processing unit produces final biofuels, bioliquids or biomass fuels the following information has to be added to the Sustainability Declaration:

*Specific
requirements for
final products*

- > GHG emissions of the biofuel, bioliquid or biomass fuel in g CO₂eq/MJ
- > The relevant fossil fuel comparator in g CO₂eq/MJ
- > GHG emission savings (in per cent) compared to the relevant fossil fuel
- > Start date of the operation of the biofuel, bioliquid or biomass fuel installation¹³
- > e_u: Emissions from the fuel in use: emissions of non-CO₂ greenhouse gases (CH₄ and N₂O) need to be included for bioliquids and biomass fuels,
- > e_i: Emissions from carbon stock changes caused by land-use change: if the bonus for severely degraded land was applied (e_B= 29 g CO₂eq/MJ),
- > e_{sca}: Emissions savings from soil carbon accumulation via improved agricultural management: if the bonus for animal manure used as substrate is applied (-45 g CO₂eq/MJ manure (-54 kg CO₂eq/t fresh matter))

During the certification of a biogas plant, the weight, origin (address of the farm, point of origin), dry substance content and value of GHG emissions stated by the production site must be documented for the incoming biomass (substrates). If the biogas plant also acts as a first gathering point or collecting point, the self-declarations/self-assessments issued by farms/plantations or points of origin and the delivery contracts for biomass (substrates) must be kept as proof of the biomass.

*Specific
requirements for
biogas plants*

¹³ The installation shall be considered to be in operation once the physical production of fuel, heat or cooling, or electricity has started (i.e. once the production of fuels, including biofuels, biogas or bioliquids, or production of heat, cooling or electricity from biomass fuels has started)

The substrate quantities introduced into the biogas plant and/or the fermenter must be documented using an operations journal and/or work diary. The information on the origin of the substrate, the dry substance content as well as the assigned GHG value must also be documented in this operations journal. Recording must be carried out as exactly as possible. It must be verified at least once per month that the substrate quantities supplied correspond to those used in the fermenter of the biogas plant. Silage losses occurring during the storage of the substrate must be documented and explained.

*Documentation
of substrates*

Moreover, the yield of the entire plant must be documented in the operations diary. The yield must be measured at the biogas plant using standardised equipment.

*Documentation
of biogas yields*

Biomethane plants receive biogas and process the biogas into biomethane. Biomethane plants must measure their energy consumption and take into account the methane slip for the GHG calculation. To do so, it is sufficient to measure the actual methane slip, provide the manufacturer warranty or refer to scientifically accepted standard values. Plants that employ a procedure using pressure must retreat their exhaust air thermally.

*Specific
requirements for
biomethane
plants*

If the biomethane plant is at the same location as the biogas plant or landfill operation, the yield of the entire plant must be documented in an operations journal. The yield must be measured using standardised equipment or measured continuously by the biomethane plant. The quantity of biomethane gas produced and the substrate quantity used must be compared at least every three months. The energy content of the biomethane produced must be calculated based on the non-condensing heating value.

*Documentation
of biomethane
yields*

As the final processing unit, the biomethane plant must issue a sustainability declaration to authorities for the biomethane fed into the natural gas grid. In the field of biomethane production, the “immediate” transmission of the sustainability declaration to the competent authority is not always possible, since the settlement between the commercial partners is carried out using the energy content of the biomethane (in kWh) and not in m³ or kg. The energy content cannot be transmitted “immediately” since it is determined analytically and is generally only available a few weeks after the end of the month. Thus, the sustainability declarations should be issued at this point in time. The amounts declared on the sustainability declarations must match the amounts fed into and taken out of the gas grid (as verified by the competent authorities).

*Reporting to
authorities*

All elements of the supply chain that produce, trade, consume or further process (e.g. liquifies) biomethane must sign a declaration to confirm that no multiple claiming of sustainability attributes that are assigned to specific batches of biomethane is taking place. Sustainability attributes refer to any sustainability characteristic¹⁴ of a given batch of biomethane and any statements such as “sustainable”, “certified”, “biobased”, “renewable” or

*Statement: No
multiple claiming*

¹⁴ See chapter 4.2

“emission saving” that are related to that batch. To avoid any multiple claiming (also referred to as multiple accounting, see chapter 4.2), the sustainability attributes cannot be separated from the batch of biomethane and cannot be transferred, sold or otherwise used (e.g. in the framework of a national biogas register) to satisfy further obligations or commitments or to benefit from more than one renewable incentive scheme. A template of this statement is available on the ISCC website and during the audit the auditor has to verify if a signed statement is in place.

Regarding the transport of the biomethane via the transmission and distribution infrastructure (i.e. gas grid), the following requirements must be taken into account for the certification of biomethane plants.

*Transport in the
gas grid*

Renewable gases can be mixed in the transmission and distribution infrastructure (gas grid), provided that the infrastructure is interconnected. This means the natural gas grid can be used for the transport of biomethane. Transport is not subject to certification under ISCC, as the grid is considered a transport entity. However, it must be possible to determine and verify the quantity and quality of the biomethane fed into and taken out of the grid. For that purpose, the economic operator feeding the biomethane into the grid and the economic operator taking the biomethane out of the grid must be physically interconnected via the grid. Both economic operators must be certified. If within a country the competent authority organises the national or regional physical transport of biogas/biomethane or, in cases where this is not possible due to missing infrastructure, operates an accounting system for biogas/ biomethane for gas grids that are not physically interconnected, the relevant gas grids can be considered as equivalent to one transport entity. This means the economic operator feeding biomethane into one regional/national grid and the economic operator taking out biomethane from another regional/national grid can be considered as physically interconnected via the grid.

*Requirements
for gas grids*

The quantity of biomethane fed into and taken out of the grid must be recorded and documented by the economic operator that inject and withdraw the biomethane respectively. They have to state the properties of the biomethane (units: m³ or kWh). At the end of the respective mass balancing period, the quantity of biomethane taken out of the natural gas grid shall not exceed the quantity of biomethane fed into the grid. The quantities which are fed into and taken out of the gas grid must be monitored and verified by the competent national or public authorities (e.g. main customs offices). Documents issued by the respective authority providing evidence that the quantities have been monitored and verified must be made available to the auditor. The mass balancing period shall not exceed three months.

*Biomethane
injection and
extraction*

Chemically, biomethane and Bio-LNG (Liquefied Natural Gas) are the same molecule. However, biomethane is in a gaseous state of matter whereas bio-LNG is in a liquid state. The conversion of biomethane to Bio-LNG is done at a liquefaction plant (often referred to as LNG plant). The liquefaction plant has

Bio-LNG plant

to be certified as processing unit and the respective GHG emissions of the liquefaction have to be taken into account. In the mass balance, biomethane and Bio-LNG also have to be kept separately.

A Bio-LNG terminal receives Bio-LNG via ship. The terminal fulfills the technical requirements for discharging the liquified gas from the ship and storing it in on-site tanks. In addition, the LNG terminal is connected to the gas grid and fulfills the technical requirements for injecting and extracting biomethane from the grid and for storing the gas in on-site tanks. The terminal also fulfills the technical requirements for transferring the material from a liquid into a gaseous state and for injecting the gas on-site as biomethane into the natural gas grid.

*Bio-LNG
terminal*

3.4.9 Transport

Transport includes all modes of transportation such as road, rail, air, river or sea transport. The natural gas and electric power grids are also considered transport entities and can be used for the transportation of biomethane and renewable energy respectively. Transport is not subject to certification according to this standard. All relevant information regarding the transport of sustainable material (e.g. delivery documents, means and distance of transport, information of greenhouse gas emissions) are covered by the requirements for audits and Sustainability Declarations for the elements of the supply chain that arrange transportation of the sustainable material (see Chapters 3.4.1 – 3.4.8).

*Requirements
for transport*

In the case of transportation via ship the delivering companies or operational units have to provide, in addition to a “Bill of Lading”, a document issued by an independent inspector which confirms the quantity of sustainable product transferred from the supplier as well as the details of the ship and ship compartment or hold the material was loaded. Similarly, the dispatch of the sustainable product has to be documented. It must be assured that transport documents can be related to the identity number of the purchasing contract for the sustainable product.

Documentation

3.4.10 Mandatory Surveillance Audits

Mandatory surveillance audits have to be conducted by the certification body six months after the first (initial) certification of any economic operator in a high-risk supply chain. A high risk applies to economic operators that are collecting, processing, storing or trading materials, which may be eligible for extra incentives in individual EU Member States (e.g. double-counting), such as waste and residues or waste and residue-based products.¹⁵

*High-risk supply
chains*

¹⁵ This requirement applies to new system users who aim to become certified for the first time. System Users that are already certified and want to become recertified will not be subject to the above surveillance audits.

For collecting points and traders that are dealing with both waste and residues (e.g. used cooking oil or animal fat) and with virgin vegetable oils (e.g. palm oil, rapeseed oil), a surveillance audit shall be conducted three months after the first (initial) certification (covering the first mass balance period). This surveillance audit shall be conducted in addition to the surveillance audit that has to take place six months after the first certification and shall follow the same risk-based approach. This additional surveillance audit three months after the first certification may be conducted remotely if a risk assessment for the individual system user by the certification body has demonstrated a regular risk. If the risk assessment has shown a risk higher than regular, the surveillance audit shall be conducted on-site.

*Additional audits
for collecting
points and
traders*

A recertification after a certification gap is not considered a initial certification. In such cases additional surveillance audits are not necessary. If there has been a certification gap, the auditor must verify the economic operator's compliance with ISCC requirement during the previous certification period.

Certification gap

The economic operator is obliged to inform the certification body which materials will be handled as sustainable under ISCC. Should a newly certified economic operator, contrary to expectations, deal with both waste and residues and with virgin vegetable oils the certification body has to be informed immediately so that the surveillance audits can be planned accordingly. The surveillance audits should be conducted in a timely manner, i.e. the aim should be to conduct the surveillance audits approximately in the 7th month after the initial certification (or the 4th month in case of the additional surveillance audit for collecting points and traders dealing with both waste/residues and virgin materials). If an economic operator refuses to participate in a surveillance audit this is regarded as critical non-conformity and would lead to a withdrawal of the certificate through the certification body.

*Prompt
conduction*

The surveillance audits should mainly focus on traceability requirements, e.g. the verification of delivery documents and mass balances. The surveillance audit does not need to be a full additional audit, including the verification of management criteria or, in case of a collecting point, the verification of the sample of points of origins or sample audits of points of origins, dependent collecting points or external storage facilities. The risk factor determined by the auditor in the previous certification audit shall be applied during the surveillance audit. The surveillance audit must be planned in such a way that a completed mass balance period can be verified. It is not possible for economic operators to bypass the requirement for surveillance audits by seeking an earlier recertification (e.g. three or six months after the initial certification).

*Scope of
surveillance
audits*

3.5 Requirements for Group Certification

"Group certification is a practice of organising individual producers into structured groups and shifting responsibility in part from an external audit to

internal inspections”.¹⁶ 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.

Group certification is based on the concept that a significant proportion 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. An individual audit of each single producer of raw material would often impose disproportionate financial costs and effort on the entity and the general certification process. By joining a group, biomass producers can reduce the effort and costs of certification considerably. This approach is particularly important 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, points of origin for waste and processing residues, and storage or logistic facilities.

*Internal and
external auditors*

3.5.1 General Requirements

The certification as a group is only possible for homogenous entities, i.e. if the following criteria are met:

*Homogenous
groups*

- > The members are located in geographic proximity (e.g. in the same administrative region)
- > 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.

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 entities and cannot be part of the group certification. It is possible to cover different groups under one head office if the group members within each group are homogenous as described above. Furthermore, for each group the sampling approach as described below has to be applied separately. ISCC may specify materials and/or elements of the supply chain (e.g. points of origins) for which sampling cannot be applied.

*Covering
different groups*

Group certification for farms and plantations, to demonstrate compliance with the land-related sustainability criteria specified in ISCC EU System Documents 202-1 and 202-2, is only acceptable when the areas concerned are near each other (e.g. within the same administrative region) and have

*Farms and
plantations*

¹⁶ ISEAL Alliance, 2008: Common Requirements for the Certification of Producer Groups P035 Version 1

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 EU System Document 205 “Greenhouse Gas Emissions”. 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.

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

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 cases, in which a certified economic operator 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 only act on behalf of their client. Therefore, it is the responsibility of the certified economic operator renting the storage facility to ensure that all relevant ISCC requirements are complied with.

Logistic network

3.5.2 Management Requirements

A group is represented by a head office responsible for the management of the group, i.e. central office, first gathering point, collecting point or logistic centre. The head office as group manager 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:

Role of group manager

- > To set up a procedure to take in and register new group members
- > To inform 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 of 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

The following responsibilities apply for group members:

*Responsibilities
of group
members*

- > 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, sales and 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.

3.5.3 Documentations and Records

The processes required by the ISCC standard must be documented by the head office and records 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 group members
- > Records of (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

*Documentation
of processes and
responsibilities*

- > Review of the audit results by the group's head office.

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 appropriate remote sensing tools.

*Management
and mapping
methods*

3.5.4 Internal Audit System and Review

The group manager must introduce an internal audit system which monitors the performance of the group management and monitors compliance with the ISCC standard. The internal audits should ensure individual group members' compliance with the certification criteria of the ISCC system and are an important part of the risk management of the group manager. 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 the following information:

*Internal audit of
group members*

- > Internal auditor(s) in charge
- > Participants
- > Time frame
- > Audit emphasis
- > 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 internal auditors should continue on a regular basis, with a particular focus on relevant risk factors identified for the group.

*Qualification of
internal auditors*

The internal auditor must document the 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 manager 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

3.5.5 External Audit

External audits of the group must take place on an annual basis (i.e. at least every 12 months). The group's head office is always subject to an audit. 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

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:

Calculation formula

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

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}) or 10% of the total number of group members (n) whichever number is higher

Minimum sample size

The minimum sample size must be multiplied by the risk factor (r) determined by the auditor during the risk assessment:

Regular risk: $r = 1$

Medium risk: $r = 1.5$

High risk: $r = 2$

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.

If 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, points of origin or storage facilities that are certified individually or as part of a certified group under a (different) central office, or

Certified entities

logistic centre, may not be considered for the total number of individual group members (n).

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 system¹⁷.

For farms and plantations which are participating in group certification 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. This is irrespective of the amount (if any) of material supplied as sustainable by the farm/plantation in the previous certification period.

*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). For points of origin the risk of non-compliance and fraud mainly depends on the amount of waste or processing residues generated. Thus, the total number of group members (n) is composed of the number of producers that generate a relevant amount of waste and residues (see chapter 3.4.5) and which have signed the self-declaration during the twelve months prior to the audit. This is irrespective of the amount (if any) of material supplied as sustainable by the point of origin in the previous certification period.

Points of origin

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

*Dependent
storage facilities*

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 so that the whole group is represented 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:

*Selecting group
members for
audit*

- > 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.

¹⁷ Art. 74(2) of Regulation (EU) No. 1306/2013 on the financing, management and monitoring of the common agricultural policy

At least 25% of the selected group members should be chosen randomly. For the risk-based selection, the auditor should preferentially select group members where there are indications 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).

Random and risk-based selection

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, auditors should aim for selecting samples in a way to ensure that all group members are equally covered, generally within a timeframe of five years.

New group members in subsequent audits

The following factors bear specific relevance for group certification and must be considered by the auditor¹⁸:

Factors for sample selection

- 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

¹⁸ 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)

> Staff turnover

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

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. It is generally expected that 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 remote audits (see ISCC EU System Document 201 “System Basics”). In the case that the external auditor detects that one or more group members from the sample are non-compliant with 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. The group members from the initial sample that have passed the audit successfully can be counted towards the increased sample. In particular cases, in which System Users have applied the highest levels of assurance (e.g. by using appropriate risk mitigation tools) 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 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 and found to be non-compliant must be excluded from the group and from the certification under ISCC. Group members that have been 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 ISCC by the certification body.

*Consequences
of non-
compliance*

*Reporting to
ISCC*

4 Requirements for Chain of Custody

4.1 Chain of Custody Methods

According to the RED II economic operators shall show that the sustainability and greenhouse gas emissions saving criteria of the RED II have been fulfilled. The traceability and evidence of the sustainability characteristics of materials are achieved through the application of the traceability measures as described in Chapter 3 and the application of an eligible chain of custody method. This also ensures that the sustainability characteristics remain assigned to batches of material, and that the amount of material withdrawn at any stage of the supply chain does not exceed the amount supplied. The term

*Assigning
sustainability
characteristics*

'batch' describes a specific amount of material with the same sustainability characteristics.

The following Chapters provide a detailed description of the methodologies for the two chain of custody options that can be applied according to this standard to fulfil the requirements of the RED II: physical segregation and mass balance.

Physical segregation is the strictest method and means that materials with different properties are kept physically separated from each other on their journey through the supply chain. Two types of physical segregation are possible:

- > Identity preservation or Hard IP: the physical mix of non-sustainable and sustainable material is not allowed. Furthermore, sustainable materials with different sustainability characteristics (e.g. origin of raw material, GHG emissions etc.) must be kept physically separate throughout the supply chain
- > Bulk commodity or Soft IP: the physical mix of non-sustainable and sustainable material is not allowed. The physical mix of sustainable materials with differing sustainability characteristics is allowed throughout the supply chain.

Mass balance allows the physical mix of sustainable materials with different sustainability and GHG emissions saving characteristics (in the following referred to as sustainability characteristics) and non-sustainable materials. The information about the sustainability characteristics and the size of the batches with differing sustainability and GHG emissions saving characteristics has to remain assigned to the mixture. The mass balance also allows batches of raw material with differing energy content to be mixed for the purpose of further processing, given that the size of the batches is adjusted according to their energy content. The exact amounts and sustainability characteristics of sustainable material that leaves any element along the supply chain must be documented and must never exceed the amount of sustainable material that enters the respective element. According to Art. 30 (1) of the RED II economic operators shall use a mass balance system.

A third chain of custody option known as book-and-claim is not allowed under the RED II. With book-and-claim the traceability at any stage of the supply chain is not given, and no link between the sustainability characteristics and the actual material flow can be provided.

Inventory (or stock) is the physical amount of sustainable and non-sustainable material that is kept on-site by the economic operator in storage facilities. The inventory is measured or metered. It is the basis for calculating a mass balance, for determining credits at the end of a mass balance period and for verifying the plausibility of amounts of sustainable and non-sustainable material.

*Physical
segregation*

Mass balance

Book and claim

Inventory

4.2 General Requirements

The following sustainability characteristics have to be distinguished in the quantity bookkeeping (see also chapter 3.3.3):

- > Type of raw material (for example, rapeseed, soybean, UCO)
- > Country of origin of the raw material
- > Information on GHG emissions
- > Scope of raw material certification (i.e. if raw material was certified according to the sustainability criteria of the RED II or meets the waste/residue definition of the RED II)
- > Claim “ISCC Compliant” or “EU RED Compliant” (if applicable)
- > For biogas supply chains: Statement if for the production of the biogas incentives/subsidies were received and if yes, type of the support scheme

Relevant sustainability characteristics

When batches with different sustainability characteristics are physically mixed, the respective sizes and sustainability characteristics of each batch remain assigned to the batches in the quantity bookkeeping. This means, for example, if batches with different GHG emissions figures are physically mixed, the batches have to be kept separate in the quantity bookkeeping. Creating an average of the GHG emissions of different batches is not allowed. If batches with the same sustainability characteristics are physically mixed, the size of the batches can be summarised accordingly in the quantity bookkeeping. Sustainability characteristics are likely to be the same, for example, for batches of the same kind of raw material from the same country of origin and if the GHG emissions option ‘default values’ is used for both. If materials are processed or losses of material occur due to internal company processes, the appropriate conversion factors shall be used to adjust the size of batches accordingly.

Batches with different GHG emissions

If a mixture is split up, a set of sustainability characteristics can be assigned to any batch that is taken out. The sum of all batches withdrawn from the mixture must have the same sustainability characteristics in equal quantities, as the sum of all the batches added to the mixture.

Split up of mixture

The certified party must split the quantity bookkeeping for all materials with different sets of sustainability characteristics even if the chain of custody method allows for the physical mixing of material. The bookkeeping must be separated according to:

Separate book-keeping

- > Different types of input materials (e.g. crude oil, refined oil, biodiesel, HVO, etc.)
- > Different sustainability characteristics (e.g. type of raw material, country of origin of the raw material, GHG emissions, etc.)

- > If more than one chain of custody option is applied at the site, separate quantity bookkeeping has to be kept for each chain of custody option

Within the quantity bookkeeping, batches of input material can be merged if they have the same sustainability characteristics and are handled under the same chain of custody option. Batches of input materials cannot be merged within the bookkeeping if they have different sustainability characteristics or none at all or are handled under different chain of custody options.

Deviations between the amount of material physically in stock and the material documented in the quantity bookkeeping may occur. This can be the case, for example, if the amount of sustainable material as stated on a sustainability declaration is higher or smaller than the amount shown on the weighbridge for the actual received material. If during an audit a deviation of up to 0.5% is detected between the material physically in stock and the material in stock according to the quantity bookkeeping this can be accepted without further explanation. Any deviations larger than 0.5% have to be documented appropriately and verified during the audit. For the quantity bookkeeping the actual quantities should be used e.g. quantities that can be proven by weighbridge protocols or other such means. In case of incorrect information on incoming sustainability declarations the issuing party should be contacted (see also chapter 3.3.2).

*Deviations
between
physical and
documented
stock*

The sustainability characteristics of a specific amount of sustainable material can only be used once and for one application only (e.g. as sustainable fuel under the RED II). So-called “multiple accounting” is not allowed under ISCC. Multiple accounting is a serious violation of ISCC requirements. The risk for multiple accounting increases if a company is simultaneously certified under more than one certification scheme.

*No multiple
accounting
allowed*

The multiple accounting of individual sustainability characteristics, such as the GHG savings, is also prohibited. Example: If a company has installed methane capture devices which result in higher GHG savings of their output, these GHG savings may be accounted for under the framework of ISCC EU (i.e. issuing a Sustainability Declaration). In this scenario the company would not be allowed to use the GHG savings in the framework of other systems or regimes as well (e.g. clean development mechanism, CDM). Accounting of GHG savings related to one batch of material under ISCC and once again under another scheme or regime must not take place.

*No multiple
accounting of
GHG savings*

To minimise the risk of multiple accounting an eligible and high-level member of staff of the economic operator issuing the sustainability declarations has to sign a statement/declaration confirming the awareness that multiple accounting is not allowed.

*Awareness of
multiple
accounting risk*

In order to ensure that no multiple accounting takes place the auditor must verify during the audit whether a company is certified under more than one certification scheme by verifying audit reports, mass balances and other documentation of the schemes used. The economic operators have to declare

*Verification of
documents for all
schemes*

the names of all schemes they participate in and have to provide the auditor with all relevant information and documentation on the schemes used (see also ISCC EU System Document 201 “System Basics”)

Each economic operator has to operate an information system which is able to keep track of the amounts of sustainable material sourced and sold. This could include, inter alia, a digital database, documentation with unique reference numbers for batches or similar.

Information system

The quantity bookkeeping and physical mixture of sustainable material is limited to certain periodical and spatial boundaries.

Periodical boundaries define the timeframe in which the input and output of materials with specific sustainability characteristics must be balanced. The maximum timeframe (period) is three months (see chapter 4.4.2 for further information). Appropriate arrangements are necessary to ensure that the balance is respected.

Periodical boundaries

The spatial boundary defines the location (spatial entity) for which the chain of custody requirements have to be applied. Mass balances, as well as both segregation methods are at least site specific. This means that they have to refer to one geographical location with precise boundaries (site of operation) within which materials can be mixed, for example in a container, processing or logistical facility. A mass balance system can also be operated for a transmission and distribution infrastructure (e.g. gas grid)). If more than one legal entity operates at one location each legal entity is required to operate its own quantity bookkeeping (e.g. mass balance).

Spatial boundaries

The transfer of sustainability characteristics from biogenic to fossil material is not possible even if they have the same chemical composition. If biogenic and fossil material are mixed in a joint conversion process (co-processed) or are stored jointly in the same physical compartment (i.e. one individual tank or a pipeline) then the equivalent to the amount of the biogenic input can be claimed as sustainable. The same applies for biogenic materials having different physical phases or states as these states are determined by different energy levels. Sustainability characteristics can therefore only be transferred if these biogenic materials with different states are stored in the same physical compartment or are jointly processed. For example, the transfer of the sustainability characteristics from biomethane to bio-LNG is only possible if the respective quantities share the same physical storage facility or pipeline or are jointly processed. If sustainability characteristics were transferred from one material to another the CB has to verify during the audit that this was not applied to materials with different energy states which were not co-processed or physically stored in the same physical compartment.

Transfer of sustainability characteristics

4.2.1 Conversion Factors

Conversion factors are applied to determine the output of a specific product based on the amount of a specific input material that entered a processing

Changes in quantities

step. A conversion factor thus describes the change in quantity of a specific material due to processing. Conversion factors have to be calculated on a site-specific and product specific basis. They have to be based on actual data (e.g. processing or production data). Conversion factors have to be provided by all the elements in the chain of custody where changes in quantities occur. They must be clearly documented and are subject to verification during the audit. For mass balance calculations the conversion factor must reflect the production during the respective mass balance period. For GHG calculations the yearly average of the conversion factor may be applied.

The conversion factor of a specific product for a certain period is calculated as follows:

$$C (\%) = A_o/A_i * 100$$

C: Conversion factor

A_o: Amount of **output** yielded by the internal process based on input A_i

A_i: Amount of the process **input material**

The allocation of sustainability and GHG emission savings characteristics to outgoing batches is limited by the conversion factor relevant for the supply route of the sustainable fuel. The characteristics have to be adjusted and assigned to batches of processed material depending on the number of outputs intended for the production of the sustainable fuel (i.e. biofuels, bioliquids or biomass fuels, renewable liquid and gaseous transport fuels of non-biological origin or recycled carbon fuels).

Adjustment of sustainability characteristics

If the processing of a material yields only one output intended for the production of any of the aforementioned fuels, the size of the batch of the output and the related sustainability and GHG emissions saving characteristics have to be adjusted by applying the respective conversion factor.

Process with one output

If the processing of a material yields more than one output intended for the fuel production, a separate conversion factor has to be applied for each output. Furthermore, a separate mass balance has to be kept for each output.

Process with multiple outputs

4.3 Physical Segregation

4.3.1 General Requirements

Physical segregation is the chain of custody method under which sustainable and non-sustainable material is kept physically separated.

Two levels of physical segregation can be applied: the segregation of sustainable from non-sustainable material (Bulk Commodity or Soft IP) or the segregation of all batches of sustainable material with different sustainability characteristics (Identity Preserved or Hard IP).

Hard and Soft IP

Under physical segregation, it must be possible to identify batches of material throughout the entire production and distribution process.

Physical segregation can be achieved by:

- 1 Setting up parallel processes for production, storage and transport
- 2 Setting up sequential (periodical) processes at the site of production, storage or transport

4.3.2 Identity Preserved or Hard IP

Under Hard IP sustainable batches of material can be physically identified throughout the entire production and distribution process. The physical separation applies to sustainable material from different types of raw materials and with different other sustainability characteristics.

Since the mixing of sustainable material with different characteristics is not allowed, the identity of the material between the quantity bookkeeping and the physical product is preserved. The Hard IP option can only be applied if the input material was also physically segregated under Hard IP throughout the whole upstream supply chain.

The quantity bookkeeping of the batches is always identical to the physical status (also see Figure 3 (for simplification a conversion factor of one ($C=1$) is applied), i.e. batches 123, 124 and 125 are segregated physically and in the bookkeeping.

Hard IP can be applied if batches 123 and 124 differ in terms of at least one of the sustainability characteristics.

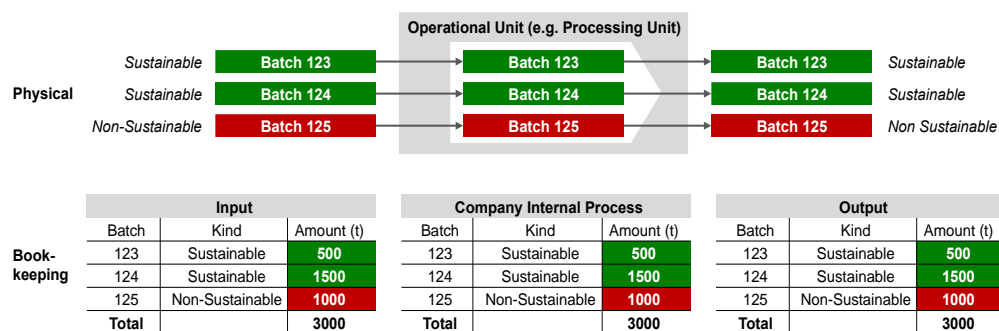


Figure 3: Physical Segregation of all Batches ($CF=1$)

Figure 4 illustrates that the sustainability characteristics of the incoming batches are the same apart from the country of origin of the raw material. For incoming batch 123 the country of origin is Canada while for batch 124 the country of origin of the raw material is the USA. This means that batch 123 and 124 can neither be merged physically nor in the bookkeeping. The different countries of origin are both stated on the incoming and outgoing Sustainability Declarations, and thus the sustainability characteristics as

*Physical
segregation of all
batches*

*Identity
preserved*

stated in the bookkeeping matches with the characteristics of the physical batches.

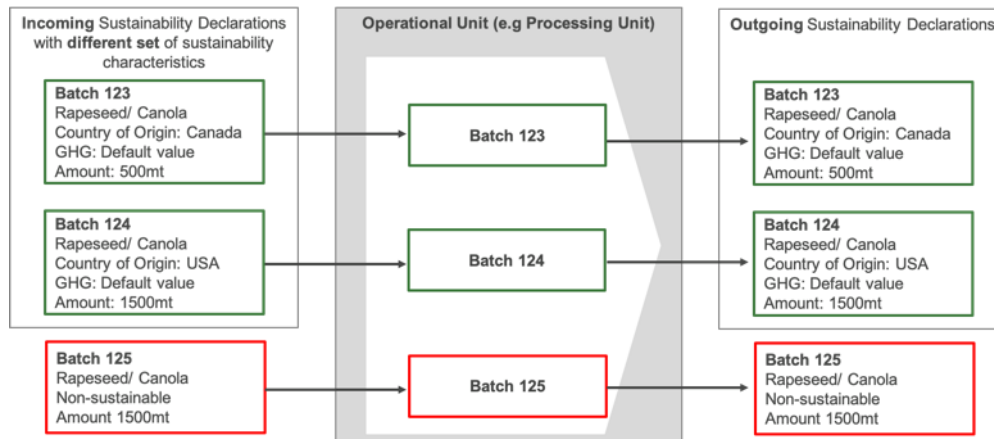


Figure 4: Assigning Sustainability Characteristics to outgoing Batches via Sustainability Declarations (CF=1)

With respect to the balance of the system, at no point in time can more material with specific sustainability characteristics be withdrawn than the equivalent material that has been added, e.g. the outgoing batch 123 shall not exceed 500 tons. The outgoing batches can be split into sub-batches with different quantities as long as the sum of all sub-batches does not exceed the total quantity (e.g. outgoing batch 123 could be split into 3 sub-batches of 100, 150 and 250 tons with the same sustainability characteristics, in the case of the conversion factor being 1).

4.3.3 Bulk Commodity or Soft IP

The Soft IP option requires the physical separation of the sustainable material and non-sustainable material. Batches of sustainable material can be physically mixed even if sustainability characteristics are different (see Figure 5). The Soft IP option can only be applied if the input material was also treated as Soft IP or Hard IP throughout the whole upstream supply chain.

Sustainable material can be mixed

In the quantity bookkeeping, sustainable batches with different sustainability characteristics have to be kept separated. Only batches with similar sustainability characteristics can be merged in the bookkeeping.

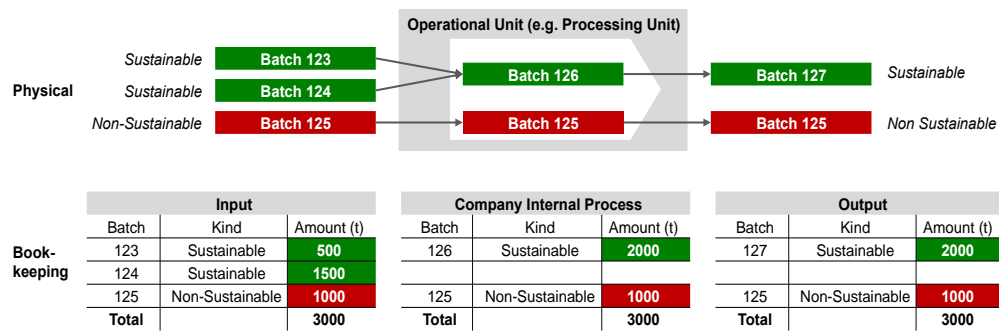


Figure 5: Physical Segregation of Sustainable and Non-Sustainable Batches (CF=1)

If batches 123 and 124 have different sustainability characteristics, e.g. country of origin of the raw material, the Sustainability Declarations of the outgoing batches 127 and 128 have to contain the same sustainability characteristics as the incoming sustainability characteristics of batches 123 and 124 and cannot exceed the quantity of 500 tons or respectively 1500 tons, assumed that the conversion factor being 1 (Figure 6).

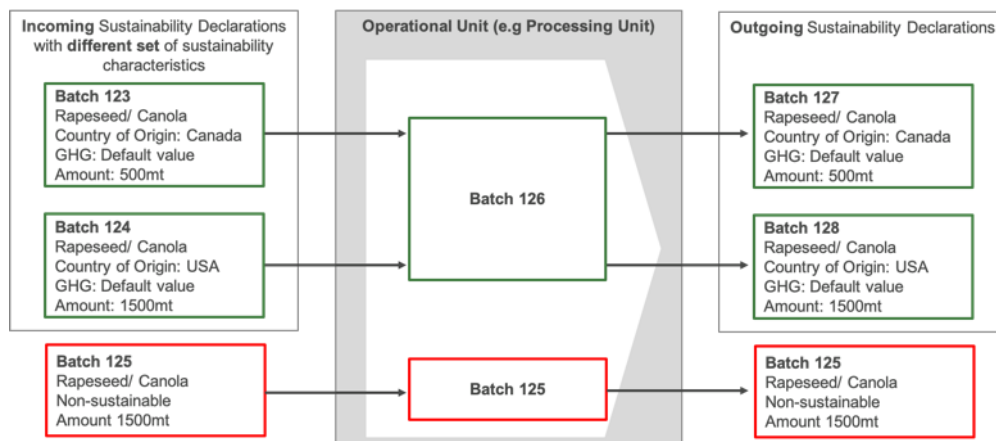


Figure 6: Assigning Sustainability Characteristics to Outgoing Batches via Sustainability Declarations (CF=1)

In the bookkeeping and on outgoing Sustainability Declarations sustainable batches with different GHG values cannot be aggregated. If two or more incoming batches have different GHG values, the highest GHG emission value may be used consistently in the bookkeeping for all incoming batches if the other sustainability characteristics are identical (see Figure 6). If the actual value of batch 124 is lower than the default value of batch 123, the default value of batch 123 may be used consistently in the bookkeeping for all incoming and outgoing batches, as the other sustainability characteristics are the same.

If a physical mixture of sustainable material is split up, the sustainability characteristics from the bookkeeping can be assigned to any physical batch of sustainable material. Batches of output material can be split up into sub-batches as long as the total quantity of the sub-batches with the respective

*No aggregation
of different GHG
values*

sustainability characteristics does not exceed the total quantity of the sustainable material.

With respect to the balance of the system at no point in time can more material with specific sustainable characteristics be withdrawn than the equivalent material has been added (e.g. the outgoing batch 127 in Figure 6 shall not exceed 500 tons, (assuming a conversion factor of 1).

4.4 Mass Balance

4.4.1 General Requirements

The mass balance system is the chain of custody option under which the sustainability characteristics (e.g. type of raw material, country of origin of the raw material, GHG value etc.) remain assigned to batches of material on a bookkeeping basis while the physical mixing of material with different sustainability characteristics and the mixing of sustainable and non-sustainable material is allowed. A mass balance always refers to the physical inputs, outputs and inventory/stock (sustainable and non-sustainable) of a specific product. The allocation of sustainability characteristics to outgoing batches is limited by the conversion factor relevant for the supply route related to the sustainable fuel (see also 4.2.1).

Mass balance

Due to the physical mixing, the mixture loses its individual properties. The sustainability and GHG emissions saving characteristics of materials can therefore only be determined via the bookkeeping. This requires the calculation of mass balances and the verification of the mass balance calculation with respect to the chosen period for balancing. The mass balance has to contain information concerning all the sustainability and GHG emissions saving characteristics and the sizes of the batches with the different sustainability characteristics that are mixed. The information has to remain assigned to the mixture. The sum of all batches that are withdrawn from the mixture has to have the same sustainability characteristics in the same quantities as the sum of all the batches that were added to the mixture. This balance has to be achieved over an appropriate period of time.

*Information
remain assigned
to mixture*

To reduce the administrative burden for economic operators, it is possible to apply the mass balance approach (e.g. mixing of materials) to different types of raw materials and fuels provided they belong to the same product group (i.e. they have the similar physical or chemical characteristics, heating values and/or conversion factors). The mass balance system allows the mixing of batches of raw material with differing energy content if they are mixed for further processing, e.g. in a co-digestion plant, and if the size of the batches is adjusted according to their energy content.

*Material with
differing energy
content*

Although the application of the mass balance system allows the mixing of different types of raw materials and fuels it must be ensured that the targets

*RED II targets to
be achieved*

for renewable energy that are laid down in the RED II¹⁹ are correctly applied and cannot be circumvented. This is done, for example, by the correct allocation of sustainability characteristics to outgoing batches of materials. (see chapter 4.4.3 for further information).

Mass balances must be strictly kept site-specific, i.e. they shall at least be operated at the level of a geographical location with precise boundaries within which the materials can be mixed. This also applies to external storage facilities used or storage facilities certified as part of a logistics network, for example. In these cases, separate mass balances for each storage site have to be kept (see also chapter 3.5). Multi-site mass balancing does not comply with the requirements of the RED II. If more than one legal entity is operating at one site, each legal entity is required to operate its own mass balances.

Site-specific

Sustainable material can only be included in a mass balance if it is physically received at the site of the economic operator covered by certification, i.e. a physical link between the mass balance and the material is required. It is not possible to add sustainable material to a mass balance without the physical intake of the material at the site for which the mass balance is kept (e.g. no “jetty kissing” allowed).

*Physical link
required*

Mass balances have to be kept material-specific indicating the respective raw material.

Material-specific

If an economic operator is certified under multiple scopes (e.g. oil mill, refinery, biodiesel plant, trader) the mass balance should be specific to the certified scopes. This means the economic operator must be able to demonstrate which transactions have been made under each scope by indicating the input and output of each scope separately (e.g. what material was received, processed and sold under the scope “oil mill” and what material was bought and sold under the scope “trader”). The amounts processed in different processing steps (e.g. processing crude oil into refined oil or processing refined oil into biodiesel) should be covered in separate mass balances unless it is ensured that the entire input is processed into the same output (e.g. all crude oil will be processed into biodiesel). A certified processing unit must be able to demonstrate the types and amounts of material that are physically processed in the certified unit. Exact descriptions of incoming and outgoing materials per certified scope are essential. If a processing unit buys and sells sustainable material but does not physically process the material, this transaction must be covered under the certification scope trader (if necessary, the processing unit has to extend the certificate to include the trader scope). This means for instance, that a certified biodiesel plant receiving final biodiesel from external suppliers cannot (falsely) claim that the biodiesel was produced by said certified biodiesel plant, and that certified biodiesel plant cannot issue a Sustainability Declaration for the biodiesel based on the sustainability characteristics of the certified biodiesel plant (e.g. individually calculated GHG

Scope-specific

¹⁹ Those targets are laid down in Art. 26 and Art. 27 of the RED II

emission savings). For each mass balance the complete documentation has to be available for verification during the audit.

The mass balance approach can also be applied to gas transmission and distribution infrastructure (i.e. gas grid). Renewable gases, such as biomethane can be mixed in the gas grid if the infrastructure is interconnected, i.e. if the economic operator feeding the renewable gas into the grid and the economic operator taking the gas out of the grid are physically interconnected through the grid. Both economic operators have to document the injection and withdrawal respectively, and both must be certified under ISCC.

*Mass balance for
the gas grid
possible*

The economic operator has to submit all mass balances to the certification body conducting the audit prior to the audit. This applies to all mass balances relevant for the certification of the economic operator, i.e. every site (external storage facility or dependent collecting point) covered by the certificate. The audit cannot be started if the mass balances are not provided to the auditor within an appropriate time prior to the audit (i.e. the auditor should have a reasonable amount of time to be able to get a detailed understanding of the mass balance). In case of an initial (first) audit the economic operator has to set up a mass balance system which is checked by the auditor during the audit. See chapter 4.4.5 for a detailed overview of the requirements for mass balance audits.

*Mass balance
available to
auditor prior to
audit*

If a company is operating mass balances under different certification schemes the auditor has to be able to access all mass balances for all certification schemes that the company is using.

*Access to all
mass balances*

4.4.2 Mass Balance Period and Credit Transfer

For the mass balance calculation, a timeframe must be defined by the end of which the total mass of incoming and outgoing batches with corresponding sustainability characteristics has to be balanced. According to the RED II this balance has to be achieved over an appropriate period of time. The maximum timeframe (period) for a mass balance calculation is three months. There is an exception for producers of agricultural biomass (farms/plantations) or forest biomass and first gathering points sourcing only agricultural biomass or forest biomass. For those economic operators the mass balance period can be up to twelve months. However, if the mass balance period is longer than three months it is not possible to go into deficit (i.e. it is not possible to sell more material as sustainable than is available in the mass balance). In all cases appropriate arrangements are necessary to ensure that the balance is adhered to.

Maximum period

Participants in the ISCC scheme may choose a period less than three months, for example, one month. The rationale for the maximum period of three months is twofold:

- > A shorter mass balance calculation period does not offer additional security against fraud

- > Reducing the period to much shorter timeframes will increase the costs significantly and reduce the flexibility for market players without improving security and sustainability in the supply chain

Mass balance periods shall be continuous in time, i.e. gaps between mass balance periods shall not occur. This means that even for periods in which no movement of sustainable material occurs, mass balances have to be kept. The mass balance periods for the certification period (i.e. start and end date) must be clearly documented by the System User and will be verified during the audit. Any changes in the mass balance period must be clearly documented by the economic operator and must be reported to the certification body before the adjustment. For each mass balance period the following documentation on the mass balance calculation has to be available and will be verified during the audit:

Documentation requirements

- > Start and end date of mass balance period
- > Inventory of input and output at the beginning of the mass balance period
- > Amount and description of incoming and outgoing material during the mass balance period
- > Amount of credits that can be transferred to the next period (if available)
- > Amount of credits from previous period (if available)
- > Conversion factor (if applicable)

If within one mass balance period more sustainable material (including existing inventory of sustainable material that was available at the beginning of the mass balance period) was received than was dispatched, the surplus of sustainable material in the bookkeeping is called 'credit'.

Credits

It is only possible to transfer credits from one mass balance period to the next if at least the equivalent amount of the specific raw material or product (sustainable or non-sustainable) is physically in stock. It is not possible to transfer more credits into the next mass balance period than the amount of the specific material that is physically in stock at the end of the mass balance period. Fossil material cannot be counted as physical stock even in the case that its physical and chemical properties are the same as those of the bio-based material. In case of co-processed materials and/or materials injected into gas grids (e.g. biomethane) credits can be transferred into the next mass balance period as long as the equivalent amount of material is physically available.

Credit transfer

Transferring credits between materials is only allowed for identical products or product groups. Products with similar physical or chemical characteristics, heating values and/or conversion factors can be regarded as a product group. Furthermore, the respective sustainability characteristics have to be reflected

Credit transfer between materials

when transferring credits between materials. For example, it is not possible to transfer credits between materials with a different scope of raw material certification (i.e. between materials for which the raw material complies with the sustainability criteria according the Art. 29 (3) – (7) of the RED II and materials for which the raw material meets the RED II definition of waste or residue).

A negative mass balance is not permitted under ISCC. A negative mass balance occurs if less sustainable material has been received than dispatched if at the end of a mass balance period (including existing inventory of sustainable material that was available at the beginning of the mass balance period). If a negative mass balance occurs at the end of a mass balance period, the certified company must inform the certification body immediately and without being requested.

*Negative mass
balance not
allowed*

At the end of a mass balance period the quantity bookkeeping either has to be balanced or have credits of sustainable material that can be carried forward. To verify if the amounts of sustainable input and output material are balanced at the end of the period or if credits occur the following calculation has to be applied.

*Mass balance
verification*

$$B = (A + a) \cdot CF + b$$

With:

B - C = 0 Balanced bookkeeping (no credits available)

B - C > 0: Credits (positive balance)

B - C < 0: Negative balance (not allowed)

A: Incoming sustainable material for the entire mass balance period

C: Outgoing sustainable material for the entire mass balance period (i.e. material that was physically dispatched)

B: Total amount of available sustainable material for the entire period (= amount of material that can potentially be dispatched as sustainable during the mass balance period)

a: Inventory of sustainable (input) material at the beginning of the period

b: Inventory of sustainable (output) material at the beginning of the period (applicable for processing units)

CF: Average conversion factor during the mass balance period²⁰

This calculation has to be based on the actual amount of incoming sustainable material and the inventory of sustainable input material available during the respective mass balance period.

²⁰ In case of processing units, the conversion factor has to be calculated according to chapter 4.2.1

For operations that do not result in a change of quantity of the material, such as the storage of materials, the conversion factor (CF) can be assumed to be 1 (CF=1). Figure 7 provides an overview of the applicable coefficients to verify a mass balance for the example of a processing unit.

Conversion factor

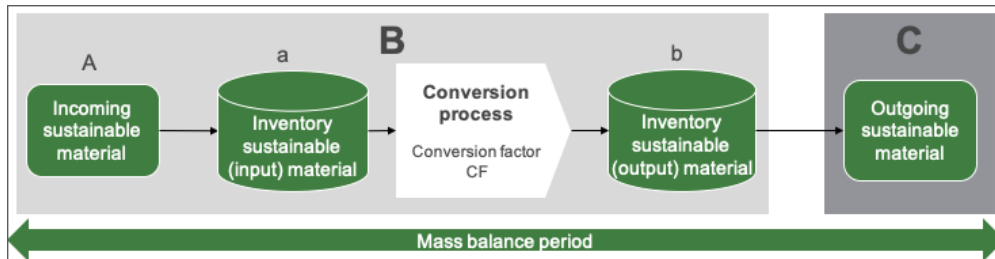


Figure 7: Overview of coefficients to verify a mass balance. Example Processing Unit

If an economic operator has a gap of up to three months between two certification periods, credits can be transferred from the last mass balance period of the previous certification period to the first mass balance period of the next certification period. This credit transfer is only possible if there was no incoming or outgoing sustainable material during the time without a certificate, and if at no point in time the physical stock of the relevant material fell below the amount of credits intended to be transferred, or in case of co-processed materials and/or materials injected into gas grids (e.g. biomethane), at least the equivalent amount of material was physically available at all times. This has to be verified by the certification body. It should be ensured that a company is continuously certified, i.e. that no gaps between certification periods occur.

Credit transfer between certification periods

4.4.3 Mass Balance Calculation

Under the mass balance method, batches of sustainable material (which may have different sustainability characteristics) and non-sustainable material can be physically mixed within internal company processes (see Figure 8). Within a mass balance period, batches of sustainable material with the same sustainability characteristics (including raw materials, country of origin, GHG emissions, etc.) can be arbitrarily merged or split within the bookkeeping as long as the sum of all batches that are withdrawn from the mixture have the same sustainability characteristics in the same quantities as were added to the mixture.

Quantity credit method

In the example given in figure 8, batches 129 and 130 are declared as non-sustainable and the outgoing batches 126, 127 and 128 are declared as sustainable in the bookkeeping although all batches are physically a mixture of the sustainable and non-sustainable input materials.

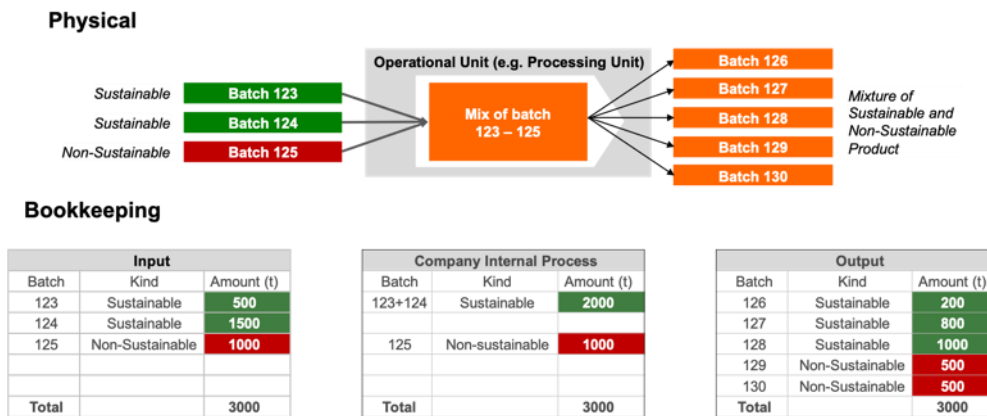


Figure 8: Quantity Credit Methodology (CF=1)

It is not permitted to aggregate batches of sustainable material with different GHG values in the bookkeeping (see Figure 9). In the bookkeeping batches with different GHG values have to be kept separate.

No aggregation of GHG values

Batches which have the same sustainability characteristics apart from their GHG emission values can be aggregated if the highest GHG emission value out of all batches is applied to all incoming batches. If, in the example of Figure 9, the GHG value of batch 125 is higher than the GHG value of batches 123 and 124, the GHG value of batch 125 could be applied to all outgoing batches 127-131 (assuming that their other sustainability characteristics are identical).

Highest GHG value can be applied

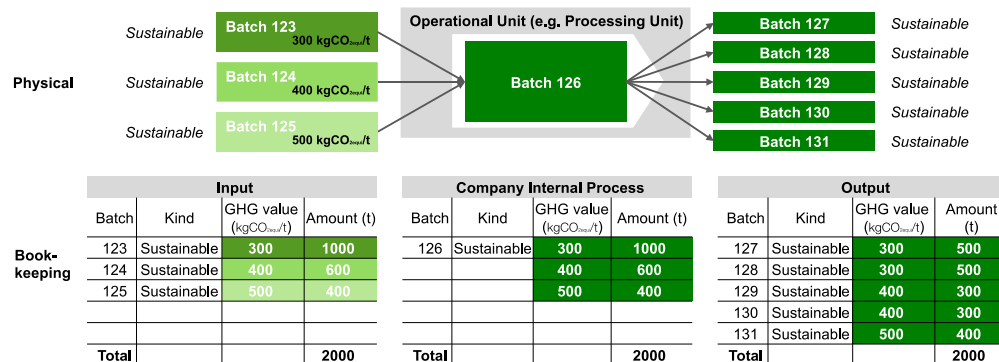


Figure 9: Bookkeeping of Batches with Different GHG Values (CF=1)

For other relevant sustainability characteristics such as country of origin or certification scope of the raw material no aggregations are allowed, i.e. they have to be kept separate in the bookkeeping. Figure 10 provides an example of the bookkeeping if the country of origin of the raw material differs (all other sustainability characteristics are assumed to be identical).

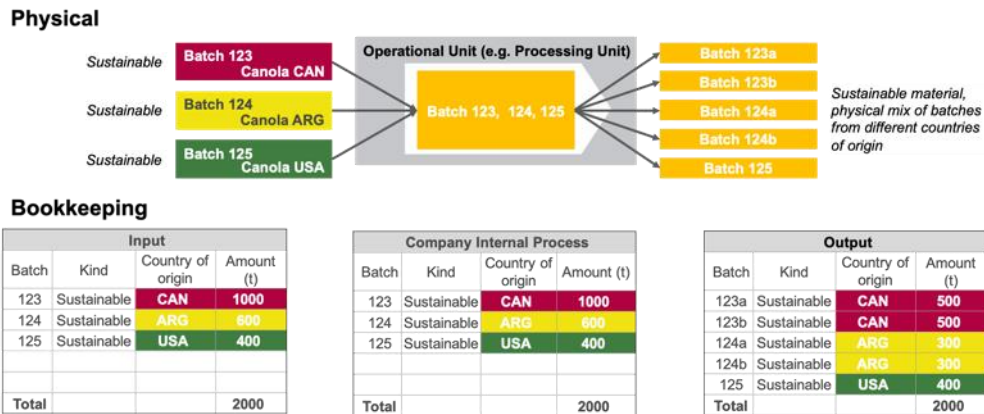


Figure 10: Bookkeeping of batches with different countries of origin (CF=1)

Under the mass balance approach, sustainability characteristics have to be allocated to batches of outgoing material, i.e. what sustainability information is included on sustainability declarations for outgoing material. Annex I describes in more detail the different scenarios for allocating sustainability characteristics to outgoing material.

Allocation of sustainability characteristics

The following general approaches can be distinguished:

- > For raw and intermediate materials that are kept physically separate, a flexible allocation of sustainability characteristics to outgoing batches should not be possible (scenario 1 and 2)
- > For intermediate products that are physically mixed separate sustainability declarations have to be issued to reflect the share of materials in the mix (scenario 3)
- > For physically separated biofuels whose raw materials have a different certification scope, a flexible allocation of sustainability characteristics should not be possible (scenario 4.1)
- > **Disclaimer: The implementation of any of the options under this scenario have to be a requirement from the EC for all VS:** For physically separated biofuels with the same certification scope of the raw material:
 - sustainability declarations reflect physically delivered material (scenario 4.2, option 1), or
 - Sustainability characteristics can be allocated flexibly (option 4.2, option 2)
- > **Disclaimer: The implementation of any of the options under this scenario have to be a requirement from the EC for all VS:** For a physical mix of biofuels:

- separate sustainability declarations have to be issued to reflect the share of biofuels in the mix (scenario 5, option 1), or
 - a flexible allocation of sustainability characteristics should be possible (scenario 5, option 2)
- > **Disclaimer: The implementation of this scenario has to be a requirement from the EC for all VS:** For a blend of biofuels with fossil fuels (e.g. E10 or B7), sustainability declarations should only be issued for the amount of bio-based material that is in the blend (scenario 6)
- > In the case of biomethane that is fed into the natural gas grid both materials are chemically and physically identical. Sustainability declarations can be issued for any consignment taken out of the grid if an equivalent amount of biomethane was fed into the grid (scenario 7)
- > In the case of co-processing, the fuel derived from this process cannot be differentiated into bio-based and fossil fuel (i.e. materials are chemically and physically identical. Sustainability declarations can be issued for any consignment coming out of a co-processing facility if an equivalent amount of bio-based material was fed into the process (scenario 8)

4.4.4 Specific Requirements for Co-Processing

The simultaneous processing of bio-based and fossil input materials is called co-processing. It is not regarded as co-processing if denaturants or other auxiliaries are added to a biofuel production process ²¹. The co-processing of vegetable and animal oils (in the following referred to as bio-based inputs) and fossil inputs results in mixed products with the same chemical properties. Typical outputs of co-processing are diesel, gasoline, kerosene, naphtha, LPG, fuel gas and others. One example of co-processing is the simultaneous processing of vegetable oil and fossil gasoil in a plant with the goal of producing diesel. The diesel derived from this process cannot be differentiated into bio-based and fossil diesel. This means that the chemical determination of the bio-content of co-processed diesel is not usually possible.

Simultaneous process of bio-based and fossil material

For co-processing, the mass balances are kept for the share of bio-based material that goes into the process. Based on the bio-yield, the amount of co-processed biofuel can be calculated. Three different approaches for determining the bio-yield can be applied: energetic determination, determination through the efficiency/losses of a process; or ¹²C or ¹⁴C analyses. Further information on the determination of the bio-output are laid down in the ISCC Guidance Document "Co-processing".

Determination of the bio-yield

²¹Council Directive (EU) 2015/652 of 20 April 2015 laying down calculation methods and reporting requirements pursuant to Directive 98/70/EC of the European Parliament and of the Council relating to the quality of petrol and diesel fuels

As the biofuel is chemically identical to the fossil fuel the determined sustainable bio-output can be freely allocated to the respective output products (e.g. diesel, gasoline, naphtha, etc.) over a mass balance period (see also chapter 4.4.3 and Annex I).

Free allocation

4.4.5 Overview of Requirements for Mass Balance Audits

The verification of mass balances is an integral part of the audit of an economic operator. It has to be verified by the auditor that the amount of material that has been claimed as being sustainable is less than or equal to the amount that is actually available and also that no multiple-accounting of sustainable material has taken place.

Mass balance verification is key

Prior to the audit, the economic operator has to submit all mass balances to the certification body conducting the audit. This applies to all mass balances relevant for the certification of the economic operator, i.e. every site (external storage facility or dependent collecting point) covered by the certificate. In the case of an initial (first) audit the economic operator has to set up a mass balance system which is checked by the auditor during the audit (see also chapter 4.4.2). For all further audits the auditor has to verify at least a sample of mass balance periods (including inputs, outputs, conversion factors and credits carried forward in the) and has to check this against the bookkeeping and documentation.

Available to auditor prior to audit

The following specific aspects and documents have to be taken into account for mass balances audits, including:

- > List of all sites that are covered under the certification (e.g. external storage sites, dependent collecting points, etc. Separate mass balances have to be kept for each site (chapter 4.4.1)
- > List of all inputs, outputs and inventory per site, including descriptions of the materials and information on the suppliers and recipients respectively (see chapter 3). This list has to include both sustainable and non-sustainable materials, and if relevant, must also include fossil materials handled by the sites
- > Conversion factors applied. In the case of waste/residues it is especially important to ensure that the conversion process was not modified to produce more waste or residues (see chapter 4.2.1)
- > Timeframe of mass balance periods. The start and end date of each mass balance period should be documented transparently. The economic operator has to inform the certification body about any changes to the mass balance period (see chapter 4.4.2)
- > Verification of the mass balance calculation to ensure that the bookkeeping is balanced or that credits were calculated correctly. If credits were available, it has to be verified that the sustainability

information carried forward was covered by an equivalent amount of material physically in stock (see chapter 4.4.2)

- > Sustainable inputs and outputs have to be accompanied by a set of sustainability characteristics (reflected on incoming and outgoing sustainability declarations, see chapter 3.3.2). During the audit it has to be checked that sustainability characteristics from incoming sustainability declarations were taken into account correctly to set up the mass balances, and that the sustainability characteristics were allocated correctly to the outgoing material (see chapter 4.4.3)
- > Mass balances and other relevant documentation of other certification schemes used by the economic operator have to be taken into account to ensure that no multiple accounting has taken place (see chapter 4.2)

Annex I: Allocation of Sustainability Characteristics to Outgoing Batches of Material

In the following, different scenarios are described which demonstrate how sustainability characteristics can be allocated to outgoing batches, i.e. how sustainability declarations (SD) can be issued. For any scenarios, the mass balances have to be kept based on the requirements described in chapter 4.

Scenario 1: Different raw materials are kept physically separated

- Example: Storage of rapeseed and soybeans on-site in different silos (no physical mixing)
- Sustainability declaration: Product stated on SD refers to the material actually delivered (i.e. delivery of rapeseed -> Rapeseed stated as raw material on SD)
- It is not possible to deliver rapeseed with an SD stating soybean as raw material (and vice versa)

Scenario 2: Intermediate products (same product group) are kept physically separated

- Example: Storage of refined rapeseed oil and refined soybean oil on-site but in different tanks (no physical mixing)
- Sustainability declaration: Product stated on SD refers to the product actually delivered (e.g. delivery of rapeseed oil -> Rapeseed stated as raw material on SD)
- It is not possible to deliver rapeseed oil with a SD stating soy as raw material (and vice versa)

Scenario 3: Physical mix of different intermediate materials (same product group)

- Example: Storage of refined rapeseed oil and refined soybean oil on-site, refined oils are mixed within tanks
- Sustainability Declaration: Separate SDs have to be issued to reflect share of different materials in the mix -> Delivery of 100mt refined oil (mix of 50mt rapeseed oil and 50mt soybean oil: One SD issued for 50mt with rapeseed as raw material, and one SD issued for 50mt with soybean as raw material)

Scenario 4.1: Different biofuels (same product group) from raw materials with different certification scope are kept physically separated

- Example: Storage of biodiesel from UCO (UCOME) and biodiesel from rapeseed (RME) on-site but in different tanks (no physical mixing)

- Sustainability declaration: Product stated on SD refers to actually delivered material (e.g. delivery of UCOME -> UCO stated as raw material on SD)
- No allocation of sustainability characteristics between biofuels with different scope of certification of the raw material, i.e. it is not possible to deliver RME with a SD stating UCO as raw material and vice versa

Disclaimer: The implementation of any of the options under this scenario has to be a requirement from the EC for all VS:

Scenario 4.2: Different biofuels (same product group) from raw materials with same certification scope are kept physically separated.

- Example: Storage of biodiesel from rapeseed (RME) and biodiesel from soybean (SME) on-site but in different tanks (no physical mixing)

Option 1: No allocation between biofuels:

- Sustainability declaration: Product stated on SD refers to the material actually delivered (e.g. delivery of RME -> Rapeseed stated as raw material on SD)
- No allocation of sustainability characteristics between the biofuels, i.e. it is not possible to deliver RME with a SD stating soybean as raw material

Option 2: Allocation between biofuels possible

- Sustainability declaration: Product stated on SD does not necessarily reflect the material actually delivered (e.g. delivery of RME -> Soybean stated as raw material on SD)
- Flexible allocation of sustainability characteristics between biofuels with the same certification scope of raw materials would be permitted

Disclaimer: The implementation of any of the options under this scenario has to be a requirement from the EC for all VS:

Scenario 5: Physical mix of different biofuels (same product group).

- Example: Storage of 600mt RME, 600mt SME and 600mt UCOME on-site, biofuels are physically mixed within one tank (e.g. as 1,800mt of FAME 0)

Option 1: Separate SDs to reflect the share of biofuels in the mix

- Sustainability declaration: Three separate SDs have to be issued to reflect the share of biofuels in the mix -> Delivery of 600mt FAME from the tank: One SD issued for 200mt biodiesel with rapeseed as raw material, one SD for 200mt with soybean as raw material, one SD for 200mt with UCO as raw material

Option 2: Flexible allocation of sustainability characteristics between biofuels possible

- Sustainability declaration: The share of biofuels in the mix does not need to be reflected on SDs -> Example: Delivery of 600mt FAME from the tank: SD can be issued for 600mt biodiesel with rapeseed as raw material, OR SD can be issued for 600mt biodiesel with soybean as

raw material, OR SD can be issued for 600mt biodiesel with UCO as raw material

Disclaimer: The implementation of this scenario has to be a requirement from the EC for all VS:

Scenario 6: Blend of biofuels with fossil fuels (e.g. B7 or E10)

- Example: E10 with a share of up to 10% (100mt) of corn ethanol within a mixture of 1000mt gasoline blend
- Sustainability Declaration: An SD is only issued for the amount of bio-based and sustainable material that is in the blend. A transfer of sustainability characteristics from a bio-based product to a fossil product not permitted
- Example: Delivery of 1000mt of E10: SD can be issued for up to 100mt ethanol with corn as raw material

Scenario 7: Mix of biomethane and natural gas in the grid (products chemically and physically identical)

- Example: Injecting biomethane into the gas grid
- Sustainability declaration: An SD is only issued for amount of sustainable biomethane that is fed into the grid. Product stated on sustainability declaration (SD) does not reflect the material that is taken out of the grid. A sustainability declaration can be issued for any consignment taken out of the grid if the equivalent amount of biomethane was fed into the grid

Scenario 8: Co-Processing (simultaneous processing of biobased and fossil products, products chemically and physically identical)

- Example: Co-processing of vegetable oil (e.g. rapeseed oil and soybean oil) and fossil gasoil. The fuel derived from this process cannot be differentiated into bio-based and fossil fuel
- Sustainability Declaration: An SD is only issued for the amount of sustainable bio-output attributed to the output. Product stated on the SD does not reflect the product that is actually delivered. A sustainability declaration can be issued for any consignment coming out of the co-processing facility

Annex II: Smallholders – Identification of Farms/Plantations

A 1 Fundamentals

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

Definition farm

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 (FGP) and central offices (CO) for farms/plantations 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 impacts 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 EU System 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 production of Fresh Fruit Bunches (FFB) for palm oil in Southeast Asia, and smallholder involvement.

*Distinct
identification of
farm*

This annex aims to give additional guidance to support this process and to ensure that certification is consistently applied and that the scope of audit is correct. It was developed in cooperation with the stakeholders involved in the ISCC Technical Committee “Southeast Asia” and certification bodies. ISCC will further engage in pilot projects and stakeholder dialogues to support and facilitate the certification of smallholder schemes²².

*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*

²² ISCC has, in cooperation with SNV, set up a Smallholder Academy for the certification of independent smallholders. Further information can be found on the ISCC website

These cases and their implications for the set-up of the audit are described below. For conducting audit and the consequences in the case of non-conformities the ISCC requirements as stated in the System EU Documents apply.

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 land²³	Independent management	Land centrally managed by company
Centralised support in farming (by CO and FGP)	No centralised support	Everything done centrally
Implications for certification		
Entity considered the farm/plantation	The independent legal entity (e.g. farm/plantation/ smallholder)	The management company
Type of certification	> Individual farm certificate or > Part of CO/FGP	> Individual farm certificate or > Part of CO/FGP
Self-declaration/self-assessment form	Signed by farmer (independent legal entity)	Signed by management company

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

A 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 their own management and without management support from any larger company is considered an independent legal entity with independent management. These independent smallholders need to sign the ISCC self-declaration for farms and plantations. 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 delivers the FFBs directly to a collecting point

Different categories

Smallholder signs self-declaration

²³ With respect to management of land, subcategories are possible. See A 2.2, section 3 below

or to the oil mill, these are considered to be the first gathering point (see chapter 3.4.4).

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 its own independent management, 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 has to sign the ISCC self-declaration for farms and plantations. The farm could be individually certified or certified as a part of a group organised by a central office or a first gathering point..

*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 to be a 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, but not any of the individual smallholders, would sign one self-declaration for the entire land. .

*Managing
company signs
self-declaration*

4 Partially centralised management

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

Subcategories

In 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.

Centralised audit

In 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 all land leased by the company could be considered to be one farm or plantation. However, these areas with decentralised management would also need to be audited as decentralised. If there were non-compliances detected in the areas with decentralised management the entire farm or plantation (including all leased land) would be excluded.

*Decentralised
audit*