

# **ISCC GUIDANCE**

## **Document on Non-Conformities and Sanctions of System Users and CBs**

Version 1.1



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Version 1.1

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# Content

<b>1</b>	<b>Introduction .....</b>	<b>2</b>
<b>2</b>	<b>Non-Conformities and Sanctions .....</b>	<b>2</b>
2.1	General Guidance on Responsibilities .....	2
2.1.1	Certification Bodies .....	2
2.1.2	International Sustainability and Carbon Certification.....	3
2.1.3	System Users .....	4
2.2	System Users .....	5
2.2.1	Non-Conformities .....	5
2.2.2	Sanctions.....	6
2.3	Certification Bodies .....	13
2.3.1	Non-Conformities .....	13
2.3.2	Sanctions.....	14
<b>3</b>	<b>ISCC Sanctions Board .....</b>	<b>17</b>
3.1	Description and Functioning of the Board.....	17
3.2	The Composition of the Board .....	17
3.3	Decision-Making by the Board.....	17

## 1 Introduction

This guidance document aims to provide clarification regarding the roles and responsibilities of parties involved in the certification process, and the processes to be followed when nonconformities are identified by Certification Bodies (CBs) responsible for the issuance of certificates. It will also inform on potential sanctions that may be issued with respect to System Users (SUs) or CBs in the context of the ISCC Integrity Programme. Furthermore, the document provides further clarity on internal procedures followed by ISCC during the issuance of such sanctions.

The objective of this guidance document is to not only provide information to System Users and Certification Bodies, but also to provide further transparency on actions taken and decisions made by the ISCC Integrity Programme.

## 2 Non-Conformities and Sanctions

### 2.1 General Guidance on Responsibilities

#### 2.1.1 Certification Bodies

Certification Bodies (CBs) are responsible for providing assurance regarding System Users' (SUs) conformity with ISCC requirements. As part of this responsibility, CBs must proactively identify any non-conformities (NCs) by the SUs, which can be achieved through regular audits, (certification, recertification, or surveillance audits) or periodic reviews. Upon detecting any NC, it is the obligation of the CB to promptly issue the applicable sanctions and/or request corrective measures, and to notify ISCC by updating the certification status of the System User in the ISCC HUB system without delay.

It is also imperative that CBs are able to accurately classify any detected NC into one of the three defined categories: minor, major, or critical. The correct categorisation of an NC is crucial, as it directly affects the subsequent status change in the ISCC HUB system.<sup>1</sup> Proper classification and categorisation of non-conformities are also crucial for maintaining the accuracy of information available to ISCC when processing further applicable sanctions, such as exclusions. Incorrect

<sup>1</sup> The ISCC HUB tool has undergone recent changes to provide greater clarity on information received from CBs. Moving forward, CBs must follow a detailed process when managing certificate status changes in the HUB. First, the CB needs to navigate to "Select new status" —choosing either "Suspended," "Withdrawn," or "Terminated" for the certificate in question—and save the changes. Next, the CB must select the "NC classification" as minor, major, critical, repetition, or other, depending on the severity of the issue. Based on this NC classification, the CB must select an appropriate "Status Change Reason," according to the examples listed in the ISCC EU 102 Governance document. Finally, it is essential that the CB provides a comprehensive "Justification for certificate status change". This justification should not only include the reason for the change but also offer clear context surrounding the detection of the NC. This serves to ensure that the rationale for the decision is fully understood and documented.

status changes or misclassification of NCs by CBs may lead to significant negative consequences and economic losses for SUs, especially considering that such changes may trigger automated communication to all relevant stakeholders via the ISCC website and newsletters. Furthermore, the misclassification of NCs by CBs will be investigated and evaluated as a nonconformity on the part of the CB itself, subject to potential sanctions.

While the responsibility for updating certification statuses lies only with the CBs, there are a few exceptions, namely: (i) lifting a suspension in certain specific cases<sup>2</sup> (ii) extending a suspension period, or (iii) conducting remote audits. In these instances, it is necessary to obtain prior consent from ISCC. If the CB acts in these situations without the explicit consent of ISCC, such actions may be deemed a nonconformity on the part of the CB and may result in sanctions.

In addition, in the event that a recertification audit of a SU is conducted by a CB who did not issue the previous certificate of that particular SU, the new CB conducting the recertification audit should share details of any non-conformities detected during the recertification audit with ISCC. ISCC may share this information with the CB which issued the previous certificate for that economic operator.

Additionally, CBs are required to respond to requests for information or statements made by ISCC within the specified deadlines. CBs should ensure that responses to ISCC requests directly and accurately address the queries contained within ISCC communications. The responses should also be accompanied by all relevant supporting documents, evidence, or communications to enable openness and transparency between the CBs and ISCC. Failure to respond to communications from ISCC, may be classified as an NC, and ISCC will record and evaluate it as such, when determining potential sanctions against the CB.

Lastly, CBs must conduct surveillance audits if deemed necessary by ISCC, with specific conditions for determining when such audits are required to be established, particularly if ISCC detects that there were errors made by the CB, with respect to ISCC requirements, in previous audits (certification, recertification or surveillance audits) of the System User.

### 2.1.2 International Sustainability and Carbon Certification

Inter alia, the ISCC Integrity Programme is responsible for ensuring that NCs are correctly classified by the CBs. When ISCC receives a notification of a status change of a certificate by a CB, ISCC will review the classification and the reasoning behind the status change. In cases of uncertainty or lack of clarity, ISCC will reach out to the respective CB for clarification, to be provided by the CB within three working days of such request. Once the status change is clarified,

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<sup>2</sup> When the CB has suspended the certificate in cases either when ISCC has come to the conclusion that there is a well-founded and urgent suspicion of a major or critical non-conformity or of fraud involving the violation of ISCC requirements, or if major NCs are detected in the context of an ISCC Integrity Assessment.

ISCC will take appropriate actions, which may include potential sanctions against the CB if classification errors are found.

Additionally, ISCC shall request official statements and further clarifications and evidence if applicable, from SUs whose certificates have been withdrawn by a CB or in cases where certificates are withdrawn following the detection of a critical NC based on the findings of an Integrity Assessment. Similarly, ISCC shall evaluate the official statements received, reviewing any supporting documents as evidence, and potentially requesting further clarifications or input from the CBs involved in the assessments.

Based on the analysis of these official statements, ISCC may proceed with the potential exclusion of SUs from recertification, determining on a case-by-case basis the appropriate period of exclusion, considering any mitigating factors or aggravating circumstances.

Lastly, ISCC may conduct investigations upon receiving credible and robust information regarding potential major or critical NCs. In such cases, both ISCC and the CB are jointly responsible for verifying the facts, and, if necessary, conducting audits to confirm compliance with ISCC's requirements.

### 2.1.3 System Users

First and foremost, System Users (SUs) are responsible for ensuring that they remain in conformity with the principles and requirements set forth by ISCC. It is expected that SUs are familiar with these principles and requirements as a prerequisite for obtaining and maintaining their certification.

It is the responsibility of SUs to respond to communications from ISCC in a timely manner, including requests for clarifications, document submissions, and statements. Failure to comply with these requests within the specified deadlines may result in the classification of a NC and could lead to appropriate sanctions, including potential exclusion from recertification, among other consequences. ISCC is not obligated to accept documents or statements submitted after the communicated deadline.

Moreover, it is the responsibility of SUs to maintain latest and current information in the ISCC HUB system, especially regarding contact details and names of relevant contact persons. ISCC will not be held responsible for situations where it is unable to contact the SU using the contact information provided by the SU within the ISCC HUB system

## 2.2 System Users

### 2.2.1 Non-Conformities

Non-conformity, as the name suggests, refers to an event where the conduct of Certification Bodies or System Users, relating to their ISCC-related activities, fails to meet or violates an ISCC requirement. Non-conformities are classified based on their impact and the degree of fault attributable to the responsible party.

There are three categories of non-conformities: minor, major, and critical. Each category reflects the severity and potential consequences of the non-conformity.

In accordance with ISCC's classification, Certification Bodies are responsible for assessing non-conformities of System Users. A list of examples of such non-conformities can be found in Chapter 10.2 of the ISCC EU System Document 102.

Based on these assessments, Certification Bodies, and ISCC should determine and apply the appropriate sanctions and other measures. ISCC may also issue binding instructions to the CB regarding the implementation of sanctions in cases of non-conformities.

#### 2.2.1.1 Minor NCs

In accordance with the ISCC EU System Document 102, **minor non-conformities** have no severe impact, are not systematic, and can be corrected (or have already been corrected) after detection. *If such nonconformities are repeated after they have been detected, they may eventually be considered major.*

Minor non-conformities must be addressed accordingly by the SU by implementing appropriate direct corrective or preventive measures within 40 calendar days after the non-conformity was identified. The correct implementation of corrections and/or preventive measures must be verified by the CB during the next audit (surveillance or recertification audit) at the latest. In addition, ISCC may request the implementation of additional reasonable measures if necessary (e.g. additional training for employees at critical control points) to ensure future conformity with ISCC requirements

#### 2.2.1.2 Major NCs

In accordance with the ISCC EU System Document 102, **major non-conformities** (1) have a severe impact or have a severe impact but are not minor and (2) are not critical. They cannot always be corrected after detection. *If minor non-conformities are repeated after they have been detected, they may be considered as major.*

A **repeated minor NC** occurs when a "minor NC" was previously detected by the Certification Body, and after the 40 calendar days as explained above (without suspending the certificate), the same "minor NC" is detected again during the next audit, or, the SU has committed the same



minor NC again. In the event of a "repeated minor NC," the CB must now classify it as a "**major NC**" (rather than a minor NC) and suspend the validity of the certificate.

### 2.2.1.3 Critical NCs

In accordance with the ISCC EU System Document 102, **critical non-conformities** have a severe impact, are systematic, irreversible or intentional, for example fraud. If major non-conformities are repeated after they have been detected, they may be considered as critical - as this is an indicator of systematic non-conformities.

A **repeated major NC** occurs when a "**major NC**" was previously detected by the Certification Body, resulting in the suspension of the certificate's validity, and was corrected or addressed by the SU within the 40-day suspension period. However, on the next audit, the CB detects the same "major NC". In this case, instead of classifying it as a "major NC", the CB must categorise it as a "repeated major NC" and, therefore, classify it directly as a "**critical NC**" (rather than a major NC) and immediately withdraw the certificate.

### 2.2.2 Sanctions

According to the ISCC EU System Document 201, certificates are classified into one of five statuses: valid, expired, suspended, withdrawn, or terminated. The precise definition of each certificate status category is detailed in Chapter 4.3 of the ISCC EU System Document 201 (v.4.1.), and a subsequent clarification on the meaning of each status was issued by ISCC via the ISCC System Update dated 26 August 2024.

Of these, only the *suspended* and *withdrawn* statuses represent sanctions imposed on System Users (SUs). A certificate can only be suspended or withdrawn if a nonconformity with ISCC requirements is detected.

It is crucial to understand that SUs cannot voluntarily request the suspension or withdrawal of their certificate, as those are sanctions imposed in case of the applicable category of non-conformity. Similarly, it is not permissible for a CB to withdraw a certificate in cases where the SU has voluntarily requested the termination of their certificate for reasons such as business closure, lack of interest in continuing certification, or other similar circumstances—such cases must be treated as a *termination* request. It is crucial to note that the decision to terminate a certificate is exclusively by the System User, and the CB may guide the SU with respect to the accurate nomenclature of each status change. If an NC is identified, it is the mandatory responsibility of the CBs to act in strict accordance with ISCC requirements and to immediately suspend or withdraw the SU's certificate upon detection of the NC.

In contrast, the *terminated* status has no relation to sanctions against the SUs, as it does not result from the identification of an NC. It is the sole responsibility of SUs to inform their CB about



any intention or request to terminate the certificate. However, even if a termination request is made by the System User, that SU must continue to comply with ISCC requirements until the Certification Body (CB) registers the termination in the HUB. It is the CB's responsibility to provide accurate advice and guidance in cases where the SU mistakenly requests the withdrawal of the certificate with the intention of terminating it. The CB must therefore take the appropriate actions to clarify the situation and prevent any misunderstandings.

Likewise, the *valid* and *expired* statuses reflect only the status of the certificate in terms of its active validity period—*valid* meaning the certificate is active and in conformity (not suspended or withdrawn) with ISCC requirements and *expired* meaning the certificate has reached the end of its validity, requiring renewal.

Although it is the CB's responsibility to detect NCs, there are cases where the ISCC may suggest the reclassification of NCs (when incorrectly classified by the CB). Furthermore, ISCC itself may detect NCs through internal investigation methods or IAs, subsequently sharing this information with—and recommending corrective actions or sanctions to—the responsible CB.

#### **2.2.2.1 Suspension**

In the case of repeated minor NCs or when one or more major NCs are detected by the CBs regarding the SUs, the CB responsible for issuing the certificate must suspend the validity of the certificate. It is important to note that this suspension must be made with immediate effect from the date on which the non-conformity was identified.

Ordinarily, the maximum duration for the initial suspension period is 40 calendar days; however, if the remaining validity period of the certificate is less than 40 calendar days, the suspension will remain in place until the expiry of the certificate's validity.

Within this period, all non-conformities must be corrected by implementing appropriate corrective measures as determined by the CB or by ISCC. It is the responsibility of the System User to prove conformity with ISCC requirements. Additionally, it is the responsibility of the CB to evaluate these corrective measures and assess whether they are sufficient to lift the suspension. It is important to note that if major NCs are identified through an IA and the certificate suspension is suggested by ISCC, the suspension can only be lifted with ISCC's consent. In this case, corrective measures must be assessed both by the responsible CB and the ISCC.

The CB shall end the suspension within the period of 40 calendar days, but only if it confirms the successful implementation of corrective measures and/or conformity with ISCC requirements by SU. For exceptional reasons, the suspension can be extended for up to 30 calendar days, but this can only be done with the consent of ISCC. The CB is responsible for notifying the ISCC in a timely manner about its intention to extend the suspension period. Otherwise, the CB is not allowed to decide to extend the period independently.

During the suspension period, the SU is not allowed to handle any material, whether incoming or outgoing, or to use the ISCC name/logo, which may impact business operations, reputation, and contractual relationships.

If all major non-conformities are not corrected and/or conformity with ISCC requirements cannot be proven within the 40 calendar days of suspension, the CB must declare the certificate invalid and withdraw the certificate with immediate effect. It is important to note that this must be an immediate action taken by the CB. In other words, it is the CB's full responsibility to monitor the 40-day suspension period and act promptly to withdraw the certificate on the last day of the suspension period, while the certificate status is still "suspended." This is because the certificate status will automatically change to "valid" the day after the suspension period ends, and it will no longer be possible for the CB to change the certificate status in the HUB to "withdrawn". For such situations, it is the responsibility of the CB to act within the end of the suspension period. If the CB does not act within the time frame, without reasonable explanation, this may be classified as a CB NC by ISCC, with potential application of sanctions.

#### **2.2.2.2 Withdrawal**

A certificate is withdrawn in case of the following scenarios:

- (i) all major non-conformities are not corrected and/or conformity with ISCC requirements cannot be proven within the 40 calendar days of suspension, or
- (ii) repeated major non-conformities, or
- (iii) the detection of a critical non-conformity.

In the aforementioned scenarios, the CB which issued the certificate must declare the certificate invalid immediately after the non-conformity was detected and withdraw it. It is important to note that the withdrawal must take effect immediately on the date on which the non-conformity was detected.

It should be emphasised that, in the case of certificate withdrawal, the SU cannot implement corrective measure to reverse the withdrawal. This is in line with the definition of a critical non-conformity, which is inherently irreversible.

In case of certificate withdrawal, the following consequences apply to the SU:

- (i) The SU is prohibited from handling materials and using the ISCC name and logo.
- (ii) An automatic newsletter will be sent out containing a list of the SUs whose certificates have been withdrawn by their respective CBs, to inform stakeholders who have subscribed to the newsletter.
- (iii) The name of the SUs whose certificates were withdrawn will appear in the list of withdrawn certificates on the ISCC website.

(iv) Once the certificate is withdrawn, the ISCC will proceed with requesting an official statement from the System User. The statement must include information and an explanation on the background and reasoning behind the detected non-conformity/ies, along with supporting documents, and evidence corroborating that statement. The ISCC will also contact the respective CB in order to gather arguments from both sides and obtain an overview of the case. Additional information may be requested later, if necessary, for the clarification of the case.

(v) ISCC may exclude the System User from recertification (exclusion) for up to 12 months in cases of ordinary negligence, and for up to 36 months in cases of gross negligence concerning the major non-conformity. ISCC may exclude the System User from recertification for a period of up to 60 months in cases of critical non-conformity.

(vi) Other consequences may include termination of the System Usage Agreement with the System User by ISCC.

### **2.2.2.3 Exclusion of a System User from Recertification**

The exclusion period refers to the duration during which a System User cannot seek recertification within ISCC and/or other Voluntary Schemes<sup>3</sup> after a non-conformity has been identified.

The decision on the exclusion period of a System User for recertification is made based on an evaluation of facts relevant to each case, and examining if any mitigating, aggravating or additional decision-making factors would influence the final exclusion period of the System User. By following the structured approach explained in more detail below, the process of determining the exclusion period for recertification is fair and adaptable, ensuring that each non-conformity is evaluated in context and that the exclusion period is appropriate to the circumstances.

Additionally, it is important to note that a System User may also be excluded from recertification without the prior withdrawal of a certificate. This latter option applies in cases where (i) a certificate has expired before its withdrawal or (ii) in cases of suspected critical or major non-conformities.

The ISCC Integrity Programme analyses the facts as available, and all accompanying documents and evidence, along with identifying mitigating, aggravating or additional decision-making factors applicable to make a recommendation relating to recertification conditions, which may include a potential exclusion period, to the ISCC Sanctions Board. The ISCC Sanctions Board, operating in its expert-based capacity will then make the final determination regarding any exclusion period and other recertification conditions of a System User, in its monthly meeting. For further details on the operation of the Sanction Board, please refer to Chapter "3. ISCC Sanction Board".

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<sup>3</sup> For ISCC EU System Users, "Voluntary Schemes" here, refers to voluntary schemes and national schemes that are formally recognised by the European Commission in the framework of the RED II.

#### 2.2.2.3.1 Level of Negligence Based on the Category of Non-Conformity

As previously explained, when a non-conformity is detected within ISCC, it must be categorised as minor, major, or critical by the respective Certification Body. If a withdrawal has occurred due to either (i) all major non-conformities are not corrected and/or conformity with ISCC requirements cannot be proven within the 40 calendar days of suspension, or (ii) repeated major non-conformities, a decision regarding an exclusion period of the SU based on the statements, documents, and information received from both the SU and the CB would also need to examine the nature of negligence involved in the occurrence of the major non-conformity. Negligence refers to the omission to do something which a reasonable person, guided by those considerations which ordinarily regulate the conduct of human affairs, would do, or, doing something which a prudent and reasonable person would not do given the knowledge of all parties in the given situation, and extant circumstances. This categorisation of the negligence involved is crucial to determine the exclusion period for recertification of the System User. The levels of negligence are as follows:

- i. Ordinary Negligence: Negligence that could have been avoided if the system user and its representatives had exercised due care. This is considered a lower level of negligence.
- ii. Gross Negligence: A severe degree of negligence that reflects a reckless disregard for the requirements or duties within the system, resulting in substantial damage or risk to stakeholders.

The negligence level determines the exclusion period for recertification of a System User.

NC Category	Negligence Level	Exclusion Period
Major	Ordinary Negligence	Up to 12 months
Major	Gross Negligence	Up to 36 months

It should be noted that in case of critical nonconformities, the maximum exclusion period applicable is 60 months, irrespective of the level of negligence involved, due to the critical nature of the non-conformity.

#### 2.2.2.3.2 Factors Influencing the Exclusion Period of an SU

Based on the categorisation of the non-conformity by the CBs when withdrawing a certificate, and the classification of the level of negligence if applicable in case of major non-conformities, ISCC analyses and evaluates the factors impacting the severity of the non-conformity in more detail, comprising mitigating factors, aggravating circumstances and additional decision-making factors which may adjust the exclusion period.

Mitigating factors are those that soften the severity of the non-conformity and can lead to a reduction in the exclusion period. **Mitigating factors** include, but are not limited to, the following:

- **Good Faith:** The system user communicated and cooperated regularly and in a timely manner with the CB & ISCC and demonstrated honesty and transparency throughout the corrective process.
- **Immediate Corrective Actions or Preventative Actions as Applicable:** Immediate and effective actions were taken to correct the non-conformity upon identification if applicable, or to prevent its reoccurrence in the future, showing proactive and responsible management.
- **Volunteering Information on Non-Conformities:** The System User voluntarily declares information regarding its own non-conformity with ISCC requirements, before they are detected by the CB or by ISCC, which indicates proactive vigilance and transparency.
- **Unforeseen Natural Events:** Unforeseen weather events or natural occurrences preventing immediate conformity with ISCC requirements, such as conducting of a mandatory surveillance audit.
- **Miscommunication by the CB or by ISCC:** Lack of clarity in communications by the CB to the System User, leading to misunderstandings resulting in the non-conformity.
- **Bankruptcy and Closing-down of Operations:** The System User undergoes insolvency or bankruptcy proceedings or closing of business operations due to unforeseen circumstances but still omits to terminate the certificate. (NOTE: Requires evidence of insolvency or bankruptcy proceedings.)
- **Documentation and Defense Arguments:** The System User provided a complete and high-quality statement, explaining the circumstances relating to the non-conformity.

On the other hand, aggravating circumstances increase the severity of the non-conformity and may result in an extended exclusion period. **Aggravating factors** include, but are not limited to, the following:

- **Bad Faith:** Evidence of the System User knowingly disregarding ISCC certification requirements, with the awareness that this would or could constitute a non-conformity, or evidence of deliberate falsification, or concealment of critical information.
- **Repetition of the Non-Conformity:** A history of repeated identical or similar non-conformities, or the failure to permanently correct previously-identified issues, will increase the exclusion period.

- **Violation of ISCC Principles:** Any non-conformity wherein there is credible reporting or evidence indicating potential violation of ISCC principles will result in a longer exclusion period.
- **Information from Competent Authorities, CBs, or Credible News Reportage:** ISCC's receipt of substantiated information from Competent Authorities or Certification Bodies or credible news reportage regarding a System User being convicted of violations relating to ISCC requirements.
- **Lack of Communication and Transparency:** The System User fails to respond to requests for a statement or any communications in the context of the ISCC Integrity Programme, as sent to the designated contact person in the ISCC HUB, within the deadlines provided.
- **Credible Information Arising from Whistleblower Reports or Complaints:** SCC has credible information from a WB Report or Complaint that the SU may be involved in activities that pose a risk to the Integrity of the ISCC system.
- **Potential or Actual Impact on the Market and/or External Stakeholders:** The degree to which the non-conformity could affect external stakeholders, such as customers, suppliers, or the general public. Non-conformities with the potential for widespread market impacts or reputational damage to the integrity of the ISCC system as a whole will lead to a more severe exclusion.
- **Potential or Actual Impact on ISCC:** The internal consequences for the company, including financial loss, operational disruption, or harm to its relationships with key stakeholders. A significant internal impact will influence the length of the exclusion period.

In determining the final exclusion period for recertification, several other factors are considered to ensure a well-rounded and equitable decision. In practice, these can act as either mitigating **or** aggravating factors, depending on the specific case. In other words, a positive finding can decrease the total exclusion period, while a negative finding can increase the total exclusion period. **Additional decision-making factors** include but are not limited to:

- **Systemic Nature of the Non-Conformity:** The extent to which a non-conformity is indicative of systemic non-conformities within the management system of the System User, as opposed to one-off errors made despite protections put in place by the System User.
  - If a high number of critical or major non-conformities are found simultaneously, this indicates systematic concerns with the System User's management and policies, which can lead to an increased exclusion period. A small number of critical or major non-conformities, taken together with explanation of how they came to be despite the System User's efforts, can lead to a reduction in exclusion period.

- **System User's History of Non-Compliance:** This considers the number and severity of previous non-conformities throughout a System User's period of certification and registration within the ISCC System.
  - A lack of any previous suspension, withdrawal, or exclusion period in a timeframe **including at least one re-certification** is indicative of generally good management practices and can lead to a reduction in the exclusion period. However, prior withdrawal or exclusion, or multiple prior suspensions, indicates potential systemic concerns with the overall management of a System User and can lead to an increased period of exclusion.

#### 2.2.2.3.3 Definition of a Final Exclusion Period

After considering all the factors listed above, the ISCC Sanctions Board will make the final determination regarding the appropriate exclusion period for recertification of the System User. This approach ultimately reinforces the integrity of the certification system and encourages continuous improvement among system users.

## 2.3 Certification Bodies

### 2.3.1 Non-Conformities

There are three categories of CB non-conformity, similar to SUs: minor, major, and critical. Each category reflects the severity and potential consequences of the non-conformity and examples of each type of non-conformity are contained in the ISCC EU System Document 102 (v.4.1.)<sup>4</sup>. ISCC is responsible for assessing the type and level of non-conformities of Certification Bodies when they are detected. Based on the categorisation of the non-conformities, ISCC may determine and apply the appropriate sanctions and impose other measures applicable. ISCC may also issue binding instructions to the CB regarding the implementation of sanctions in cases of non-conformities.

#### 2.3.1.1 Recording and Classifying CB NCs

As previously explained, when a CB's non-conformity is detected in relation to ISCC requirements, it must be categorised as minor, major, or critical. These NCs can be detected through various means, such as the completion of Integrity Assessments at SUs or through CBs Office Audits, through internal controls and daily monitoring by the Integrity Programme, evaluations by other ISCC departments (such as the Certification or Registration team), or even through external sources (such as information from relevant competent authorities, etc.).

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<sup>4</sup> Please refer to ISCC EU System Document 102 for definitions of the minor, major and critical non-conformities of CBs.



Specifically, regarding the first two scenarios related to Integrity Assessments in SUs or CBs, it is important to highlight that the ISCC Integrity Programme will request an official statement from the CB regarding the detected NCs, which must be submitted to ISCC within two weeks. This official statement will be analysed internally by the Integrity Programme to evaluate if any sanctions are applicable.

Furthermore, for the other cases, ISCC may request clarifications, explanations, or official statements from the CB and/or its auditors, and if necessary, allow ISCC to correct any errors made by the CBs. All received (or not received) official statements, as well as any information, documents, and other evidence, will be analysed by ISCC and considered for the classification of NCs, so that the record of detected NCs can be processed accordingly for subsequent application of sanctions. Sanctions at four levels (warning, yellow card, red card, or contract cancellation) may be communicated by ISCC to the CBs in writing via email. Please note that the issuance of Red Cards will be published on the ISCC website, and the respective accreditation body/authority will be informed by ISCC regarding the issuance of Yellow Cards, Red Cards and contract cancellation of CBs. For more details regarding each of the sanctions and their consequences, please refer to the following chapter 2.3.2 "Sanctions".

The NC will be considered a repetition if it has already been identified and resulted in a sanction previously applied. In other words, if the NC has been previously sanctioned by the ISCC, and the same NC is detected for the same CB, the NC must be classified as a repetition. Repetition of an NC will result in a reclassification of the category (i.e., if it was previously classified as minor, it will now be considered major; if it was previously classified as major, it will now be considered critical).

### 2.3.2 Sanctions

In the event of non-conformities with ISCC requirements by CBs, its auditors or representatives, ISCC may impose sanctions against the CB or the individuals responsible for the non-conformity, which include the issuance of Warning, Yellow Card, Red Card, and Contract Cancellation, along with any applicable contractual penalties in accordance with ISCC System Documents, and applicable agreements with the respective CB. These sanctions may also be country-specific. Along with ISCC sanctions, ISCC may also impose additional measures within set time frames, to prevent future non-conformities of the CBs and require the CB to provide evidence of the successful implementation of those measures: e.g. additional training requirements for auditors.

#### 2.3.2.1 Warning

A Warning may be issued by ISCC in the event of minor non-conformities with ISCC requirements being detected. The Warning would be issued in writing to the CB, and it is the CB's responsibility to respond to the Warning with a statement of explanation to ISCC within 14 calendar days upon notification of the Warning. The statement from the CB must include a description of suitable

measures taken by the CB for preventing future non-conformities or for ensuring future conformity with ISCC requirements.

#### **2.3.2.2 Yellow Card**

The second type of CB Sanction: a Yellow Card, may be issued by ISCC in the following cases:

- i. in case of repeated or systematic minor non- conformities; or
- ii. if case major non-conformities of the CB are detected; or
- iii. if the CB does not react to or does not report in response to written requests by ISCC for, e.g. evidence or statements by ISCC.

The issuance of Yellow Cards will be accompanied by a communication by ISCC to the respective accreditation body or respective national authority that has accredited or recognised the CB. This communication will mention that the CB in question was issued a Yellow Card by ISCC, and the circumstances that led to the Yellow Card. The issuance of a Yellow Card may also be accompanied by further measures imposed by ISCC that have to be implemented by the CB within a set time frame, including specific measures to prevent non-conformities by specific auditors engaged by the CB. It is the CB's responsibility to respond to the Yellow Card with a statement of explanation to ISCC within 14 calendar days upon notification of the Yellow Card. The statement from the CB must include a description of suitable measures taken by the CB for preventing future non-conformities or for ensuring future conformity with ISCC requirements.

#### **2.3.2.3 Red Card**

The third type of CB sanction: a Red Card, may be issued by ISCC in the following cases:

- i. In cases where critical non-conformities with ISCC requirements are detected; or
- ii. if measures required due to a Yellow Card have not been completely implemented within the set time frame; or
- iii. if the CB does not react to or report on repeated written requests for, e.g. evidence or statements by ISCC, or if the accreditation body or competent national public authority has suspended the accreditation or recognition of the CB.

A Red Card implies that the CB is not permitted to issue certificates to new clients for the duration of the Red Card (i.e. System Users that were not clients of the CB prior to the date the Red Card was issued). The duration of the initial Red Card depends on the degree of negligence involved in the CB non-conformity as follows:

- 6 months in case of ordinary negligence

- 12 months in case of gross negligence

The issuance of an initial Red Card shall be accompanied by a communication to the respective accreditation body or national authority that has accredited or recognised the CB and is responsible for monitoring the CB, regarding the issuance of the Red Card and the circumstances that led to the Red Card. The issuance of the Red Card and its respective duration shall also be published on the ISCC Website.

The duration of a Red Card may be extended twice, for twelve months each time, under as follows:

- It may be extended for the first time in case of repeated detection of circumstances that lead to a Red Card within the period of the initially issued Red Card. During the first extension of the Red Card, the CB is not permitted to issue certificates to new clients for additional 12 months, and the CB is not permitted to issue certificates to existing clients for a period of 6 months.
- It may be extended for the second time in case of repeated detection of circumstances that lead to a Red Card within the extension period of the Red Card. During the second extension of the Red Card, the CB is not permitted to issue certificates for a period of 12 months to new clients, and the CB is not permitted to issue certificates for a period of 12 months to existing clients.

For each extension of a Red Card, ISCC shall inform the accreditation body or respective national authority that has accredited or recognised the CB and is responsible for monitoring the CB of the extension of the Red Card and the circumstances that led to the extension and shall also publish the updated duration of the Red Card on the ISCC website.

#### **2.3.2.4 Contract Cancellation**

As the fourth type of sanction, ISCC may terminate the cooperation agreement with the CB under the following conditions:

- in cases of verified fraud; or
- if a Red Card could not be lifted after the second extension; or
- in cases of bankruptcy; or
- in case of loss of the required recognition or accreditation of the CB by a national authority or accreditation body.

## 3 ISCC Sanctions Board

### 3.1 Description and Functioning of the Board

Along with the ISCC Integrity Programme, ISCC also relies on an expert-driven, internal decision-making body, the internal ISCC Sanctions Board (hereinafter “Board”), to decide on the issuance of Red Cards, and to decide upon whether System Users may be excluded from recertification and if yes, the duration for which they shall be excluded, along with the imposition of any recertification conditions as applicable.

### 3.2 The Composition of the Board

The Board would comprise three members (nominated in their expert capacity from relevant ISCC departments), with all members present and voting at its monthly meeting (implying the occurrence of at least one meeting every month). The Board may also meet more than once per month in case of urgency or other considerations. Nominated members must also designate alternates who may attend the meetings in case the members are unavailable to attend the monthly meeting. The ISCC Integrity Programme provides secretarial support to the working of the Sanctions Board, which includes the preparation of materials and agendas for its meetings, recording of minutes, and communicating decisions made by the Sanctions Board.

### 3.3 Decision-Making by the Board

Based on the recommendations and analysis presented by the Integrity Programme, the Board may through unanimous consensus, agree to either confirm, reject, amend the recommendation of the Integrity Programme, or adjourn the decision to a future date subject to further information or clarifications. The final decision of the Sanctions Board will be communicated following the meeting of the Sanctions Board, to the relevant System Users and/or CBs by the ISCC Integrity Programme, including any external communications as required by the ISCC System Documents.

## Annex I Glossary

**Certification Bodies:** Independent third-party organisations which cooperate with ISCC to issue certificates, conduct audits, and perform other relevant tasks as outlined in ISCC System Document 103.

**Certificates:** Documents that confirm the compliance of a holder with the requirements of the ISCC System.

**System Users:** Economic operators that are registered with ISCC.

**ISCC Integrity Programme:** A tool to continuously monitor the performance of ISCC System Users as well as the performance of CBs cooperating with ISCC to ensure and maintain the high quality of ISCC.

**Non-conformities:** The non-fulfillment or violation of an ISCC requirement by a CB or System User.

**Audits:** A check during which it is confirmed that a System User is in compliance with all applicable ISCC requirements.

**ISCC HUB System:** An online platform for managing the registration- and certification-related data of System Users.

**Surveillance Audits:** Further audits in addition to the annual audit, often conducted within six months of the initial audit.

**Official Statement:** A written explanation provided by the relevant CB or System User, explaining the reason for non-compliance.

**Integrity Assessment:** Independent on-site or remote assessments, conducted by ISCC Integrity Auditors, of a CB, System User, or auditor.

**Exclusion:** Period of time during which a System User or CB cannot be re-certified.

**Minor Non-Conformities:** Non-conformities that have no severe impact, are not systematic, and can be corrected (or have already been corrected) after detection.

**Major Non-Conformities:** Non-conformities that have a severe impact or have a severe impact but are not critical. They cannot always be corrected after detection.

**Repeated Minor Non-Conformities:** Occurs when a "minor NC" was previously detected by the Certification Body, and after 40 calendar days, the same "minor NC" is detected again, or, the SU has committed the same minor NC again.

**Critical Non-Conformities:** Non-conformities that have a severe impact, are systematic, and irreversible or intentional, for example fraud.

**Repeated Major Non-Conformities:** Occurs when a “major NC” was previously detected, resulting in the suspension of the certificate’s validity, and was corrected or addressed by the SU within the 40-day suspension period. However, on the next audit, the CB detects the same “major NC”.

**Certificate Suspension:** A period of, ordinarily, 40 calendar days, during which a System User cannot handle ISCC materials. This time is to allow the System User to correct major non-conformities.

**Certificate Withdrawal:** The non-reversible revocation of a certificate due to major or critical non-conformity, which carries with it an exclusion period of up to 36 months (if due to a major non-conformity) or up to 60 months (if due to a critical non-conformity).

**Valid Certificate:** Refers to an active certificate.

**Expired Certificate:** Refers to a certificate that is no longer valid because the period of validity has ended.

**Certificate Termination:** Refers to a certificate that was voluntarily cancelled while still valid upon request by the System User.

**Termination Request:** Also called a “request for termination,” this refers to cases where the SU has voluntarily requested the termination of their certificate.

**Voluntary Schemes:** Systems that help to ensure that biofuels, bioliquids and biomass fuels are sustainably produced by verifying that they comply with the EU sustainability criteria.

**Sanction Board:** An expert-driven, internal decision-making body to decide on the issuance of Red Cards, and to decide upon whether System Users may be excluded and if yes, the duration for which they shall be excluded

**Negligence:** Negligence refers to the omission to do something which a reasonable person, guided by those considerations which ordinarily regulate the conduct of human affairs, would do, or doing something which a prudent and reasonable person would not do given the knowledge of all parties in the given situation, and extant circumstances.

**Ordinary Negligence:** Negligence that could have been avoided if the system user and its representatives had exercised due care.

**Gross Negligence:** A severe degree of negligence that reflects a reckless disregard for the requirements or duties within the system, resulting in substantial damage or risk to stakeholders.

**Range of Exclusion:** A system that allows for an initial exclusion period to be set based on the classification of the non-conformity and its level of negligence, by starting from the mid-point of the maximum allowable period and adjusting based on other factors.

**Mitigating Factors:** Facts and circumstances that soften the severity of the non-conformity and can lead to a reduction in the exclusion period.

**Aggravating Factors:** Facts and circumstances that increase the severity of the non-conformity and may result in an extended exclusion period.

**Additional Decision-Making Factors:** Other facts and circumstances that can affect the length of a recommended exclusion period either positively or negatively, depending on the case-specific situation.

**Warning:** A sanction issued in writing only to a CB, requiring the CB to respond with an explanation of their future corrective actions.

**Yellow Card:** A sanction imposed on a CB, but of which ISCC will inform the CBs accreditation body or national authority, requiring the CB to implement corrective measures.

**Red Card:** A sanction prohibiting CBs from issuing new certifications for a period of up to 12 months, which can be extended twice for a total of up to 36 months.

**Contract Cancellation:** Termination of the cooperation agreement with the CB.

**Repetition:** A non-conformity that has already been identified and resulted in a sanction applied in a previous quarter