



## RISK MANAGEMENT

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### CERTIFHY EU RFNBO VOLUNTARY SCHEME

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# 1. Status of this document

This document, “Risk Management”, is part of the CertifHy EU RFNBO Voluntary Scheme.

All CertifHy EU RFNBO Voluntary Scheme documents in their latest applicable version are valid and must be considered for the scope of application. In the event of conflict between the text of this document and the CertifHy Scheme Document, the CertifHy Scheme Document shall always take precedence.

## 1.1 Change History

Version	Date	Description
1.0	28.02.2023	Version 1.0
1.1	10.07.2023	Version 1.1: Adjustments following the publication of an updated version of the Assessment Protocol for Voluntary Schemes for RFNBOs)
1.2	15.01.2024	Version 1.2: Adjustments taking up the Q&A Document of the European Commission of 26.07.2023)
1.3	02.05.2024	Version 1.3: Adjustments taking up the Q&A Document of the European Commission of 14.03.2024 and feedback from DG ENER)
1.4	15.07.2024	Version 1.4: Minor updates: change of “non-compliance” into “non-conformities”
1.5	25.07.2024	Version 1.5: Minor amendments to align with the “Grievances, Whistleblowing & Appeals Procedure” document
1.6	31.10.2024	Version 1.5: Editorial adjustments





## 2. Purpose of this document

The purpose of this document is to describe the requirements for Risk Management within the CertifHy EU RFNBO Voluntary Scheme framework. Risk Management constitutes an integral part of the quality policy of the CertifHy EU RFNBO Voluntary Scheme. These requirements are critical for ensuring the integrity, reliability, credibility and high-quality assurance of the CertifHy EU RFNBO Voluntary Scheme.



### 3. Scope and Normative References

The principles regarding Risk Management set forth the general protocol for identifying, monitoring, evaluating and addressing risks in order to ensure the proper and transparent implementation of the CertifHy EU RFNBO Voluntary Scheme, its requirements and standards. These Risk Management principles are applied to the CertifHy Scheme Operator as an organisation, to Certification Bodies and to Economic Operators interested in obtaining certification according to the CertifHy EU RFNBO Voluntary Scheme requirements.

This document covers the Risk Management processes required under the CertifHy EU RFNBO Voluntary Scheme, which apply to all activities related to the CertifHy EU RFNBO Voluntary Scheme, and the implications of risks for CertifHy EU RFNBO Voluntary Scheme outputs. These Risk Management requirements complement the other requirements established across the CertifHy EU RFNBO Voluntary Scheme documents.



## 4. Definitions, Process and Levels of Application

A Risk will or may have an impact on the mission or integrity of the CertifHy EU RFNBO Voluntary Scheme. A Risk can either be evaluated in terms of its probability of occurring or the consequences if it does occur. Risk indicators can be used to identify potential risks. A risk indicator describes an event or situation that could pose a risk to the CertifHy EU RFNBO Voluntary Scheme and/or to the CertifHy Scheme Operator.

This document only covers those risks that relate to the requirements of the CertifHy EU RFNBO Voluntary Scheme. It does not consider other risks, such as technical or financial risks.

Once a risk has been identified, it must be evaluated based on its relevance to a specific situation. The result of that evaluation leads to the classification of the risk. Under the framework of CertifHy EU RFNBO Voluntary Scheme, the risk shall be evaluated and classified with a risk level: low (risk factor 1.0); medium (risk factor 1.5); or high (risk factor 2.0).

Risk Management is relevant on three different levels of the CertifHy EU RFNBO Voluntary Scheme: for the CertifHy Scheme Operator; for Certification Bodies cooperating with the CertifHy Scheme Operator; and for Economic Operators seeking certification under the CertifHy EU RFNBO Voluntary Scheme. On each level, the Risk Management principles must be taken into account and appropriately applied.

### 4.1 CertifHy

Risk Management constitutes an integral part of all operations and decisions made within the CertifHy EU RFNBO Voluntary Scheme framework. The CertifHy Scheme Operator shall continuously monitor potential risks to the integrity of the CertifHy EU RFNBO Voluntary Scheme by:

- Engaging in multi-stakeholder dialogue with all CertifHy stakeholders, e.g. in CertifHy Working Group meetings;
- Convening regular meetings with recognised Certification Bodies to exchange feedback and learn from their practical experiences;
- Seeking continuous feedback from Economic Operators, including grievances or reports of non-conformities or alleged fraudulent behaviour; and
- Continuously conducting internal reviews of the Audit documentation submitted to it.

If risks to the CertifHy Scheme Operator are identified in specific regions or regarding specific topics, the CertifHy Scheme Operator will engage with the relevant stakeholders to develop appropriate risk control and mitigation





measures. To that end, a fact-based analysis of the risk shall be undertaken. Furthermore, the CertifHy Scheme Operator shall promote new developments, tools and other measures to improve the Risk Management process. This includes the application of risk assessment tools such as databases that may improve the traceability of certified products or sustainability claims, thus reducing the risk of fraud.

Audit documentation must be submitted by the Certification Body to the CertifHy Scheme Operator after an Audit has been conducted. On the grounds of a risk-based evaluation, the CertifHy Scheme Operator shall internally review some of this documentation. These internal reviews ensure the consistent application of the CertifHy EU RFNBO Voluntary Scheme documents and procedures and assure a level playing field for all Certification Bodies and Economic Operators.

## 4.2 Certification Bodies

Prior to the Audit of an Economic Operator, the Certification Body conducts an independent Risk Assessment. During this Risk Assessment, the Certification Body shall take into account both the results of the self-assessment performed by the Economic Operator and the design of the Economic Operator's management system.

To be recognised by the CertifHy Scheme Operator, Certification Bodies are required to have Risk Management processes and procedures in place. These processes and procedures must be adapted to the CertifHy EU RFNBO Voluntary Scheme requirements (see Chapter 5.5 in the "Requirements for Certification Bodies & Auditors" document). They must include a Risk Management process ensuring that Audits are carried out reliably, rigorously and in a way that limits risks to the integrity of the CertifHy EU RFNBO Voluntary Scheme. They must also include a risk evaluation.

The Certification Body shall identify all relevant risk factors associated with a particular operation or activity. This shall include the identification of potential sources of risk to the Certification Body's operations, both as a whole and to any part thereof, and to the comprehensive, consistent and transparent implementation of the CertifHy EU RFNBO Voluntary Scheme requirements.

For each risk identified, the Certification Body shall assess the potential extent of damage that could result from the deficient implementation of the CertifHy EU RFNBO Voluntary Scheme requirements. Depending on the results, the intensity and focus of the Audit shall be determined (according to the principles specified in Chapter 5). In other words, the higher the determined risk factor, the more thoroughly an Audit shall be conducted to verify and ensure compliance with the CertifHy EU RFNBO Voluntary Scheme requirements.

During the risk assessment of an Economic Operator, Certification Bodies shall investigate different reliable sources and shall check whether country-specific information is available for the region in which the Audit will be conducted. This



may include, for example, a web-based inquiry of current reports from Non-Governmental Organisations (NGOs), journals or other media covering social or environmental issues relevant to the CertifHy EU RFNBO Voluntary Scheme. The results of this investigation shall be taken into consideration for the identification and assessment of risk, and moreover, for deciding when Audits shall be planned and conducted.

During an Audit, Certification Bodies must follow a risk-based approach and shall give greater attention to those areas where the risk assessment has indicated higher risk factors. The Certification Body must also consider the results of previous Audits. Depending on the factual findings of the Audit, the Certification Body is entitled to increase (or decrease) the assessed risk level.

## 4.3 Economic Operators

The Economic Operator shall develop, document and implement a Risk Management approach. It is recommended that the Risk Management approach be based on ISO 31000:2018.

The Economic Operator shall provide the name and details of the management representative who has the overall responsibility for developing and implementing the Risk Management approach. The Economic Operator shall ensure and maintain the necessary knowledge, resources, competencies, skills and systems for complying with this procedure. In particular, the management representative who has the overall responsibility for putting the Risk Management approach in place shall have the requisite knowledge and competence to do so.

The Economic Operator shall include all entities, sites, facilities and employees, including sub-contractors, in the scope of certification. All staff responsible for implementing the Risk Management approach shall be properly trained and qualified.

In parallel to the external risk assessment conducted by the Certification Body, the Economic Operator shall conduct a self-assessment based on the principles and risk indicators specified in Chapter 5. Based on the results of the self-assessment, the Economic Operator shall design its internal quality management system in a way that appropriately addresses and minimises the identified risks of its activities to the integrity of the CertifHy EU RFNBO Voluntary Scheme.

The risk assessment of an Economic Operator shall focus on the internal processes of the Economic Operator and the risks associated with its non-conformity with the CertifHy EU RFNBO Voluntary Scheme requirements and principles.



## 5. Risk Assessment

This document is supplemented by the CertifHy EU RFNBO Scheme Training, which details the practical application of these criteria to ensure the implementation of adequate Risk Assessment practices as they pertain to RFNBO certification.

### 5.1 Identification of Risk

The first step of a risk assessment is the identification of potential risks by analysing the risk indicators (see below). The identified risk indicators form the basis of the risk assessment and function within the framework of the CertifHy EU RFNBO Voluntary Scheme. These risk indicators shall be considered during all CertifHy EU RFNBO Voluntary Scheme Audits in order to identify the potential risks of non-conformity with the CertifHy EU RFNBO Voluntary Scheme requirements, and further, to understand how they threaten the integrity of the CertifHy EU RFNBO Voluntary Scheme. They shall be supplemented by further risk indicators if required to properly assess the particular set-up of an Economic Operator. Furthermore, an analysis of the geographic conditions and/or relevant processes must be conducted. This may require the definition of further risk indicators that apply to the specific situation but are not explicitly defined by the CertifHy EU RFNBO Voluntary Scheme. A risk assessment can be conducted remotely or on-site, if needed. The remote assessment may be further supplemented by the verification of the results at the specific location, if deemed necessary. The CertifHy Scheme Operator may require Economic Operators and Certification Bodies to use specified online tools for specific Audit scopes, with the aim of promoting harmonisation and a level playing field. The traceability and chain of custody of sustainable products is an important aspect of the risk assessment for all Economic Operators (see "Traceability & Chain of Custody" document). It must be assessed whether there is a risk that RFNBOs, materials or other fuels may be sold or delivered as sustainable, and moreover, if the mass balance requirements have been complied with.

Regarding the GHG emissions value of RFNBOs, materials and other fuels, it must be assessed whether there is a risk for mistakes to arise when calculating the emissions value, or for false emissions declarations to surface (see CertifHy EU RFNBO Voluntary Scheme document "GHG Emissions & Sustainability").

General risk indicators include but are not limited to:

- Determination, structuring, organisation and documentation of the number of workflows and their complexity (in-house processes)
- Number, structuring, organisation, expertise, management, involvement and monitoring of subcontractors and external service providers
- Number and structuring of the workflows that are carried out by subcontractors, as compared to the ones that are carried out by permanent in-house staff
- In-house quality management system, internal Audits (structure and documentation);

- Transparency (e.g. public reporting, involvement of local interest groups, independent Audits and social, environmental and economic aspects of sustainability)
- Mechanisms for conflict resolution that have been established, documented and implemented independently
- Management of conflicts of interests and prevention of corruption
- Risk of corruption and fraud (e.g. according to OECD list, Transparency International Corruption Perceptions Index, etc.), i.e. how serious the external risk of corruption is and how this influences implementation
- Certification history, including previous or current CertifHy EU RFNBO Voluntary Scheme certification and certification under other sustainability certification schemes, as well as previous failed Audits, and withdrawn or suspended certificates under other schemes
- Frequency of changes in certification schemes ("scheme hopping")
- Frequency of changes of the Certification Body conducting Audits under the CertifHy EU RFNBO Voluntary Scheme ("CB-hopping")
- Accuracy of records and documents
- Degree of topicality and frequency of updating records and documents
- Accessibility of records and documents
- Completeness of records and documents; and
- The risk of single consignments being claimed as sustainable more than once (double-counting).

## 5.2 Evaluation of Risk

The second step of the Risk Assessment is the evaluation and classification of the identified risks. To evaluate the identified risks, the following elements must be taken into consideration:

- Sources and causes of the risk;
- Identification of the potential consequences, should the risk occur, the impact (e.g. negligible, moderate, critical) and the probability of its occurrence (e.g. unlikely, occasional, likely);
- Factors influencing the probability and impact of the risk occurring; and
- Differing perceptions of the importance of the risk by different stakeholders.

Based on the risk evaluation, the risk is classified according to one of the three risk levels:

- Low (risk factor 1.0)
- Medium (risk factor 1.5); or
- High (risk factor 2.0)

The risk assessment matrix shown in Table 1 may be used to facilitate the classification of the risk.

**Table 1:**      *Example of a risk assessment matrix*

Impact \ Probability of occurrence			
	Likely	Occasional	Unlikely
Critical	High	High	Medium
Moderate	High	Medium	Low
Negligible	Medium	Low	Low


With respect to the risk of flawed or deficient documentation, the following guidance for the risk evaluation and classification is provided:

- If the necessary records and documents are accurate, up to date, complete and easily accessible, and there is no indication of non-conformity with CertifHy EU RFNBO Voluntary Scheme requirements, the risk can be classified as low. The risk of non-conformity with the traceability requirements can be considered low if, for example, appropriate track-and-trace databases are used and can be accessed by the Certification Body during the Audit;
- If the necessary records and documents neither accurate nor easily accessible, the risk should be classified as medium;
- If the records and documents are not continuously up to date nor kept to fullest extent (i.e. files are missing, not accessible or not disclosed) or if there is an indication of non-conformity or fraud, the risk should be classified as high.

If non-conformities are detected during a CertifHy EU RFNBO Voluntary Scheme Audit that relate to claims made by the Economic Operator during the certification period, the Audit plan shall be revised accordingly. This especially applies to those non-conformities that have an impact on the downstream supply chain, e.g. non-conformity with the mass balance requirements, non-conformity of Proofs of Sustainability (e.g. false information), or non-conformity with the GHG requirements (e.g. incorrectly determined GHG intensity value). In this case, a high-risk level must be applied during the subsequent re-certification Audit of the respective Economic Operator.

It is up to the Certification Body to decide whether to discontinue an Audit if either the documentation is not easily accessible or if the amount of unavailable documentation prohibits a professional Audit. Depending on the actual findings of the Audit, the Certification Body is entitled to increase or decrease the risk level applied during the subsequent Audit.

Economic Operators are free to choose any of the Certification Bodies recognised by the CertifHy Scheme Operator for certification according to the CertifHy EU RFNBO Voluntary Scheme to perform CertifHy EU RFNBO Voluntary



Scheme Audits. Economic Operators are also free to change the Certification Body with which they have a contract. Economic Operators cannot, however, change the Certification Body during an Audit. If an Economic Operator frequently changes the Certification Body they selected to conduct the Audits under the CertifHy EU RFNBO Voluntary Scheme, this may be flagged as a risk indicator ("CB-hopping, or changing the Certification Body with the intent of covering up infringements or violations of the CertifHy EU RFNBO Scheme requirements). It is the responsibility of the newly-contracted Certification Body to take this into account when conducting the risk assessment. The newly-contracted Certification Body should also consider the certification history of the Economic Operator and the relevant Audit documents from its previous Audits. In case of non-conformities with the CertifHy EU RFNBO Voluntary Scheme requirements, CertifHy EU RFNBO Voluntary Scheme certificates may be suspended or even withdrawn, depending on the severity of the infringement. Following the withdrawal of a certificate or a period of suspension, the Certification Body shall apply a higher risk level for at least the next two Audits. In other words, the risk level applied must be higher than that of the previous Audit.

## 5.3 Identification and Implementation of Risk Control Measures

After a risk is identified and evaluated, it must be properly managed to ensure that the probability of further non-conformity with the CertifHy EU RFNBO Voluntary Scheme requirements is continuously minimised. This is done by applying the following measures: **For Certification Bodies:**

- Adjusting the intensity of Audits in response to the assessed risk level. With respect to traceability, this means adjusting the number of documents to be verified by the Auditor.

### **For Economic Operators:**

- Adjusting the tasks of the Economic Operator's management team, in particular regarding the:
  - Specification of responsibilities
  - Training of employees
  - Documentation
  - Duty to report (including reporting and submitting documents to the Certification Body or to the CertifHy Scheme Operator); and
  - Internal auditing and management system.

### **For the CertifHy Scheme Operator:**

- Extending the definition of risk factors for certain areas.

If the Audit includes a Chain of Custody verification (i.e. traceability and plausibility of amounts), the risk factor shall drive the intensity of the Audit, with respect to the documentation that must be verified. All documentation relevant to the CertifHy EU RFNBO Voluntary Scheme for a complete year must be available during a CertifHy EU RFNBO Voluntary Scheme Audit in order to evaluate the mass balance calculation and facilitate plausibility checks between





company reporting and mass balance results. However, it is (usually) not necessary for the Certification Body to verify every document (e.g. Proofs of Sustainability, contracts, etc.) from the entire year. Instead, the Certification Body is entitled totake random document samples to check whether the records and documents meet the traceability requirements of the CertifHy EU RFNBO Voluntary Scheme. It is up to the Certification Body to define the sample size that will permit them to reach the level of confidence necessary to issue a certificate.

The frequency of surveillance Audits shall be based on and adjusted according to the overall level of risk assigned to the Economic Operator, which is determined by its profile and the results of previous Audits.



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