ISCC – International Sustainability and Carbon Certification

Report to the European Commission for the Calendar Year 2022

According to Article 30 No. 5 of Directive 2018/2001/EC
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Content

1 Introduction

According to the Directive (EU) 2018/2001 (hereafter RED II) all recognized voluntary certification schemes are obliged to annually report the quantities of sustainable material covered by the respective scheme in the previous calendar year to the European Commission (EC). The reporting provides information about the operation of the voluntary schemes and includes, inter alia, the quantities of feedstocks (raw materials) and biofuels certified covered by the voluntary scheme in the previous calendar year by country of origin and type of feedstock (raw material).

In 2011, ISCC had been among the first certification schemes recognized by the EC under the RED and by decision as of 09 August 2016, ISCC was among the first two schemes to be re-recognized by the EC. Finally, the recognition of the ISCC EU certification scheme by the EC under the RED II was published last year (12 April 2022). Thus, ISCC EU can be used to demonstrate compliance with the legal requirements of the RED II.

ISCC is a globally leading certification system covering all elements of the supply chain and all kinds of bio-based feedstocks, waste and residues as well as circular materials and renewables. Independent third-party certification ensures compliance with high ecological and social sustainability requirements, greenhouse gas emission savings and traceability throughout the supply chain. Since ISCC began operating in 2010, more than 40,000 ISCC certificates in more than 120 countries have been issued. The European biofuel market continues to represent the most important market for ISCC as the majority of valid ISCC certificates are issued under the ISCC EU standard (65%).

All elements along the supply chain from agriculture or the point of origin of waste and residues down to the end user of the final product are covered. ISCC targets the:

- Reduction of greenhouse gas (GHG) emissions
- Production of biomass on land without high biodiversity and high carbon stock
- Application of good agricultural practices and the protection of soil, water and air
- Respect of human, labour and land rights.

High traceability requirements ensure that the physical path the biomass takes can be traced throughout the entire supply chain. In addition, ISCC provides guidelines for keeping mass balances and methodologies to conduct and verify GHG calculations along the supply chain.

ISCC was developed through an open multi-stakeholder process involving approx. 250 international associations, corporations, research institutions and NGOs from Europe, the Americas and Southeast Asia. ISCC is a multi-stakeholder initiative governed by the ISCC Association with 238

members (as of 28 April 2023). The members in the ISCC Association (ISCC e.V.) represent biomass producers and processors, trade, logistics, NGOs, the social sector, science and research as well as the public sector.

The specific elements to be reported by the voluntary schemes are laid down in the Regulation (EU) 2018/1999 from December 2018 (Annex XI). To fulfil the requirement that it should be indicated where in the report the issues outlined in Annex XI are addressed, ISCC has structured the individual chapters of this report according to elements (a) – (k) of Annex XI. Best Practices according to *Annex XI to Regulation (EU) 2018/1999* 30 No. 5 (k): "(W)ays to facilitate or improve promotion of best practice" have been included in the relevant chapters in order to avoid duplications.

For the calendar year 2022, ISCC collected the information for the requested market update (chapter 6), namely the quantities of feedstocks and biofuels certified by country of origin from System Users that were certified under ISCC EU in 2022. Chapter 6 moreover outlines a detailed description of the data gathering process and provides annual comparisons of the respective amounts.

2 ISCC Audits

The following chapter outlines compliance with *Annex XI to Regulation (EU) 2018/1999 (a): The independence, modality and frequency of audits, both in relation to what is stated in those aspects in the scheme documentation, at the time the scheme concerned was approved by the Commission, and in relation to best industry practice.*

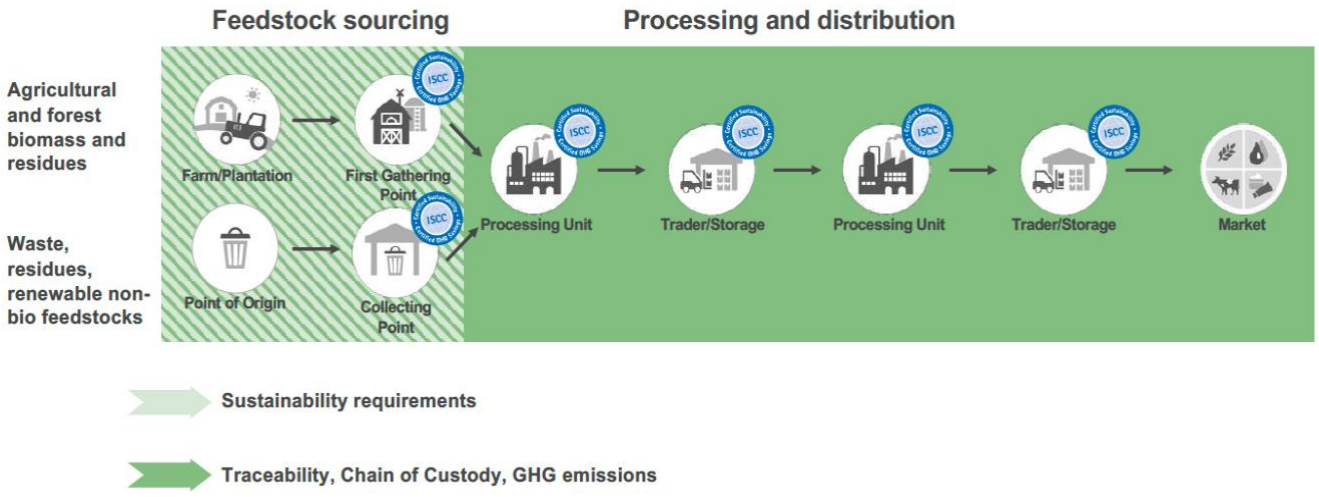
Modality and Frequency of Audits

System Users that register with ISCC and wish to obtain a certificate are subject to a certification audit during which a cooperating Certification Body (in the following referred to as CB) verifies compliance with the applicable ISCC requirements. Generally, ISCC audits have to be conducted annually and on-site at the location of the System User registered for certification. During such an audit the auditor of the respective CB must use the audit procedures provided by ISCC to assess and verify compliance of the ISCC System User with the ISCC requirements. After a successful audit, the CB issues the ISCC certificate. As part of an additional quality management step, the certification documents then undergo an internal review at ISCC before the certificate is finally uploaded to the ISCC website.

All relevant elements of the supply chain must obtain a certificate in order to handle sustainable materials. Audits are based on a risk-based approach and the requirements for conducting them are specified in the ISCC EU System Document 201 "System Basics" (version 4.0).

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. A valid certificate provides evidence that the certified element complies with the sustainability criteria of the the ISCC standard and the RED II accordingly.

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.



Independence

To ensure independence and to avoid conflicts of interest, ISCC requires external third-party certification audits. Certification audits are conducted by independent CBs that have a valid cooperation agreement with ISCC and whose names and contact details are published on the ISCC website.

Since all ISCC auditors must be independent of the activity being audited, competent, and free from conflict of interest, it is not possible for CBs and auditors to become members of the ISCC Association (ISCC e.V.). Furthermore, CBs and auditors are subject to controls or “witness audits” that are conducted by the bodies responsible for the recognition or the accreditation of the CBs. These bodies are either governmental authorities (e.g. the German Federal Office for Agriculture and Food – BLE) or accreditation bodies (e.g. the American National Standards Institute – ANSI).

In addition to these controls or “witness audits”, CBs and auditors are subject to independent audits conducted by ISCC in the framework of the ISCC Integrity Programme (“Integrity Assessments”), which is described in more detail in chapter 3. The Integrity Assessments take place in addition to the annual certification audits of ISCC System Users conducted by the CBs and on top of the controls or witness audits conducted by the bodies responsible for the recognition or accreditation of the CBs. The amount of Integrity Audits carried out in the framework of the ISCC Integrity Programme should

represent a higher control density compared to the witness audits conducted by accreditation bodies. This ensures the high integrity of the certification scheme and the claims made under the scheme.

The individual requirements for CBs and auditors applicable under ISCC in 2022 are specified in detail in the ISCC System Document 103 “Requirements for Certification Bodies and Auditors” (version 4.0). Further requirements on CBs and auditors are specified in chapter 7.

Best Practice: Further development of innovative technology tools

a) Audit Procedure System (APS)

ISCC continues to develop its electronic audit tool – the Audit Procedure System (APS) – in order to further facilitate the certification processes and data assessments. APS simplifies the audit preparation and conduction and therewith contributes to a more efficient audit performance. The objective of APS is to display customized questions relevant for the particular audit, providing a step by step audit guidance, and generate respective audit reports automatically.

In 2022, ISCC again provided an extensive update of APS to include additional audit requirements e.g. for farms and plantations according to the RED II. As part of these changes, questions are no longer categorized as “major must” or “minor must” but instead as “immediate”, “short-term”, “medium-term”, or “best practice” requirement. Furthermore, additional GHG information is now requested for materials handled at processing units and SAR has been updated to include the Final Product Refinement scope as well as new processing unit types. Being able to create these audit types within APS improves the data management for CBs and ISCC alike.

Besides supporting the transition to new APS versions and its application with guidance material, ISCC operates an APS helpdesk for CBs and auditors to discuss further implementation issues.

By making APS mandatory, ISCC was able to build an extensive data base of all audit data to improve its monitoring and evaluation system, e.g. to gather data for its Integrity Programme or the ISCC Impact Assessment. By further working on APS as a tool to analyse audit data, ISCC was able to use digitalized data from over 16,000 audits between 01 January 2020 and 31 December 2021 for the ISCC Impact Report 2022.

b) ISCC as service provider for the Union Data Base (UDB) of the European Union

In 2022, ISCC started to put huge effort into meeting the requirements of the EC to onboard Economic Operators (EOs) into the UDB. By beginning of this year, the onboarding of the EOs started and since then, the majority of EOs and their certificates have been added to the UDB. Automated daily onboarding is not yet possible, but ISCC and the EC UDB team are in daily communication to establish this interface. ISCC will act as a service provider, with a customized platform enabling our system users to meet UDB requirements in a user-friendly manner.

Therefore, further digitization efforts are underway with the development of the ISCC HUB, an online platform that will complement the current client section on the ISCC website. In the ISCC HUB system users will be able to register themselves for an ISCC certification and edit their registration data. CBs will be able to oversee registrations, submit audit packages with certificates, upload adjusted certificates, change a certificate status and more.

The ISCC HUB will be a user-friendly system with defined and efficient workflows to speed up processes e.g. for registration approval and certificate submission or change of certificate statuses. Various validations will be implemented to minimise missing or inaccurate information that prolongs the processes.

c) Global Risk Assessment Services (GRAS)

ISCC continuously invests resources to ensure a credible, effective and cost-efficient certification process. Reliable monitoring of land use change continues to be of high importance to the credibility of the ISCC system. In order to verify that due to certification no illegitimate land use change takes place, ISCC is using the innovative web-based remote sensing application, namely the GRAS Tool, which provides comprehensive sustainability-related geo-referenced information on biodiversity, land use change, carbon stock and social indices.

If ISCC audits include the verification of farms or plantations and forests, a risk assessment must be carried out to determine the risk of non-compliance with ISCC sustainability requirements for agricultural biomass (see ISCC EU System Documents 202-1 – Agricultural Biomass: ISCC Principle 1, 202-2 – Agricultural Biomass: ISCC Principle 2-6, 202-3 – Traceability and Chain of Custody and 202-4 – Risk Management). If the respective audit is conducted remotely, which may be permitted as an exception, then a remote sensing tool such as the GRAS Tool must be used to confirm compliance with ISCC Principle 1.

In 2022, GRAS launched the ARIA (Automated RIsk Assessment) platform that enables auditors to evaluate the sustainability risk of individual or group of farms in a user friendly and straight-forward procedure for palm plantations located in Indonesia and Malaysia, which together supply more than 80% of palm production in the market. GRAS incorporated exclusive deforestation layers, satellite imagery time series, and other useful datasets to facilitate the identification of sustainability risks associated with palm for auditors in the certification process.

ISCC is one of the leading certification systems in the EU renewable energy sector regulated by the RED II based on sustainability requirements for farms and plantations laid down in the form of six principles. ARIA can be a great technology enhanced supplement to audit the ISCC Principle 1 and

ISCC Principle 2 criterion regarding the protection of biodiverse and carbon-rich areas. It supports the decision-making process of auditors to assess and quantifies environmental conditions of the farms that are going to be certified.

ISCC continuously emphasises the use of GRAS Tools in system users' audit preparation and auditors' risk analyses and makes those a core element of ISCC's own integrity programme.

3 Non-Compliance and Fraud Prevention

Chapter 3 summarizes ISCC's measures to fulfil the requirements of

Annex XI to Regulation (EU) 2018/1999 (b) RED II: The availability of, and experience and transparency in the application of, methods for identifying and dealing with non-compliance, with particular regard to dealing with situations or allegations of serious wrongdoing on the part of members of the scheme.

Annex XI to Regulation (EU) 2018/1999 (g) RED II: The ease and effectiveness of implementing a system that tracks the proofs of conformity with the sustainability criteria that the scheme gives to its member(s), such a system intended to serve as a means of preventing fraudulent activity with a view, in particular, to the detection, treatment and follow-up of suspected fraud and other irregularities and where appropriate, number of cases of fraud or irregularities detected.

Non-Conformities

Non-conformity (non-compliance) means the non-fulfilment of an ISCC requirement. ISCC is responsible for classifying any non-conformity in accordance with its degree of severity (minor, major or critical) and for assessing the fault of the party apparently responsible as part of a case by case assessment if this is required.

In this context, a non-conformity is considered to be of minor severity if it is insubstantial and does not violate fundamental ISCC requirements, i.e., non-conformities which are non-systematic and whose impacts are limited in scale. Examples of minor non-conformities concern documentation or insufficient integration of the ISCC requirements into the quality management. Minor non-conformities may be corrected by implementing appropriate corrective measures within a specific time frame. Otherwise the issuance of a certificate is not possible, and compliance must be verified in an additional audit.

Major non-conformities are substantial and violate fundamental ISCC requirements. These are especially those non-conformities which have an impact on downstream supply chain elements,

which continue over a long period of time, are repeated or systematic and have a serious (negative) impact. Examples for major non-conformities are e.g., selling one batch of sustainable material multiple times (multiple accounting) as well as a false declaration or relabeling of material or products, especially in the case of waste and residues. Major non-conformities on farm or plantation level include non-conformities with ISCC requirements classified as ‚immediate' requirements as laid down in the ISCC System Document 202-2 - Agricultural Biomass: ISCC Principles 2-6.

In case of major non-conformities by System Users the issuing CB must suspend the validity of the certificate (suspension) with immediate effect for a period of 40 days. Within this period all non-conformities must be corrected by implementing appropriate corrective measures as determined by the CB. The CB shall end the suspension within or after this period if it confirms the successful implementation of the corrective measures. If corrective measures cannot be implemented within this period for exceptional reasons the suspension can be extended up to 30 days with the consent of ISCC.

Non-conformities are considered as 'critical', i.e. of especially severe nature, if they are intentional, in particular non-conformities with the intent to defraud. In the case of critical non-conformities, especially when this involves confirmed fraudulent behaviour of a certified System User, the issuing CB must declare the certificate invalid and withdraw the certificate immediately. In this case, ISCC may exclude the System User from the ISCC system and from recertification for a period of up to 60 months.

If non-conformities are detected during an ISCC audit which relate to claims made by System Users during the previous certification period, ISCC and the CB are entitled to impose conditions for the recertification of the System User.

Conditions may include the requirement to submit copies of relevant documents for a specific period to ISCC and/ or to the CB and that the CB conducts a surveillance audit after a specific period after recertification (e.g. after one mass balance period). This especially applies in cases of non-conformities that have an impact on the downstream supply chain, e.g. non-conformities with the mass balance requirements, non-conformities of sustainability declarations (e.g. false information) or non-conformities with the greenhouse gas requirements (e.g. incorrectly calculated GHG emission value).

Methods for identifying non-conformities under ISCC include:

- Certification audits conducted by the CB
- Surveillance audits conducted by the CB
- Integrity Assessments conducted by ISCC

- Complaints submitted to ISCC by CBs, System Users or third parties (e.g. market participants, associations, NGOs, national authorities, etc.)

The ISCC Integrity Programme and Integrity Assessments

The ISCC Integrity Programme aims to ensure a consistent, objective and reliable audit as well as certification process by all CBs cooperating with ISCC on a global basis and guarantees the high quality and integrity of the ISCC system. It was launched as a tool to enable closer monitoring of the CBs' verification activities and companies' compliance and is based on an on-going assessment process. The ISCC Integrity Programme is an integral part of the quality and risk management at ISCC and provides valuable feedback to ISCC regarding the implementation of the standard and its verification. Therefore, it is an essential part of the continuous improvement process of the ISCC system and covers on-site assessments, desk verifications, and different kinds of stakeholder involvement.

ISCC encourages its stakeholders and third parties to raise complaints against ISCC certificate holders or CBs cooperating with ISCC in case of non-conformity with ISCC requirements and/ or fraudulent behaviour. The procedure to file a complaint is described on the ISCC website and in ISCC EU 102 System Document "Governance" (version 4.0), chapter 9 "Conflict Resolution". The document further outlines the ISCC procedure of dealing with received complaints in detail in chapter 9.2 "Complaints".

Via the complaint form on the ISCC website, the complainant can provide as much information as possible in a structured way in order for ISCC to obtain an unambiguous understanding of the situation (i.e. directly stating references to ISCC requirements). In 2022, ISCC received 32 complaints in total. The majority of complaints were related to the area of traceability.

All information received is treated with utmost confidentiality by ISCC, and the complainant may stay anonymous during the process. If the complaint permits to obtain a clear idea and an unambiguous understanding of the situation at hand, ISCC will further investigate the case by applying the above stated measures. All complaints provided to ISCC are dealt with in a timely manner. If the information received is too unspecific, ISCC follows up with the complainant in order to receive further information including for instance relevant documentation. Ultimately, if the complaint is considered inadmissible, for example because it is not substantiated, negligible or not sufficiently supported by objective evidence, ISCC will close the complaint by providing a respective response to the complainant. ISCC does not further investigate those complaints which do not directly relate to ISCC requirements and closes those with an explanation to the complainant.

Integrity Assessments can be conducted on-site or remotely at the System User certified by the CB (customer audit) or, in exceptional cases, at the CB's head office (office audit). In general, ISCC on-

site Integrity Assessments are planned randomly or risk-based. This means that different factors, such as market developments, internal monitoring and external information, e.g., via the complaint form, are taken into account for the risk-based choice of Integrity Assessment candidates.

Integrity Assessments are conducted by ISCC Integrity Auditors and can take place in any country where CBs carry out activities and audits in the framework of ISCC. The ISCC Integrity Auditors must be independent and free of any conflicts of interest. They work on behalf of ISCC and are not allowed to work for CBs cooperating with ISCC at the same time.

Integrity Assessments at ISCC System Users are either complete audits covering all ISCC requirements or have a specific focus (e.g. on GHG calculations or traceability). When ISCC schedules an Integrity Assessment, the participation of the System Users is mandatory. Participation of the CB in customer audits scheduled by ISCC is not mandatory, but highly recommended.

The results of an Integrity Assessment are recorded in an Integrity Report, in which the performance of the auditor and the CB is evaluated, and points of improvement and/ or non-conformities are identified based on the findings of the audit. The CB is obliged to allow for and to participate in office audits scheduled by ISCC. ISCC is entitled to forward the Integrity Report to the competent public national authority or accreditation body responsible for recognition or accreditation of the CB, especially in case of serious non-conformities of the CB or its auditors.

In 2022, ISCC conducted 64 Integrity Assessments. Candidates for ISCC Integrity Assessments are selected partly randomly and partly on risk-based criteria. The ISCC Integrity Programme also aims to reflect the geographical distribution of ISCC certified companies, meaning that in 2022 55% of Integrity Assessments were conducted in Asia, 30% in Europe, 5% in Latin America and North America as well as 2% in Africa and Australia. Approx. 85% of the Integrity Audits were conducted at System Users who handle waste and residue materials, as a majority of the complaints received relate to those respective supply chains.

ISCC EU System Document 102 “Governance” (version 4.0), chapter 10 “Non-conformities and Sanctions”, describes the consequences in case non-compliance of System Users is detected during audits conducted by the CB or during Integrity Assessments conducted by ISCC. The ISCC Terms of Use allow for a 60-month ban for re-registration and recertification if the System User does not respond at all to an Integrity Assessment invitation or does not allow for the Integrity Assessment to be conducted. This “non-cooperation” in the framework of the ISCC Integrity Programme is considered as a criticial non-conformitiy under ISCC.

In 2022, non-conformities with ISCC requirements were found in 27 % of Integrity Assessments. Of these, about 68% were minor non-conformities and 32% major non-conformities. Moreover, four critical non-conformities were detected. In 2022, the majority of detected NCs related to traceability

and mass balancing (41%). Other NCs were related e.g. to documentation and GHG emissions, to the management system, sustainability requirements or conflicts of interest.

Sanctions imposed in the framework of the Integrity Programme in the year 2022 included the following: 27 System Users were excluded from re-certification for a specified period of time and 54 ISCC certificates were withdrawn due to major or critical non-conformities with the ISCC requirements. Withdrawn certificates as well as excluded System Users are published transparently on the ISCC website. Stakeholders are immediately notified by email in case a certificate is withdrawn and/ or a company is (temporarily) excluded from the ISCC certification.

Interested parties can subscribe to the mailing list in the respective section on the ISCC website in case they would like to receive this information. By the end of 2022, the list already counted 788 subscribers. The list as published on the ISCC website is also used as a measure to avoid certification “scheme hopping”, as other voluntary schemes are able to access publicly available information of System Users that did not comply with ISCC requirements and therefore have been temporarily excluded from the ISCC scheme.

Additionally, in 2022, ISCC received information about 13 certificates which were identified as fake, i.e. manipulated copies of ISCC certificates to display e.g. the name of another company than displayed on the original certificate. Information about fake certificates are also published transparently on the ISCC website in a specific section.

In addition to the evaluation of individual Integrity Assessments, ISCC conducts a regular in-depth analysis of the Integrity Programme to detect focus areas of non-conformities. This information is provided to CBs and their auditors as feedback on their performance and as guidance for future ISCC audits to ensure a continuous improvement of the ISCC audits. Additionally, this information is used for clarifications in the ISCC System Updates as well as a measure for improvement for standard documents, updates in audit procedures or established documents as well as the development of new documents.

As a further tool for fraud prevention, ISCC monitors all information received beginning with the registration form and automatically compares it with existing information in its internal data bank. Internal data analysis means for instance the comparison of addresses, names of contact persons, and legal representatives to avoid the circumvention of exclusion periods by setting up new companies. If obvious connections to companies that have been e.g., excluded from the ISCC scheme are identified, ISCC conducts an investigation and the (new) registration may not be accepted (i.e. same address and/or same contact person).

Best Practice: New guidance document for POME Oil and EFB Oil

In 2022, ISCC published the Guidance Document for Waste and Residues from Palm Oil Mills. To harmonize the material terms, the Guidance Document provides clear definitions of Palm Oil Mill Effluent (POME) oil, Empty Fruit Bunch (EFB) oil and Pressed Palm (Mesocarb) Fibers (PPF) oil. The Guidance Document further introduced mandatory audits for all palm oil mills that generate and supply liquid waste and residues material as sustainable into the ISCC supply chain. Since November 2022, all palm oil mills must be audited on-site annually and the group auditing approach is not applicable anymore. In this context, ISCC gathers and assesses information on the location, quantities and production capacities of palm oil mills.

Simultaneously, the ISCC Integrity Programme increased the integrity audit quantity of Collecting Points and their supplying Points of Origin of the above-mentioned materials in Southeast Asia. This also allowed to further develop the ISCC requirements and to strengthen mitigation measures for potential risks for the integrity of ISCC. In 2022, a total number of 35 Integrity Assessments took place with entities handling waste and residue materials from palm oil production.

4 Transparency

Chapter 4 exposes ISCC's effort to comply with *Annex XI to Regulation (EU) 2018/1999 (c): Transparency, particularly in relation to the accessibility of the scheme, the availability of translations in the applicable languages of the countries and regions from which raw materials originate, the accessibility of a list of certified operators and relevant certificates, and the accessibility of auditor reports.*

Transparent provision of information is a precondition for ISCC to offer a high-level sustainability certification system that is feasible, secure and credible. ISCC publishes relevant information about the ISCC system freely accessible on the ISCC website (www.iscc-system.org).

In 2022, the publicly available and accessible information about the scheme included:

- The ISCC system documents, including the ISCC fee structure and the ISCC Terms of Use, the guidelines for audits (audit procedures), in the latest applicable version
- A searchable database of System Users (operators) certified under ISCC including the following information:
    - Certificate-ID
    - Name of the certificate holder

- Scope of the certificate, i.e. what type of operation is certified (e.g. first gathering point, oil mill, biodiesel or bioethanol plant, etc.)
- Information on (input and output) materials/ products
- Validity period of the certificate
- Name of the CB that has issued the certificate
- A copy of the certificate in PDF format
- Location of the certified System User
- Current status of the certificate (i.e. valid, suspended, expired, withdrawn)
- Summary Audit Report (SAR)

- Information on certificates that have been provided to ISCC which were identified as fake
- System Users that are excluded from ISCC certification due to severe non-conformity with ISCC requirements including the time period of the suspension
- Instructions for System Users on how to participate in the system, including acceptance of other schemes
- Information and application form regarding ISCC logos and claims
- A dedicated section to the Union database (UDB) featuring information about its functioning and the transition to the database
- Contact details of ISCC and options to contact ISCC directly
- Options for stakeholders to give feedback about the standard and developments of the standard (public consultation)
- A list of all CBs cooperating with ISCC, including contact details
- Information for ISCC Stakeholders about the ISCC Association, the statutes of the Association, a list of members of the Association
- Information on the regional stakeholder dialogue and the meetings of the regional stakeholder committees
- Dates for ISCC Trainings, conferences organized by ISCC, and other events where ISCC is represented or makes a contribution
- Complaint form
- Public Summary Audit Report (SAR)
  - Chain of Custody Option
  - Name of lead auditor

- Information on risk assessment and sampling
- Summary of audit results

- Self-assessment / self-declaration documents in 36 languages for ISCC System Users covering all regions where ISCC is applied.
- Specific system documents and procedures in additional languages (e.g. Spanish, French and Bahasa). Further translations of system documents or procedures can be provided by ISCC upon request.
- Under ISCC the proof of conformity for a delivery of sustainable material is a so-called “sustainability declaration” (SD) or, in case of final biofuels, a so-called “Proof of Sustainability” (PoS). To facilitate the implementation throughout the supply chain, ISCC provides templates for both types of documents which are available in the client section of the ISCC website. The use of the templates is voluntary, and System Users can set up their individual documents as long as compliance with the requirements for sustainability declarations is guaranteed.
- A downloadable tool that helps farmers and auditors to identify hazardous chemicals and pesticides and check if they are banned in specific countries.
- ISCC informs its System Users regarding relevant changes of the certification standard via ISCC System Updates on a regular basis. Relevant updates include i.e. changes in requirements, amendments of system documents and audit procedures, new templates.
- Information on upcoming trainings, events and other communication measures such as articles or press releases are shared with subscribers via the ISCC Newsletter. While it is mandatory for ISCC contact persons of certified operational units and CBs to receive the ISCC System Updates, for the latter every market participant interested in the ISCC certification scheme can subscribe via the ISCC webpage. In 2022, 10 System Updates have been sent out to System Users and CBs as well as 17 ISCC Newsletters (including specified event mailings).

Best practice: ISCC Impact Assessment and Report

In 2022, ISCC intensified its efforts to further develop its monitoring and evaluation system to improve the assessment of ISCC's overall impact and enhance the transparency of these efforts. Ecological, social and economic objectives of the ISCC system are formulated in the theory of change and are mainly evaluated based on data from ISCC’s internal database (such as information on certificates, trainings, stakeholder events and certification audits) as well as data received from certification audits via APS.

In 2022 as well, ISCC published the second ISCC Impact Report. The APS data that ISCC analysed for the 2022 Impact Report consists of over 16,000 ISCC certification audits conducted between January 2020 and December 2021, covering an audited agricultural area of over 12 million hectares. The assessment benefits in particular from the findings on non-conformities and the resulting corrective actions identified by the auditors. Additional qualitative data was collected through a survey of our cooperating certification bodies.

For the future, ISCC will continue to develop its impact assessment methodologies to not only highlight the positive sustainability impacts of various ISCC interventions, but also to improve the effectiveness of the ISCC certification standard.

5 Stakeholder Involvement

This chapter details ISCC's implemented measures regarding *Annex XI to Regulation (EU) 2018/1999 (d): Stakeholder involvement, particularly as regards the consultation of indigenous and local communities prior to decision making during the drafting and reviewing of the scheme as well as during audits and the response to their contributions.*

ISCC is a multi-stakeholder initiative governed by the ISCC Association (ISCC e.V.). The ISCC Association is the legally registered body responsible for guiding the strategic decisions taken by ISCC and for unifying and representing ISCC's stakeholders. The ISCC Association include all types of companies from all sectors and from across the entire supply chain that ISCC is active in: Biomass producers and processors, trade, logistics and other system users as well as NGOs, the social sector, science and research and the public sector. Legal entities, partnerships and other entities with legal capacity may become members of the ISCC Association if they share ISCC's goals and mission.

Members have a voting right at the General Assembly. The General Assembly is the annual meeting of the members held by the ISCC Association. At the annual General Assembly, the members elect the Board of the ISCC Association (ISCC Board) and discuss and decide on strategically important matters. The ISCC Board represents the three different stakeholder groups participating in ISCC as mentioned above and is further composed of the chairperson, the vice-chairperson and six other members equally presenting the three stakeholder goups, to ensure a balanced representation of interests.

The ISCC Board may initiate and establish Stakeholder Committees to support ISCC in the handling of specific topics and to facilitate the regional stakeholder dialogue. Alongside ISCC certification in general, the ISCC association is growing at a rapid pace as well. In the founding year 2010, the association counted 20 members, which has since increased ever since. By the end of 2022, ISCC

counted a a number of 225 members, coming from 35 countries. Thereunder, 64% members were from Europe, 21% from the American Continent and 15% from Asia and Oceania. In addition to this, 78% of the members represented the private sector, 20% worked for governmental and non-governmental organisations as well as Research & Development. The remaining 2% of members were individuals.

Stakeholders of ISCC have the option to engage with ISCC either by becoming members in the ISCC Association, by participating in Stakeholder Committees, the regional stakeholder dialogue, and Working Groups, or by giving feedback to the system through Public Consultation, or directly via email, over the telephone or in person. Membership in the ISCC Association is not a pre-condition for System Users to become certified or to engage in the stakeholder dialogue with ISCC. Feedback received from stakeholders results in a continuous improvement of ISCC documents such as system documents, audit procedures, material lists, and other ISCC documents and certification tools.

Stakeholder Committees are a valuable tool to engage with stakeholders from specific regions or with stakeholders interested in specific technical questions. In 2022, there were Regional Stakeholder Committees for North America, Latin America, and Southeast Asia, as well as Technical Committees dealing with circular economy and bioeconomy, sustainable aviation and sustainable marine fuels. Two stakeholder Committees in 2022 were the first hybrid events ever held by ISCC and were crowned with success by participants and speakers.

Members of the ISCC Association, ISCC System Users, CBs cooperating with ISCC, and other stakeholders may participate in Stakeholder Committees. Within the framework of a Stakeholder Committee, Working Groups can be established to focus on specific topics or issues relevant for ISCC. The participants of a Working Group should have broad experience and expertise in the relevant topic being dealt with by the Working Group in order to support an effective and efficient working procedure.

The main tasks of Stakeholder Committees are:

- Organisation of stakeholder involvement and dialogue in a region or on a specific topic
- Development of guidance on how to facilitate and improve the application of the ISCC system to regional or technical specifics and risks or to individual markets
- Support of CBs with information about local or regional conditions, requirements and risks
- Support of ISCC in the procedure of risk assessment and management in the regions and markets where ISCC is applied by System Users
- Special consideration of the local and regional regulatory framework
- Promotion of the ISCC system and facilitation of the ISCC goals
- Mediation of local or regional conflicts

In 2022, ISCC organized seven ISCC Stakeholder Committees with 1,538 participants in total (see list below), as well as the ISCC Global Sustainability Conference counting over 791 participants in 2022. This represents an increase in the number of participants of about 40% compared to the previous year. The digital format can be seen as one driver for this development.

- 8 February, 12th ISCC Global Sustainability Conference and ISCC e.V. General Assembly (hybrid event)
- 24 May, ISCC Technical Stakeholder Meeging “Sustainable Marine Fuels”
- 14 June, ISCC Technical Stakeholder Meeting „Circular Economy and Bioeconomy”
- 23 June, ISCC Regional Stakeholder Committee Latin America
- 18 October ISCC Regional Stakeholder Meeting Southeast Asia (hybrid event)
- 27 October, ISCC Technical Stakeholder Meeting „Sustainable Aviation Fuels“
- 9 November, ISCC Regional Stakeholder Meeting North America (hybrid event)
- 17 November, ISCC Technical Stakeholder Meeting „Circular Economy and Bioeconomy”

Additionally, as a further tool to increase stakeholder awareness of the ISCC certification scheme and contribute to the dialogue on diverse market developments, ISCC gave talks at a variety of conferences in 2022 such as at the Chemical Recycling 2022 , the IATA Aviation Energy Forum or the Future of Surfactants Summit among others.

Furthermore, ISCC organizes regular meetings specifically convened for the representatives of CBs cooperating with ISCC. The aim of those meetings is to exchange feedback and practical experiences in relation to the daily application of ISCC, to discuss best practices, to identify and reduce potential risks and to facilitate improvements of the system. In this way CBs are included in the multi-stakeholder approach of ISCC and can support the implementation of best practices and the continuous improvement of ISCC. In calendar year 2022, ISCC convened four meetings with CBs, counting over 100 CB representatives. Furthermore, every year the CBs provide an evaluation report regarding important non-conformities, corrective actions and risks which have been detected during the audits and inspections of the previous year. These evaluations are taken into account for the continuous improvement of ISCC.

ISCC, as a globally applicable sustainability certification system, is moreover a partner of several initiatives and continuously involved in different projects focusing e.g. on biodiversity, food security, identification of no-go areas or on the certification of smallholder farmers in Indonesia to raise awareness among stakeholders and to tackle diverse sustainability issues. For instance, ISCC continues to partner with the WWF, Welthungerhilfe (German World Hunger Aid) and ZEF (Zentrum für Entwicklungsforschung - Center for Development Research) to promote the Food Security Standard (FSS). ISCC is also part of the EU-funded BIKE project, which conducts research on low ILUC risk feedstocks and specifically focuses on mapping and assessing increases in the production

of crops grown on abandoned or degraded land. Furthermore, ISCC commits to the ISEAL mission to strengthen sustainability standards systems for the benefit of people and the environment. The assessment and risk management process under ISCC takes into account best practice principles of the ISEAL "Code of Good Practice for Assuring Compliance with Social and Environmental Standards".

Additionally, ISCC is an active member in a wide variety of international initiatives, including the UN Global Compact, different industry initiatives in the area of sustainable aviation fuels (CORSIA, aireg), the Tropical Forest Alliance (TFA), the Sustainability Assurance & Innovation Alliance (SUSTAIN), Donau Soja, the German Initiative on Sustainable Cocoa, and the Forum for Sustainable Palm Oil (FONAP).

Best practice: ISCC Stakeholder Engagement on Renewable Fuels of Non-Biological Origin (RFNBOs)

In summer 2022, ISCC set up a certification approach for Renewable Fuels of Non-Biological Origin (RFNBOs). According to the RED II RFNBOs are "renewable liquid or gaseous fuels which are used in the transport sector other than biofuels or biogas, the energy content of which is derived from renewable sources other than biomass."

The certification approach was subject to pilot audits in September and October 2022 organised by Rijksdienst voor Ondernemend Nederland ((RVO) *engl. Netherlands Enterprise Agency*). Based on the outcome of the pilot audits and the adapted versions [1] of the delegated acts supplementing the RED II by establishing a methodology setting out detailed rules to produce RFNBOs and specifying a methodology for assessing GHG savings from RFNBOs, relevant updates were made in the ISCC system documents and audit procedures, and at the beginning of March 2023 ISCC submitted the RFNBO system documents to the European Commission for recognition.

In December 2022, ISCC communicated its efforts in the first ISCC Event on RFNBOs. Around 360 participants from all over the world joint the online meeting, which speaks for the importance of the topic. The meeting impressed with diverse presentations e.g. by RVO, the UK Departement for Transport, ISCC and Meo Carbon solutions. All presentations were very informative and left participants looking forward to future discussions with stakeholders and the development of the ISCC system.

[1] Delegated Regulations as adopted on 13 February 2023: Commission Delegated Regulation supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin Commission Delegated Regulation (EU) supplementing Directive (EU) 2018/2001 of the European Parliament and of the Council by establishing a minimum threshold for greenhouse gas emissions savings of recycled carbon fuels and by specifying a methodology for assessing greenhouse gas emissions savings from renewable liquid and gaseous transport fuels of non-biological origin and from recycled carbon fuels)

In May 2023 the first ISCC RFNBO Training will take place. Therein, participants will get to know specific regulatory framework conditions (RED II and Delegated Acts on RFNBOs), gain a profound understanding of RFNBOs certification under ISCC, discover further market opportunities for their companies and have the option to bilaterally discuss with ISCC experts.

6 Market Update

The market update summarizes information on *Annex XI to Regulation (EU) 2018/1999 (f): Market updates of the scheme, the amount of feedstocks and biofuels certified, by country of origin and type, the number of participants.*

The total number of ISCC EU certificates issued successfully in the calendar year 2022 was 5,359. The according total number of ISCC EU certified System Users in the calendar year 2022 was 5,341. The numbers can differ as the first number relates to the number of ISCC EU certificates that have been newly issued between 1 January 2022 and 31 December 2022, whereas the latter states how many companies held those certificates.

In 2022, ISCC EU System Users were located in 120 countries and ranged from farms and plantations and First Gathering Points (FGPs) for agricultural materials to Points of Origin (PO) and Collecting Points (CP) for waste and residue feedstocks to different kinds of processing units (e.g. biodiesel, bioethanol and biogas plants) as well as diverse set-ups for trading and logistic activities (traders, warehouses, logistic centers). The largest number of ISCC EU certificates in 2022 were issued for Indonesia (10%), China (9%), Spain (7%), followed by Hungary (5%) and Malaysia (5%). This represents a very similar distribution when compared to 2021. The most common certification scopes in 2020 were traders (63%), collecting points (35%), first gathering points (22%) as well as the diverse kinds of processing units.[2]

Regarding the reporting of amounts for 2022, the final response rate as of 28 April 2022 was 85% and the collected data is presented in the attached template (Excel spread sheet), including the quantities of feedstocks (raw materials) and biofuels certified under ISCC EU in the calendar year 2022 by country of origin and type as reported by ISCC System Users.

In total, 90,421,362 metric tons (mt) of raw materials as well as 16,446,459 mt of final biofuels (excluding gaseous biofuels) were reported to ISCC in this framework. This reflects a change of +3,08 for raw materials and -3,88% for final biofuels when compared to the values of 2021.

Figure 1 on page 21 depicts the top 5 agricultural raw materials that were certified under ISCC in the period 2020-2022. Palm fresh fruit bunches (FFB) continues to be the most common agricultural raw

[2] As ISCC certificates can have multiple scopes, the numbers do not add up to 100%

material, with 28,019,896 mt reported (-13.58 % on 2021). This is followed by rapeseed (12,668,938 mt; +5.58% on 2021), sugar cane (11,176,879 mt; +28.83% on 2021), corn (9,353,143 mt; -11.08% on 2021) and wheat (3,906,122 mt; -2.86% on 2021).

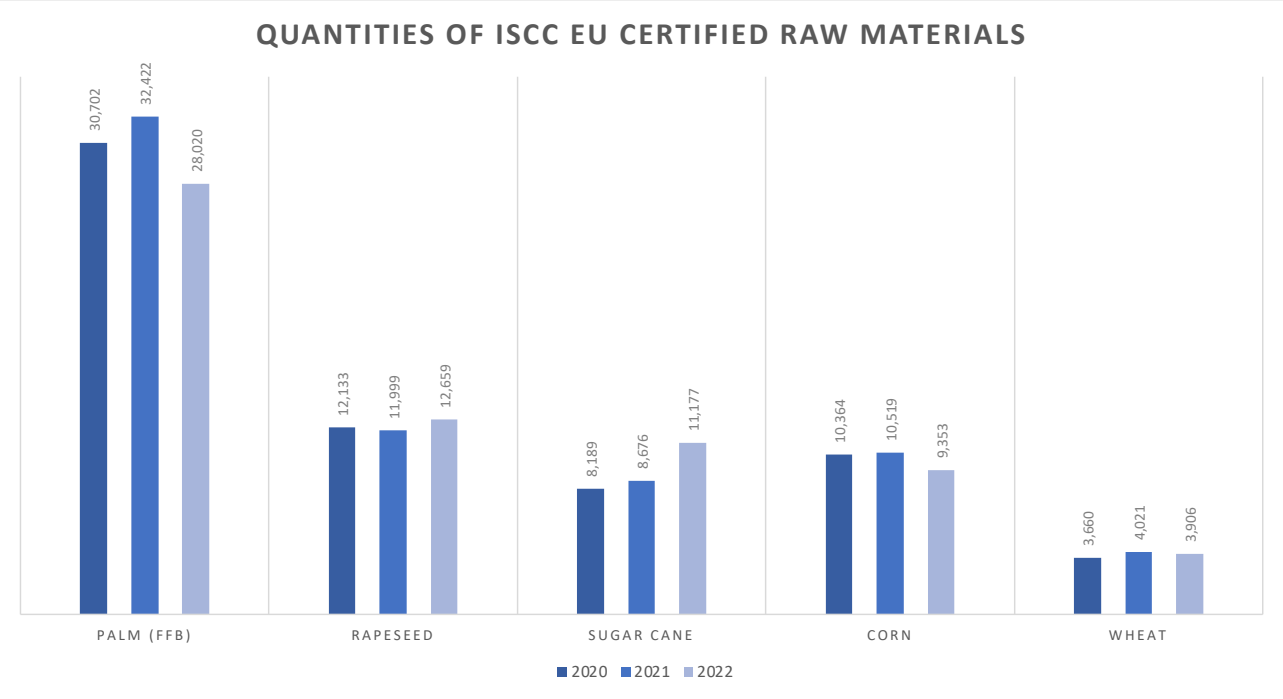


Figure 1: Quantities of top 5 agricultural raw materials certified under ISCC in 2020-2022 (in thousand mt)

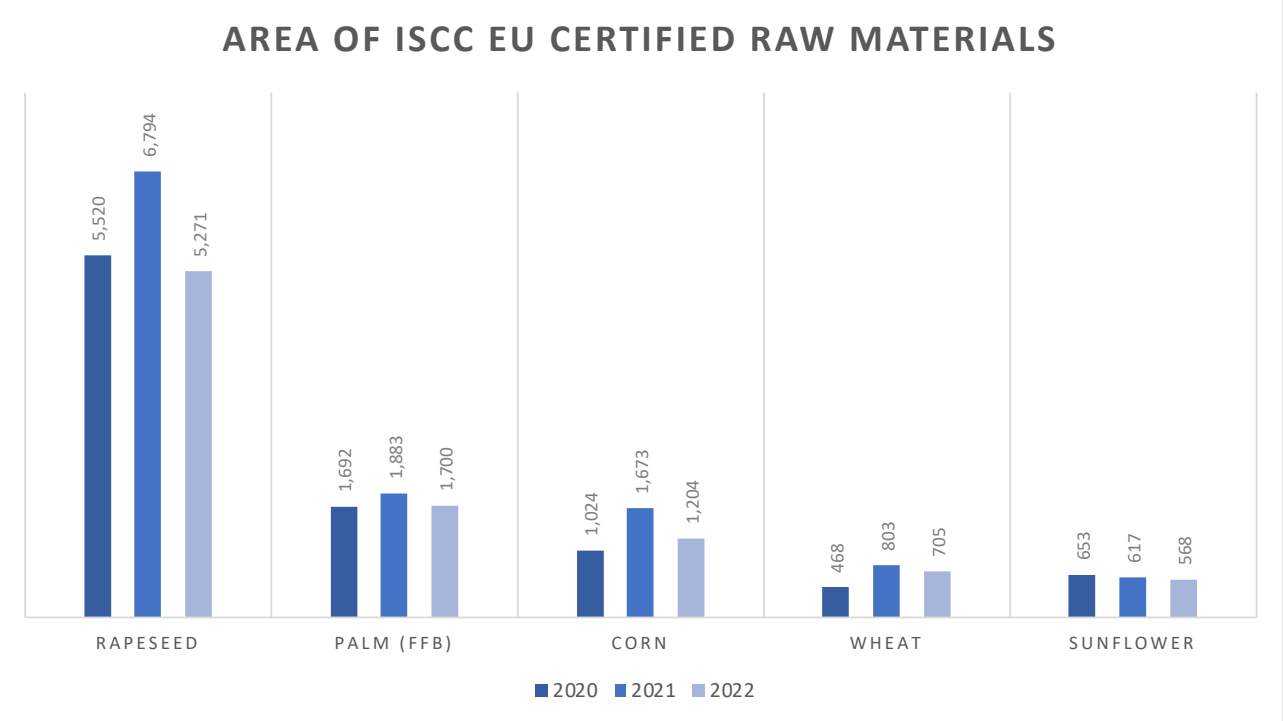


Figure 2: Cultivation area of Top 5 agricultural raw materials certified under ISCC in 2020-2022 (in thousand hectares)

As can be seen in Figure 2 on the previous page, rapeseed continues to be the agricultural raw material with the biggest cultivation area certified under ISCC, attaining 5,270,951 ha in 2021 (-22.41% on 2021), followed by the area of palm fresh fruit bunches (1,700,277 ha; -9.7% on 2020), corn (1,204,428 ha; 27.99% on 2021), wheat (704,787 ha; -12.69% on 2021) and sunflower (567,653 ha; -8.04%). The certified cultivation area for crops was calculated by applying the most up-to date yields published by FAO for the respective crop and country[3].

Figure 3 shows the top 5 waste and residue raw materials certified under ISCC in the period 2020-2022. This list is led by Used Cooking Oil (UCO) for which 4,873,550 mt were reported, an increase of 40.35% compared to 2021. Other important waste and residue materials under ISCC include the categories Animal manure and sewage sludge (4,045,651 mt; +14.91% on 2021), biomass fraction of industrial waste[4] (3,437,324 mt; +12.27% on 2021), other waste vegetable or animal oils[5] (2,395,345 mt; 65.66% on 2021) and animal by-products generated by slaughterhouse or other operations (1,435,491 mt; +88.62%).

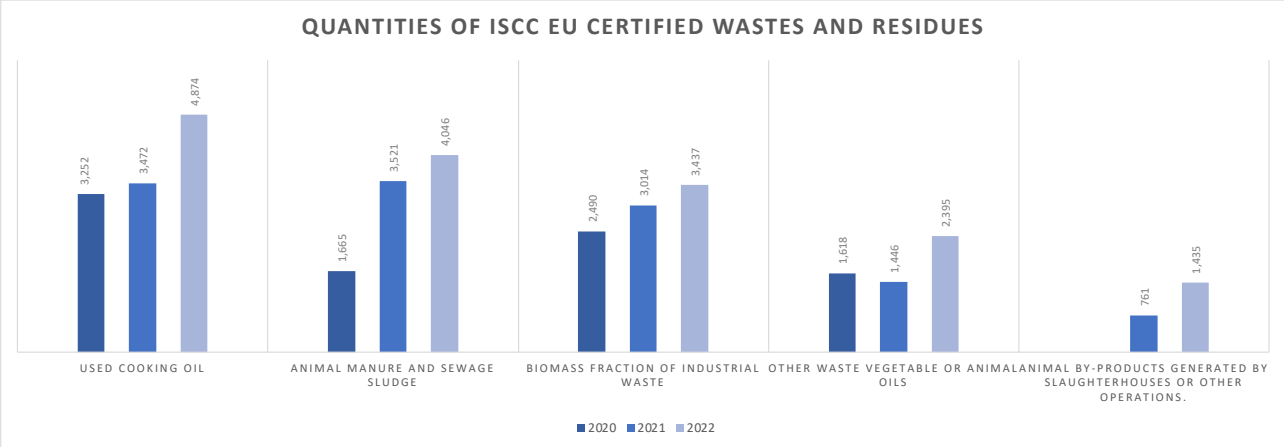


Figure 3: Quantities of top 5 waste and residue raw materials certified under ISCC in 2020-2022 (in thousand mt)

As can be seen in Figure 4 on page 23, biodiesel (with 8,630,072 mt) continues to be the most common type of final biofuel certified under ISCC in 2022, though with a noticeable drop of -1.78% compared to 2021. This is followed by Bioethanol (3,813,67 mt; +6.53% on 2021), hydrotreated vegetable oil ([HVO] 3,352,024 mt; -28.25% on 2021), methanol (79,768 mt; +17.75% on 2021) and pure vegetable oil (38,221 mt; +1.94% on 2021).

[3] retrieved from http://www.fao.org/faostat/en/#data/QC

[4] The category „biomass fraction of industrial waste" mainly includes spent bleaching earth, waste pressings (from the production of vegetable oils), waste/residues from the processing of alcohol, waste/residues from the processing of vegetable or animal oil, waste starch slurry and sugar beet residues.

[5] The category „other waste vegetable or animal oils" mainly includes animal fat/tallow (category 3), brown grease/grease trap fat, fish oil ethyl ester (FOEE), palm fatty acid distillate (PFAD) and poultry feather acid oil (PFAO).

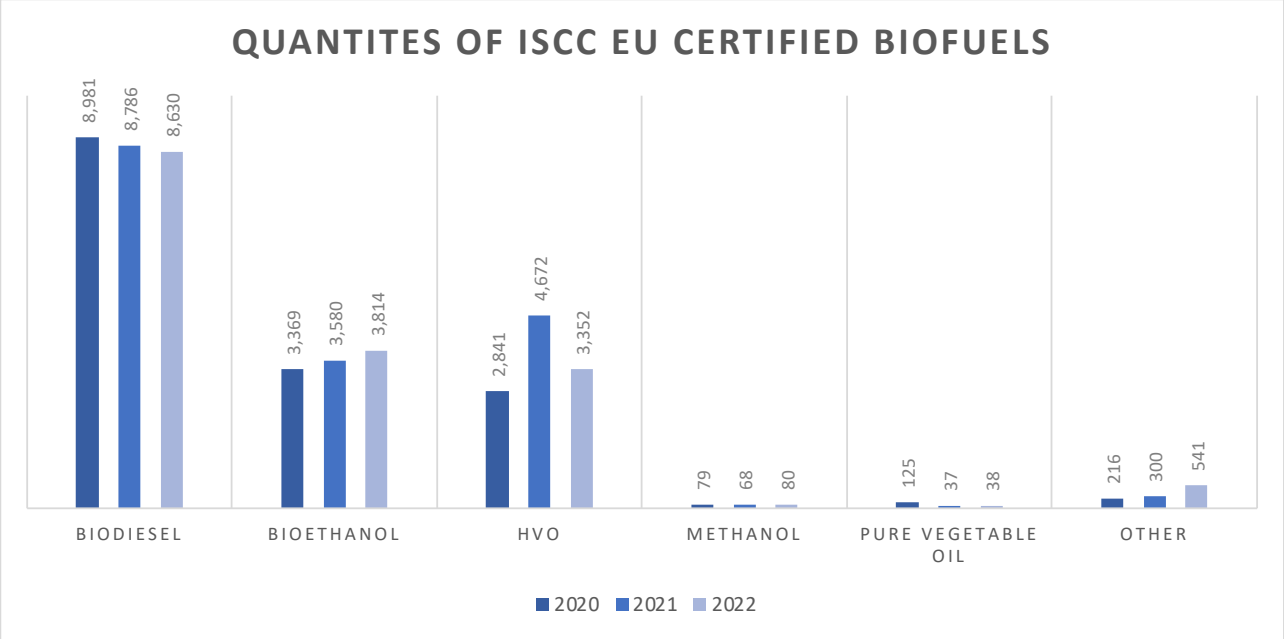


Figure 4: Types of final biofuels certified under ISCC in 2020-2022 (in thousand mt)

The amount of biomethane certified under ISCC continues to increase significantly. 369,782,236 m^3 were certified under ISCC in 2022, which represents an increase of 42,51% compared to the previous year.

Process description of the Reporting data assessment:

To fulfil its reporting obligation, ISCC collects the quantities from relevant companies that were certified under ISCC EU in the respective calendar year. Companies that do not produce a final biofuel and companies trading and/ or storing sustainable material are not subject to reporting. For this purpose, ISCC sends out personalized mailings to all concerned System Users. Those are obligated to submit the data within 30 calendar days after the first mailing has been sent out by ISCC. Once the reported quantity has been processed by ISCC, the System User receives a confirmation email confirming that it has fulfilled the reporting obligation and listing the data (type of product, type of raw material, country of origin, quantity). This confirmation mail and the data that was submitted to ISCC shall be reviewed and verified by the independent auditor during the next certification audit.

Relevant System Users are obliged to provide the quantities of ISCC EU certified material truthfully and completely and submit the requested data to ISCC in due time. If they do not comply with their reporting obligation because they do not provide the requested information in due time (or not at all) or if they submit incorrect information to ISCC, this will be marked as a non-conformity with the ISCC requirements during the audit. In this case, the provisions specified in ISCC EU System Document 102 “Governance” chapter 10 (“Non-conformities and Sanctions”) apply.

Best Practice measures:

1. *Webpage and online form*

   The personalized mailings as mentioned above include a link to an online web form where respective quantities shall be entered. ISCC continuously aims to improve every step of the data assessment to increase the number of returns as well as the accuracy of the reporting data. Along with functionality checks of the webform prior to sending it to the mailing list, the form itself is continuously optimised in such a way as to minimise potential mistyping and spelling errors (layout, readability etc.). It is also ensured that if System Users are both a biofuel producer and a feedstock producer, they will only be able to submit their reporting data if they report for both scopes, thus making sure that no quantities are accidentally overlooked. On the webpage that accompanies the online form, System Users will also find a specific FAQ section for the reporting, a downloadable overview of different supply chains detailing reporting examples as well as the contact information of the ISCC reporting help desk. This section is also continuously updated based on learnings and feedback from System Users and CBs.

   Link to the webform: https://www.iscc-system.org/eu-reporting/

2. *Mailings*

   In case System Users cannot be contacted (e.g. due to changes in phone number, mail address, etc.), ISCC approaches the respective CBs in order to update the contact data and to resend the mailing. After the initial deadline has ended, ISCC sends out reminder mails as well as an overdue notice to those System Users which have not yet responded, granting them a slightly extended deadline. After the extended deadline ISCC sends individualized mailings to CBs, asking for their support to reach those System Users that have still not reported. In these mails, the CBs are provided with all relevant information, including lists with their clients' company names, scopes and contact data. As the CBs are oftentimes in close and regular contact with their respective clients, the involvement of CBs in the data collection process has proven to be an effective way of reaching many of those companies which had not previously responded to the reporting mails by ISCC.

3. *Plausibility checks of received data*

   As soon as the web form is filled out by the System User, ISCC receives an email with the respective reporting information. At this stage the first internal plausibility check takes place, whereby quantities above a certain threshold for different raw materials and biofuels are not

imported and a request is sent to the System User to confirm or correct the unusually high or low quantities. Additionally, in a second plausibility step the imported data is compared with the data from the previous year. Deviations above a certain threshold will also not be imported before ISCC receives explicit confirmation from the System User. Furthermore, ISCC compares the quantities sent via the reporting template to the quantities reported for the "quantity dependent fee" to ISCC by auditors after each recertification audit. This applies only for conversion units but if the two amounts deviate significantly, ISCC contacts the System User for clarification and confirmation. If the quantity still significantly differs from the threshold even after confirmation by the System User, this is also stated in the confirmation message as information to be verified during the next audit by the CB auditor.

Limitations to be taken into account for this data assessment:

- The information provided is a self-disclosure by the System Users and ISCC is not in the position to verify the correctness of the respective data despite several plausibility checks during the import phase.
- Due to the process described above, ISCC receives corrections to the reported data during the 12 months after the deadline for the submission, meaning that the reporting data can only be independently verified by auditors during the 12 months after the deadline and false amounts will be corrected. An update will be provided to the European Commission.
- In some cases, data submitted to ISCC may potentially not be verified: e.g. in case no recertification audit takes place or in case the company declares bankruptcy so that no responsible contact persons can be identified, reached or (former) employees are not able to provide the requested data due to restricted data access.

7 Certification Bodies and Robustness of the Scheme

The following chapter defines ISCCs guidelines and requirements regarding:

Annex XI to Regulation (EU) 2018/1999 (e): The overall robustness of the scheme, particularly in light of rules on the accreditation, qualification and independence of auditors and relevant scheme bodies

Annex XI to Regulation (EU) 2018/1999 (h): Options for entities to be authorised to recognise and monitor certification bodies

Annex XI to Regulation (EU) 2018/1999 (i): Criteria for the recognition or accreditation of certification bodies

Annex XI to Regulation (EU) 2018/1999 (j) RED II: Rules on how the monitoring of the certification bodies is to be conducted

The requirements for CBs and auditors applicable in 2022 are included in the ISCC EU System Document 103 “Requirements for Certification Bodies and Auditors” (version 4.0). All CBs and auditors must fulfil the stated requirements to be able to offer certification services according to the ISCC system. With respect to the recognition of CBs in 2022, 10 out of a total of 55 CBs that cooperated with ISCC were recognised by the German BLE, and 45 were accredited by other Accreditation Bodies.

In the event of non-compliant behaviour of a CB cooperating with ISCC, its auditors or its representatives, ISCC may impose sanctions against the CB or the individuals responsible for the non-conformity. Those are described in ISCC System Document 102, chapter 10 ”Non-conformities and Sanctions”. In 2022, ISCC issued 14 warnings due to non-conformities of the CB with ISCC requirements. The detected non-conformities resulted in a close monitoring of the CBs performance and a higher probability to be subject of further Integrity Assessments (see also chapter 3). Regarding the non-conformities identified in the broader framework of the Integrity Programme that should have been detected by the CBs but were not, ISCC decided to exclude one auditor in 2022.

Best Practice: Independence and Rotation of Auditors

ISCC wants to make sure that the audits are conducted with impartiality and independence. Only by ensuring this, the result of each audit can be reliable and ISCC certification can maintain its standards and credibility against System Users and the market.
As mentioned in chapter 2, the ISCC EU System Document 103 “Requirements for Certification Bodies and Auditors” (version 4.0) specifically requires auditors to be independent of the activities being audited.

In addition to this, auditors are not allowed to conduct audits for the same System User for four consecutive years. This criteria of rotation of the auditor was introduced with the intention to prevent a prolonged relationship between the auditor and the System Users which could be a risk factor in the context of the auditors’ independence. The relevant audits that demonstrate compliance with these criteria are certification audits and, where appropriate, surveillance audits.

Best Practice: An extensive Training Programme

ISCC offers an extensive training programme to improve the capacities of its cooperating auditors and raise awareness among other relevant stakholders. Long-standing trainings include the three-day ISCC Basic Training, which is conducted regularly, covers all aspects of the ISCC system and

is open to all interested stakeholders. The participation in the ISCC Basic Training is mandatory for ISCC auditors before being allowed to conduct ISCC audits.

ISCC also offers dedicated Greenhouse Gas (GHG) Emissions Trainings, which go into depth on the GHG methodology laid down in the RED II. If a CB conducts audits and certifications which include the verification of individual GHG calculations, the CB must ensure that at least one GHG expert is working with the CB. This GHG expert must have participated in an ISCC GHG Training.

ISCC not only assures that existing trainings are updated regularly where necessary, but also establishes new trainings where needed. In light of its efforts to increase the security of high-risk supply chains, and particularly waste and residues supply chains, ISCC has developed the ISCC Waste and Residues Training.

In 2022, ISCC offered four ISCC Basic Trainings with 638 participants, conducted two Greenhouse Gas (GHG) Emissions Trainings with 257 participants and four Waste and Residues Trainings with 391 participants.

In total, ISCC offered 18 trainings with over 1,800 participants in 2022, of which 1,101 were ISCC auditors. This represents a huge increase since the last five years, as can be seen in Figure 5.

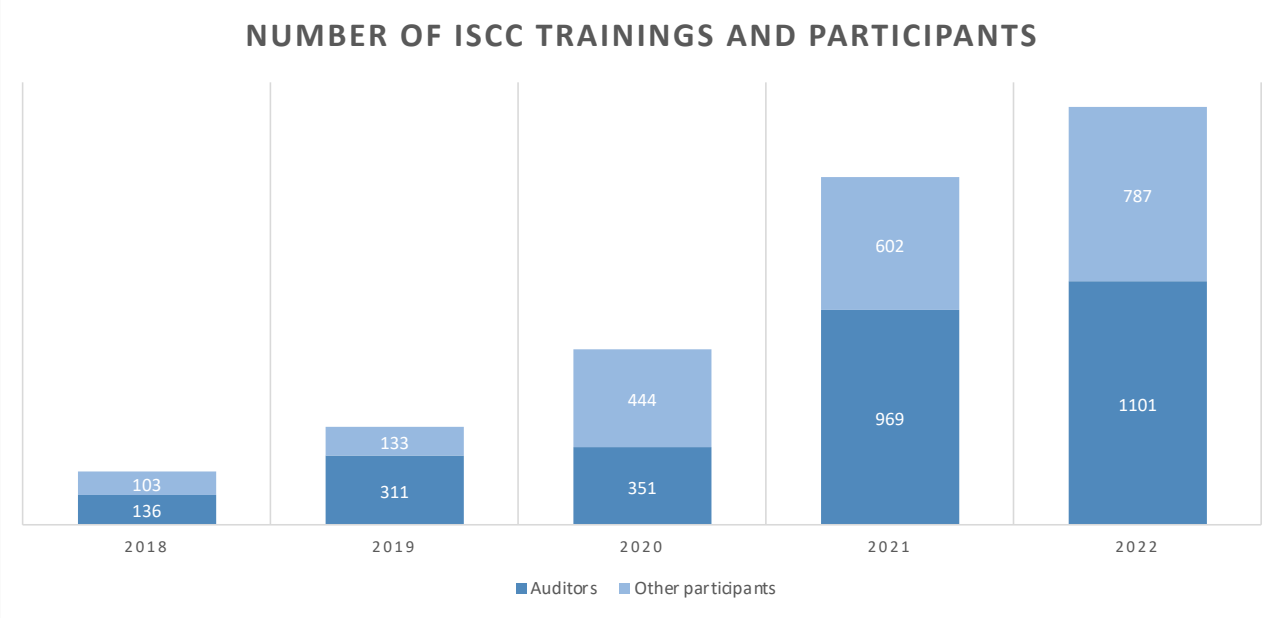


Figure 5: Number of auditors and other participants in ISCC trainings since 2018.

Since the start of its operations in 2010, ISCC has conducted 130 trainings with more than 7,000 participants from all over the world.

Cologne, 28 April 2023

Andreas Feige, Managing Director, ISCC System GmbH