

Assurance Public System Report 4C Association August 2015

Submitted to the ISEAL Alliance as part of continued compliance with the Assurance Code
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1. Introduction

The 4C Association is a multi-stakeholder organisation, which brings together actors who are genuinely committed to addressing the sustainability issues of the coffee sector. Its members include coffee farmers (both large and small-scale), traders (importers and exporters), industry (coffee roasters and retailers), civil society (non-governmental organisations, standard setting initiatives and trade unions) and private individuals. This global community works together to improve the economic, social and environmental conditions of farmers who make their living from growing coffee.

The 4C Association's three core functions are:

- to provide a recognised entry-level standard as a first step in the continuous improvement towards sustainability;
- to promote and partner with other standards and initiatives organisations in the market;
- to address the broader coffee sustainability agenda.

The 4C Association's mission is to be the leading multi-stakeholder sustainable coffee platform, guiding the sector towards mainstream sustainability in an arena where all relevant stakeholders are given the opportunity to participate.

The 4C Association's vision is to unite all relevant coffee stakeholders in working towards the improvement of economic, social and environmental conditions in coffee production and processing, and to build a thriving, sustainable sector for generations to come.

2. Assurance System Structure

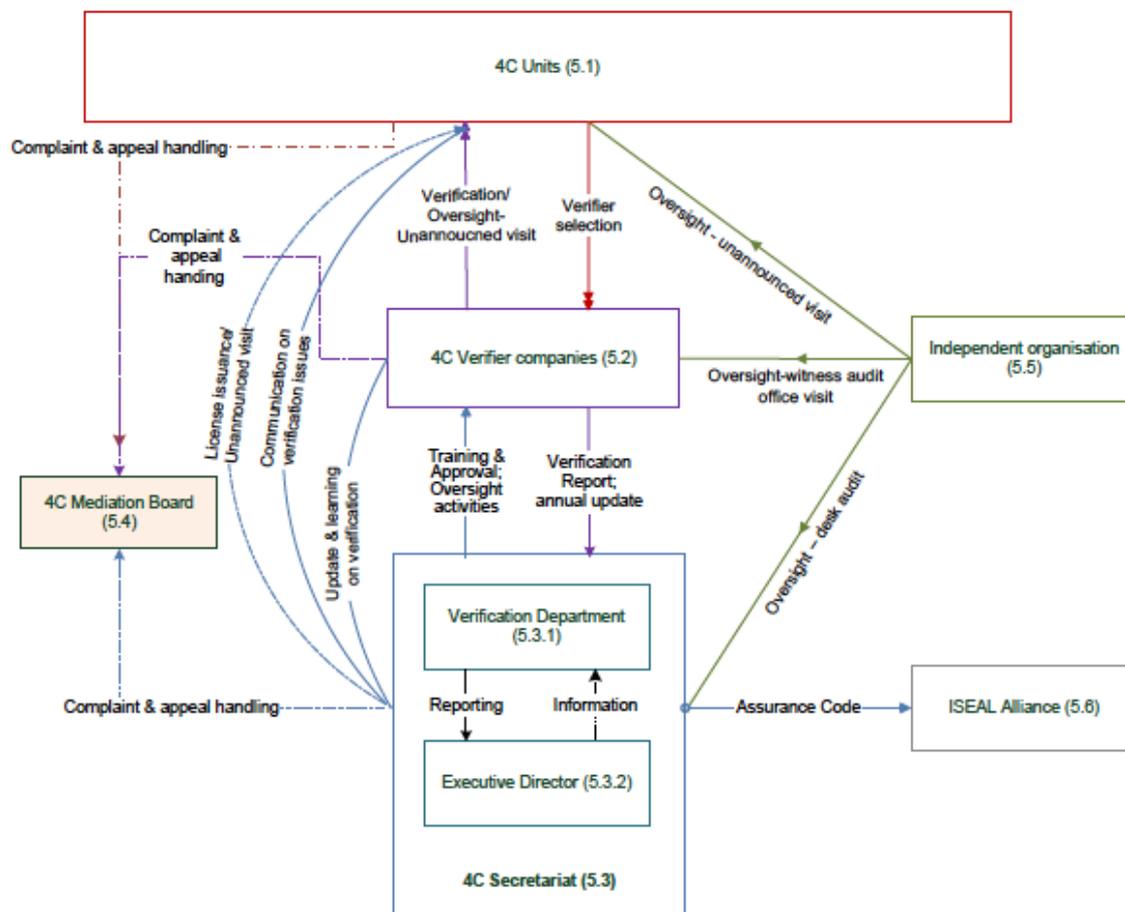
Together, and in consultation with additional stakeholders, the members of the 4C Association developed the 4C Code of Conduct. This Code of Conduct sets entry-level social, environmental and economic principles for the sustainable production, processing and trading of green coffee, and is backed up by a Verification system.

4C Association's standard and verification system is a business-to-business system with neither product claim nor label.

Designing and operating a system which is at the same time robust and in line with the assurance credibility principles as well as accessible and inclusive for the numerous smallholder producers has led to the very innovative approach of the Verification system which has proven to be effectively fit-for-purpose thus far.

The many unique features of it will be unfolded step-by-step in this report.

The first feature is that the Secretariat of the 4C Association – the organisation that owns the standard, also operates as assurance provider and oversight body in this system. In the graph below, the structure of the Verification system with major actors and their functions in it is shown. More detailed roles and responsibilities of each actor in the system are clearly defined in the 4C Verification Regulations.



This setting serves multiple purposes. Firstly, it safeguards the independence of the two major functions in the process, namely verification in the field and verification report review & decision-making. Secondly, field knowledge, information and data are captured and managed directly by the 4C Secretariat allowing for quick and efficient learning process and providing Members and users of the standard with timely information for their commercial activities. Last but not least, it helps monitoring performance of approved verifiers to ensure verification quality.

For field verification, the 4C Association works with locally operating certification bodies that are ISO/ IEC 17065 accredited. Accreditation is accepted for any other scope(s), but within one-year period an internal system must be established and run that manages 4C verifications. Another option is that already approved verifier companies can extend their accreditation scope to cover 4C verification scheme. Once a verifier company is approved they are listed on the 4C Association’s [website](http://www.4c-coffeeassociation.org/assets/files/Documents/CodeVerification-EN/4C-List-Verifiers.pdf)¹ so that 4C Units (verifiable entities) know which company is approved for verification in which country or region. Alongside, these company’s individual verifiers (auditors) approved by 4C are listed there.

As for the 4C Secretariat with its capacity of the standard system owner, assurance provider and oversight body, it implements and complies with the ISEAL Assurance Code as well as additional requirements of ISO 17065 (according to the “ISEAL Assurance Code Compliance with 17065 clause 5.1.2 v. May15”).

¹ See <http://www.4c-coffeeassociation.org/assets/files/Documents/CodeVerification-EN/4C-List-Verifiers.pdf>



A good example of compliance with additional requirements of ISO 17065 is that 4C Association has developed a procedure for management review, among others, of effectiveness of the system according to clause 8.5 in ISO 17065. According to that procedure, the system is reviewed thoroughly at least once a year after the yearly internal audit and external oversight audit of performance of the 4C Secretariat. This procedure, like most of others that will be further mentioned in this report, summarizes in a systematic way current practices and defines what needs to be reviewed and what type of decisions is expected. Until now, the system has been reviewed on an annual basis since 2010² in line with key principles. Results of past system reviews have been used for improving the verification system, and that is reflected in changes in the revised Verification Regulations as well as other revised and new documents in the system.

3. List of standards that are assessed through the assurance system

The list of assurance providers which are approved for 4C Verification can be found in the following link of the 4C Association website: <http://www.4c-coffeeassociation.org/assets/files/Documents/CodeVerification-EN/4C-List-Verifiers.pdf>

Stakeholder engagement:

Representatives of Civil Society members of the 4C Association have the right to observe verifications with justification of their motivation and coordination by the 4C Secretariat. So far no such observed verification has taken place although mentioned in the framework contract with approved verifier companies.

There is a procedure for complaints and appeals on verification in place, whereby not only parties involved in the verification system can file complaints and appeals, but also any stakeholder can formally raise concerns in case of clear justification and evidence for not agreeing with a licensing decision or a verification situation.

The current version of the procedure on the website covers only one aspect of the verification process (licensing decision) and only about complaints. The procedure has been revised to include as well appeals on verification and other aspects of the clause 6.7.3 of the Assurance Code and clause 7.13 of the ISO 17065.

4. Personnel Competence

According to the definition of “assurance providers” in the Assurance Code, there are two types of assurance personnel in the 4C Verification system; (i) verifiers who conduct verification in the field and (ii) the Verification team at the 4C Secretariat who review verification reports and take licensing decisions.

Competency requirements for the first type of assurance personnel are elaborated considerably in detail. Acknowledging the fact that different people possess different qualities and skills and that verifications are usually carried out by teams, the 4C Association specifies a set of required competencies for a verifier team. The required competencies include proven qualification, experience

² Except in 2014 when due to unexpected lack of resources this revision did not take place.



and knowledge, e.g. successfully participation in required trainings, number of audits conducted, or local language, among others.

There are two ways to train auditors to become lead verifiers. Each verifier company must have at least one person successfully participating in a 5-day verifier training with a field mock verification, conducted by the 4C Association. Depending on past auditing experience and knowledge and other qualities, participants are qualified as lead verifiers or verifiers. Those who have been directly trained by the 4C Association and qualified as lead verifiers, can cascade the training internally to their colleagues. In this case, a different set of requirements needs to be fulfilled for the internally trained verifiers. One requirement is about observing and provisionally conducting a number of field verifications to make sure that not only theoretical knowledge is transferred but also used practically during on the job training.

To maintain their approval status, both verifier companies and their verifiers must fulfil different requirements. Verifiers, for example, have to conduct as minimum two verifications in a year. And each verifier company sends at least one lead verifier to attend the annual calibration workshop hosted by the 4C Association, who has to share with respective colleagues on updates and information exchanged and agreed upon during the workshop. On an annual basis, verifiers' performance is reviewed by their companies and summary results are shared with 4C Association.

This information is publicly available in the Verification Regulations. Clearer details are provided in section 8.2.

With regard to the Verification team of the 4C Secretariat, competency requirements are listed in the Terms of reference (TORs) for different Verification team members. For the licensing decision taking function, which is undertaken by the Verification Manager, competence requirements are shortly mentioned in the current Verification Regulations. And even though there is no detailed training procedure, actions have been taken to train new staff members to be able to do their assurance providers' work. This aspect will be further considered, to specify clearer in the Verification Regulations the requirements for reviewers of verification reports and licensing decision maker so as to improve transparency in this regard.

There are two major situations where conflict of interest may potentially take place within the verification process; (i) field verification by verifiers and (ii) taking licensing decisions by the 4C Secretariat. For field verification, 4C Association provides a clear definition of conflict of interest as well as scenarios that may give rise to it. Requirements and respective sanction measures are set forth for both 4C Units and approved Verifier companies to preventively manage potential conflict of interest issues.

Being a membership organization, members of the 4C Association are elected to form the governance of the Association. At the same time as members and users of the standard they also implement the 4C Code of conduct and receive verification whereby the licensing decisions are taken by the 4C Secretariat as operator of the scheme. In this setting a conflict of interest could potentially occur when licensing decisions taken by the 4C Secretariat might be influenced by 4C Members and its own interest to expand the scheme.

Being aware of the above, the 4C Association has brought this issue to attention of its governance in a Credibility Risk Analysis. Mitigation measures, including commitment to granting the 4C Secretariat full autonomy to take its licensing decisions, are approved and implemented. There is a provision in



the Verification Regulations that the Verification Manager is ensured to take objective and impartial licensing decisions, independently from the Executive Director of the Secretariat. The 4C Association also has binding documents where roles and responsibility of its governance (Council) are clearly defined in order to prevent its influence on operational matters (in this context licensing decisions) implemented by the Secretariat.

5. Assessment

The verification system includes both on-site and desk-based elements. On-site verification is conducted initially and every three years afterwards. In case of adding any new member (Business Partner) into the existing groups (4C Units), which can take place at any point in time, an on-site addendum is necessary.

The universal verification sample size is minimum 50% of the square root of the total number of Business Partners within the 4C Unit plus the Managing Entity (group administration). Slight differences apply for different types of verification (initial, addendum, re-verification). To balance out this unconventional sample size, sampling is mainly risk-based. All samples are visited and interviewed on-site by gender-balanced teams of verifiers for obtaining best possible information during verification. Number of workers to be interviewed is proportional with the number of hired workers by different Business Partners.

There is no concrete amount of time specified for different verification activities (documents and records review, facilities inspection, farm visit, interview). This is due to the risk-based approach undertaken by the scheme, which makes it difficult to give a general indication of time needed. However, 4C Association provides a tool for its members to request verifier companies to break down all costs involved in a verification when they submit proposal. The tool is called "Request for proposal".

While the system is very strict on impartiality, it appreciates the value of knowledge and experiences that verifiers have. Therefore, the Association takes a practical stance to accept that verifiers share with 4C Units and their Business Partners good practices, provided these are public knowledge, and the conditions specified in the Verification Regulations are respected.

4C Association's entry-level standard uses the traffic light system whereby reaching the average yellow level in each of the three dimensions – economic, social and environmental – plus previous exclusion of the 10 Unacceptable Practices will grant a 4C License. Guidance is provided to both verifiers and 4C Units on how verification results are aggregately evaluated and what constitutes a non-conformity. Tools (Self-Assessment, aggregating results) are provided for this evaluation of verification results.

To facilitate better reporting, a report template and accompanying tools are provided to verifiers, which includes, amongst others, how samples are selected and the justification for it. Verifiers complete the report within a given timeframe and send it to 4C Units and 4C Secretariat at the same time. 4C Units will then have five working days to read and accept or object verification results. In either case 4C Units inform the Secretariat and verifiers of their feedback. The Secretariat reviews the reports and takes the licensing decision.



Under normal conditions, after receiving the 4C License, 4C Units have six weeks to prepare an improvement plan for the next three years. The improvement plan must include activities and timelines to eliminate red practices if any has been confirmed during verification. Else, improvement activities are proposed to upgrade their average yellow performance towards green, for example. This is up to 4C Units to decide based on their available resources and commitment. The Improvement plan is reviewed after submission by verifiers and also the Secretariat.

In case of failed verification, no license is issued and a follow-up visit within six months must take place to confirm that the reason(s) of failure has been successfully tackled.

A detailed table of non-conformities and respective sanctions is defined in the Verification Regulations.

With regard to the desk-based element of verification, instead of receiving annual surveillance by verifiers, 4C Units self-assess and report to the Secretariat every year after the initial verification. The main objective of this is for both 4C Units and the Secretariat to review progress of improvement activities and make sure that 4C Units are in the right direction and live up with their commitment to improve. Sanctions will apply when 4C Units do not report. Their license will be suspended in this case.

Group certification:

From the outset, 4C Association's verification system has been designed mainly for group verification (4C Unit). The internal management system (IMS) is key. The challenge has always been to require a system that is practical and not bureaucratic for loose groups consisting of mainly smallholder producers, many of which are even illiterate.

There are several levels of IMS defined by 4C Association for its system, whereas the basic one is a minimum requirement. The basic level includes the following indicators:

- a person(s) is appointed to implement the IMS and the 4C Code of Conduct;
- complete list of Business Partners with their data;
- an organisational chart of the 4C Unit with key functions their roles, responsibilities,
- assessment of individual Business Partners and aggregated self-assessment of the entire Unit,
- communication to Business Partners on the IMS and its requirements, and
- Mutual commitment to implement the 4C system.

4C Association's IMS requirements have been recently revised to include also topics listed in the Assurance Code requirement 6.5.1 into the basic level.

During each verification, be it initial, addendum or re-verification, verifiers check whether or not the basic level is achieved or maintained. Failing to achieve this basic level results in no license being issued (for initial and re-verification) or license suspended (for addendum verification).

There are 2 major parts in a verification:

- (i) Unacceptable Practices and IMS. Violation of any of these requirements by any actor in a 4C Unit, the verification is considered failed (IMS applies to the managing entity or group administrator only); and

- (ii) 27 principles of the 4C Code: there is no non-conformity per se in implementation of these principles; the traffic light is used to evaluate the group aggregated performance based on verification results of risk-based samples. Only when the aggregated result per dimension is red, then the verification is also considered failed.

If Business Partners perform poorly, it is the responsibility of the Managing Entity of a 4C Unit (verifiable group) to support them and take care that their performance is improved. As an inclusive system, exclusion of poorly performing Business Partners is not encouraged.

Another innovative approach of the verification system is the definition of a risk-based sampling as a way to enforce group management (Managing Entity) to know their Business Partners and level of their performance in order to better prioritise their limited resources to support the most needing ones. Samples are selected based on the perceived level of risks that Business Partners are considered to be exposed to. However, within the risk-based samples, elements of representative sampling are practiced. During the course of verification, verifiers randomly select documents or records to be reviewed or workers to be interviewed. This is not explicitly mentioned in the system, though during verifier trainings, this is well conveyed to participants.

6. Oversight

The 4C Association has an oversight mechanism that ensures that the performance of assurance providers (both Verifiers and 4C Secretariat) is independently evaluated.

Due to the split of functions in the assurance process whereby field verification is conducted by local verifiers and report review and decision-making which is carried out by the 4C Secretariat - there is a three-layer oversight mechanism.

The first layer is so called proxy accreditation, whereby only ISO/ IEC 17065/ 17021 accredited certification companies are accepted to work in its system, regardless of the scope of accreditation. The main reason is that those certification companies incorporate credible practices, as defined by ISO standards, into their internal management system. Oversight of their system and performance is implemented on a regular basis by an accreditation body.

The second layer of the oversight mechanism is implemented by the Secretariat. The focus here is the verifier companies conducting verifications. This oversight is also independent in the sense that the Secretariat being the scheme owner on behalf of the 4C Association is not engaged in on-site verification. This oversight by the Secretariat comprises several activities; (a) review of each verification report (from a verifiers' competence point of view), (b) annual review of annual updates sent in by approved Verifier companies, and (c) on-going risk-based witness audits and office visits. Not all approved verifier companies and individual lead/ verifiers are subject to witness audit and Office visit.

Below are some details of witness audit and office visit:

	Witness audit	Office visit
Purpose	To ensure that approved verifiers are competent to perform 4C verification according to 4C requirements.	To ensure that verifier companies have an effective internal system to manage the 4C verification scheme according to

		applicable 4C requirements. Besides, there may be special focus on certain issues that trigger the Office visit through the on-going verifier performance monitoring by the Secretariat.
Basis	4C competence requirements for lead verifiers/ verifiers as specified in the Verification Regulations, Procedure for approval and maintaining 4C approved verifiers; ISO 19011.	4C requirements as stipulated in Verification Regulations. Framework contract between the approved verifier companies and the 4C Association. 4C procedure for approving and maintaining 4C approved verifiers.
Duration	Two days. It does not need to follow in full those verifications that last longer than that. It is crucial that the Oversight assessor must witness lead verifiers/ verifiers perform various activities of a verification; verification of internal management system (IMS), inspection at mills/ collectors, verification at farms, interview of different people, checking documents and records, drawing conclusions, and handling the close-out meeting. Therefore, witness audit should be planned well in advance in order to be able to arrange ideally a 2-day verification with more than one verifier. In that case, all verifiers in the team should be witnessed.	One day. Some documents of the approved verifier companies are sent to the Secretariat anyway on yearly basis. The focus for this visit will be on pre-identified risks.
Frequency	On-going and risk-based for the entire pool of approved verifier companies and individual lead/ verifiers.	On-going in terms of the entire and risk-based, like with the witness audit.
Examples of risk factors	<ul style="list-style-type: none"> ○ Newly trained, new to the 4C system ○ Not so much auditing experience with social and environmental systems ○ Poor reporting quality as observed and monitored through review of verification reports ○ Received feedback from more than one 4C Units ○ Internally trained to become a 4C verifier (as opposed to be trained directly by the 4C Secretariat) ○ There are not many verifiers in the country/ region where the approved verifier company is operating ○ Results of Office visits 	<ul style="list-style-type: none"> ○ Inconsistent reporting quality ○ Insufficient/ incomplete documents sent to the Secretariat for annual update ○ Possibly high number of verifications to be performed by the approved verifier company ○ The 4C approved verifier company has many lead verifiers/ verifiers ○ Received information from different sources, including non-4C scope(s) ○ Results of witness audits



The third layer of the 4C oversight mechanism is implemented by an external organization. The focus here is the Secretariat as an assurance provider and the responsible to take the licensing decisions. The objective is to confirm that it is competent, consistent and free from any conflict of interest. For this purpose, the 4C Association works with a competent auditing company based in Germany and has a good understanding and knowledge of the 4C Association and its verification system. This oversight activity is performed once every year.

There are procedures and instructions for persons conducting second and third layers of oversight activities. Competencies for those persons are also required and stipulated in the system.

7. On-going Scrutiny

As 4C Association's Entry-level standard is not a labelling scheme, there is no label or claim on products of its members. However, the Association does have the so-called membership claim, which is product unrelated but highlights the member's support for 4C Association's sustainability approach in general. Members can use it in its promotional materials (including on pack under certain requirements). There is a communication guideline available to support proper use of this membership claim.

On another front, one of 4C Unacceptable Practices (No. 10) as specified in the 4C Code, is about "immoral transactions in business relations ..." with an indicator for this is about evidence of fraud, corruption etc. Sanction for unacceptable practices is no license of license suspension.

8. Other

Optional additional information

- Links to current list of clients and expiry date of their certificate (where expiry dates are used)
- List of clients whose certificate has been rescinded or withdrawn (this shall be consolidated at the owner or oversight body level)

The current list of clients is updated once a month (Verification/ activities update), primarily to all 4C Members with a link to an internet [website](#) and an encouragement message to share the link with others.

- END -