Responsible™ Steel | standards & certification

Steel Product Certification Working Groups Briefing

11 March 2020

Antitrust Statement

"Attendees are kindly reminded that ResponsibleSteel™ is committed to complying with all relevant antitrust and competition laws and regulations and, to that end, has adopted an Antitrust Policy, compliance with which is a condition of continued ResponsibleSteel™ participation. Failure to abide by these laws can have extremely serious consequences for ResponsibleSteel™ and its participants, including heavy fines and, in some jurisdictions, imprisonment for individuals. You are therefore asked to have due regard to this Policy today and in respect of all other ResponsibleSteel™ activities."

Steel Product Certification Working Groups Briefing: Agenda

General introduction	15 minutes, Matthew Wenban-Smith
Steel Product Claims WG	10 minutes, Ali Lucas
Raw Materials WG	10 minutes, Marnie Bammert
GHG WG	10 minutes, Matthew Wenban-Smith
Q&A, discussion under 'Chatham House Rule'*	45 minutes:

Objectives:

- Briefing on process and overall objectives
- Introduction to objectives and proposed approach for three working groups
- Next steps

*Chatham House Rule: a rule or principle according to which information disclosed during a meeting may be reported by those present, but the source of that information may not be explicitly or implicitly identified.

NB The webinar will be recorded but only the presentations will be published on the ResponsibleSteel website.

ResponsibleSteel™ Vision and Mission

Our Vision

Steel's contribution to a sustainable society is maximised

Our Mission

To enhance the responsible sourcing, production, use and recycling of steel by:

- Providing a multi-stakeholder forum to build trust and achieve consensus;
- Developing standards, certification and related tools;
- Driving positive change through the recognition and use of responsible steel.

All of these elements are important, but ResponsibleSteel™ will focus first on the responsible sourcing and production of steel

Sustainability: 12 ResponsibleSteel™ Principles

1. Corporate Leadership
2. Social, Environmental and Governance Management Systems
3. Occupational Health and safety
4. Labour rights
5. Human rights
6. Stakeholder Engagement and Communication
7. Local communities
8. Climate Change & Greenhouse Gas emissions
9. Noise, emissions, effluent and waste
10. Water stewardship
11. Biodiversity
12. Decommissioning & closure

Value of implementation

- Sustainability performance
- Civil society support
- Brand value
- Statements, claims & reporting
- Customer specifications
- Public procurement specifications
- Legal compliance
- Policy preparedness
- Green/ transition finance
- Risk mitigation

Progress to date: site certification

ResponsibleSteel™ site certification

12 Principles applied at company and/or site level, in support of claims about a site's performance

What kinds of sites can be ResponsibleSteel certified sites?

From ResponsibleSteel Standard v1-0, scope of application:

This ResponsibleSteel standard applies to operational steelmaking sites and to related sites that process raw materials for steelmaking, or that produce steel products (see glossary). It does not apply to service providers, mine sites, or to sites producing final products (see glossary) made with steel components.

'Site' refers to the physical site under management or control. A single site may consist of multiple processing facilities and related plants for the integrated production of steel, including, for example coke ovens, sinter or pellet plants, furnaces, rolling mills and coating facilities, or may consist of freestanding facilities for the production of specific raw materials for steelmaking such as coke or pig iron, or a free-standing rolling mill. In all cases, the specific scope and boundaries for auditing will be defined at the time of applying for certification, and the requirements of the standard will be applicable to all the facilities within the site. Additional detail on the scope of application is provided in the ResponsibleSteel Assurance Manual.

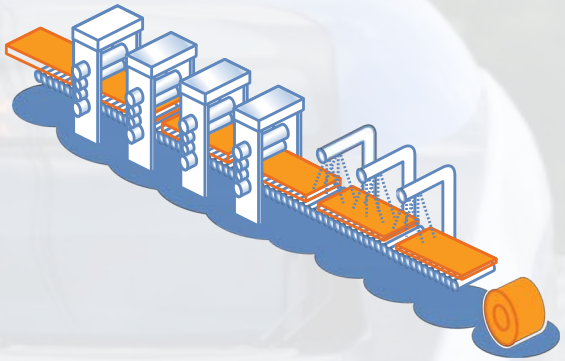
What's missing?

1. Application of the 12 ResponsibleSteel Principles to the steel supply chain

2. Specification of any thresholds for GHG emissions associated with steel products

3. Specifications for ResponsibleSteel certification and claims about "steel products", taking account of 1 & 2

What’s missing?



4. Specifications for ResponsibleSteel certification (?) and claims about “final products”

What is a ‘steel product’ and what is a ‘final product’?

Definition	Examples
Steel product *Product produced from steel and shipped out from steelworks*	• Hot rolled steel, pickled hot rolled steel, cold rolled steel, finished cold rolled steel, electrogalvanized steel, hot-dip galvanized steel, tin-free steel, tinplated steel, organic coated steel, section, plate, rebar, engineering steel, wire rod, seamless pipe, UO pipe, welded pipe (examples from ISO 20915) • Includes: car parts made out of steel and produced at an integrated steelworks
Final product *Product that requires no additional transformation prior to its use.*	• Automobiles, building structures, building envelopes, packaging (examples from ISO 20915) • Includes: white goods, furniture, watches

ResponsibleSteel Standard v1-0, adopted from ISO20915:2018(en) Life cycle inventory calculation methodology for steel products.

Scope of work for *steel product* certification

Three integrated areas of work:

1. What requirements need to be met in relation to the sourcing of the raw materials used to make ResponsibleSteel certified steel products? → Raw Materials WG
2. What requirements need to be met in relation to the GHG emissions associated with the production of ResponsibleSteel certified steel products? What data will be available to buyers? → GHG WG
3. What is the range of claims/ specifications for ResponsibleSteel certified steel products – are claims binary or are there different performance levels that can be recognised? Do performance levels have to be achieved for *both* GHG *and* responsible sourcing of raw materials, or are these separate? → Steel Product Claims WG

Scope of work for *final product* certification (?) & claims

- What are the requirements for products with multiple components?
- What are the requirements for products made with both steel and non-steel components?
- Is physical traceability required, or would other options (e.g. mass balance, volume credit) be acceptable?
- Would each link of the production chain need to have its own ‘chain of custody’ certificate?
- Would final product manufacturing sites wishing to make claims need to be ResponsibleSteel certified?
- Are different systems required for different product categories (e.g. auto, construction projects, white goods…)?

Proposal: final product (certification?) and claims system to be defined after steel product requirements are settled.

Proposed approach and timeline

2020

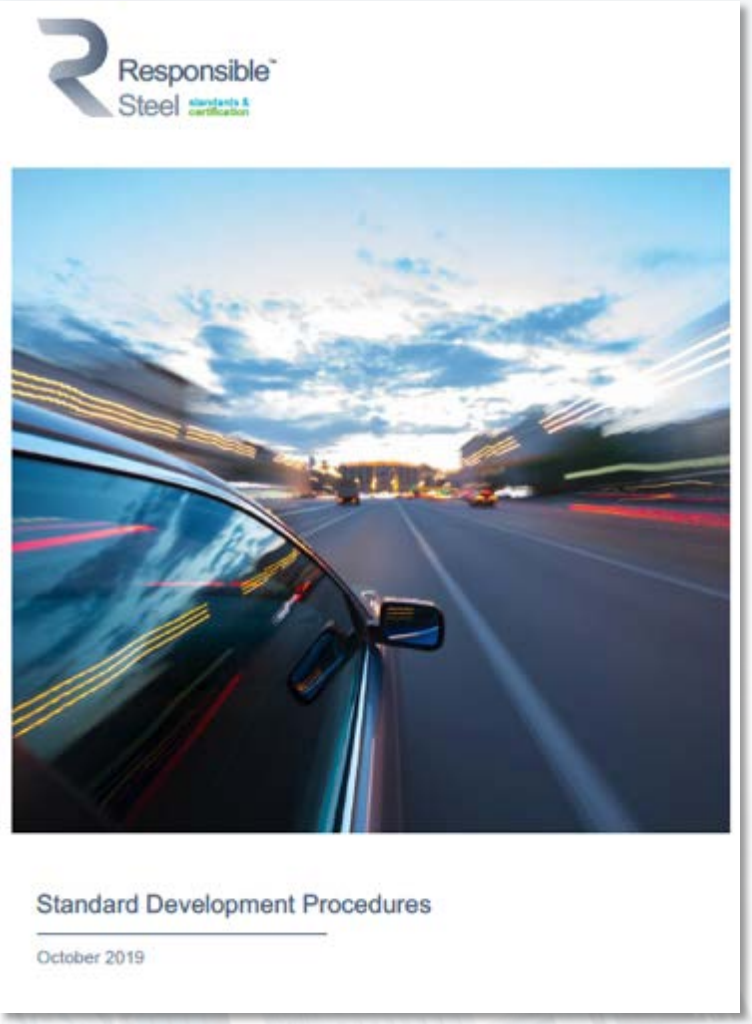
1. Requirements for raw material sourcing
2. Requirements for specification of GHG emissions for steel products
3. Framework and specification of threshold(s) for claims about steel products.

Nov/ Dec

- Approval, and integration of requirements with existing standard for site certification

2021

4. Specifications for claims about *final products* to be developed in 2021



Integration of steel product & site certification requirements

Options:

1. The additional requirements for steel product certification to be added to relevant Principles of the current ResponsibleSteel Standard (e.g. to Principles 2, 8)
2. As above, but with possibility of an additional Principle for 'Raw Material Sourcing'

OR

3. A new *section/ part* of the current ResponsibleSteel Standard, specifying the additional requirements for steel product certification

OR

4. A new, free-standing 'ResponsibleSteel Steel Product Certification' Standard

Proposal:

- The working groups to focus initially on the requirements themselves
- Options for formatting to be tested during the process

Development Process

- Governed by the ResponsibleSteel Standard Development Procedures
- Treated as a revision of the current ResponsibleSteel Standard (section 12) with a limited scope
- Maintain existing Terms of Reference (section 2), below

2. Terms of Reference

2.1 Objective

2.1.1 The objective of the ResponsibleSteel standard is to support the responsible sourcing and production of steel, as a tool for the achievement of ResponsibleSteel's vision: to maximise steel's contribution to a sustainable society.

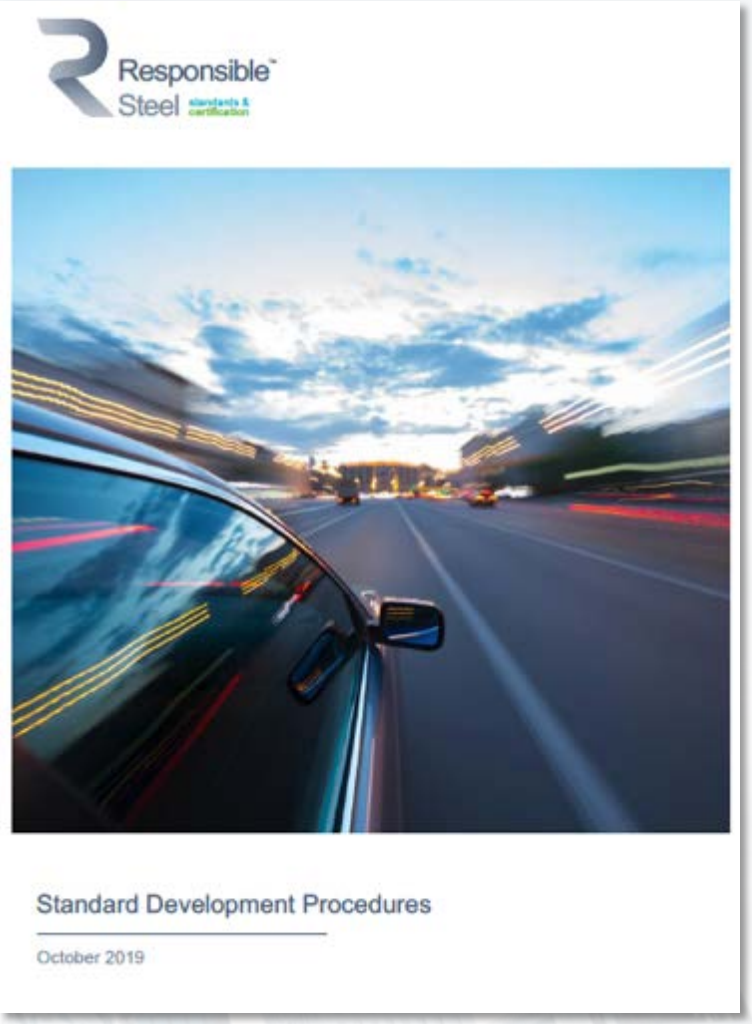
2.2 Change Mechanism…

2.3 Scope of Application and Issues…

2.4 Recognition of Other Sustainability Programmes…

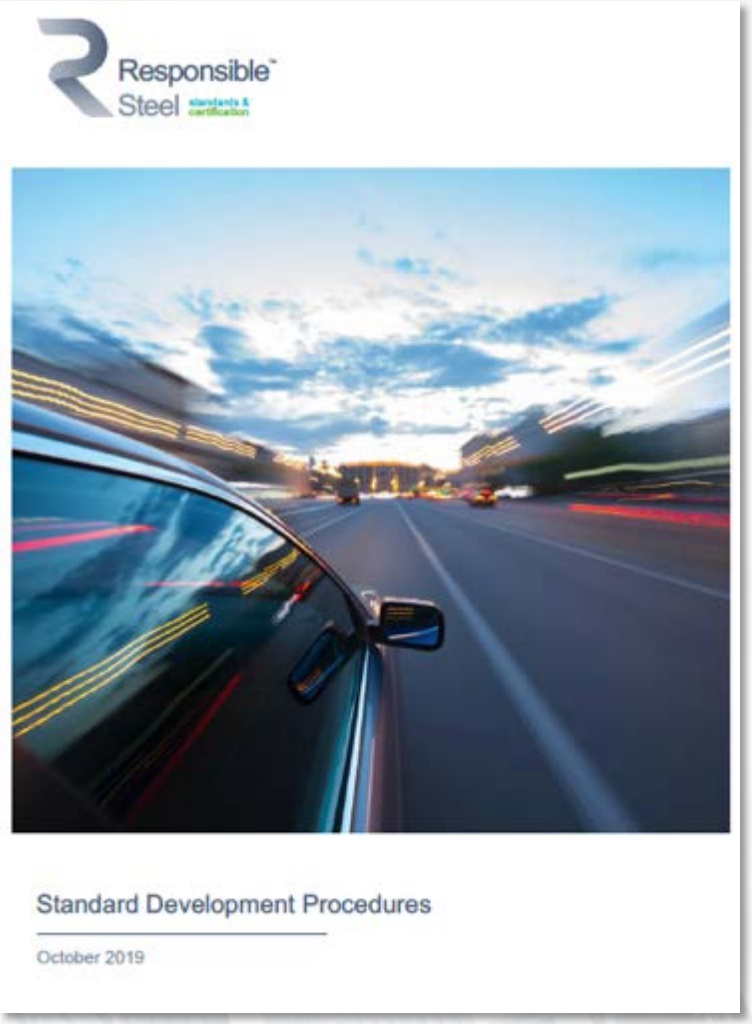
2.5 Content and Structure…

2.6 Glossary of Terms…



Key elements of procedure:

- Procedure and ToR approved by Board
- Any modifications to procedure to be approved by Board
- Secretariat leads drafting process, with oversight by Board Standards & Assurance Committee
- Secretariat may draw on experts to advise and support the development of drafts (working groups)
- Secretariat responsible for public stakeholder consultation (60/ 30 days minimum) and consultation with members
- Standards & Assurance Committee recommends when draft is ready to be submitted to membership for vote
- Members vote on requirements, with double majority (business and civil society) required for approval



Standard Development: work plan

Jan- May

- Working groups convened
- On line briefing (11 March): all working groups
- Draft requirements circulated
- Virtual WG meetings (22 & 24 April): combined/separate
- 30-day public consultation (May)

June

- Virtual WG & Members meetings (24 & 25 June)

Jul - Oct

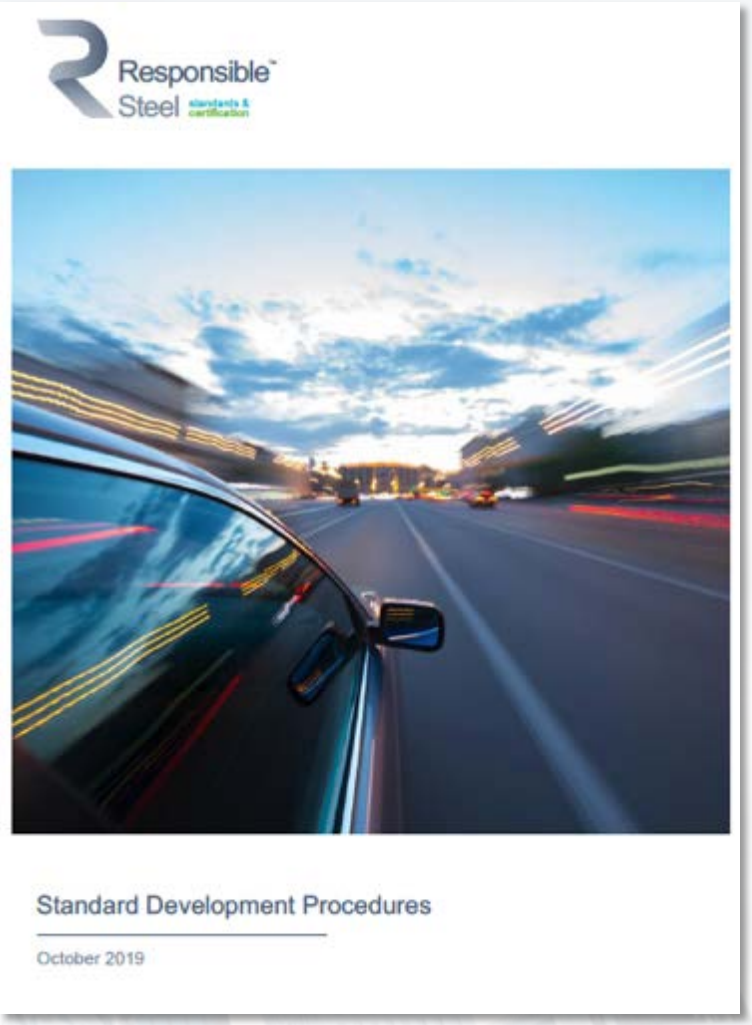
- Near to final draft (July)
- 30-day public consultation
- Tbc in-person WG/ Members meeting (September)
- 'Legal' review and finalisation

Nov 2020

- Formal board and membership approval

Dec 2020

- Integration with site requirements, logo use guidance, guidance on specifying ResponsibleSteel certified steel products, etc.



Terms of Reference for Steel Product Working Groups

1. Raw Materials WG	2. GHG WG	3. Steel Product Claims WG
To agree the criteria for recognition of mine level assurance programmes by ResponsibleSteel. To agree the requirements to be met for the sourcing of the raw materials for steelmaking, in order to make claims about the ResponsibleSteel certified status of steel products. To agree one or more performance levels in relation to raw material sourcing, that will need to be met in order to make claims about the ResponsibleSteel certified status of steel products.	To agree a standard to measure and report the GHG emissions intensity for crude steel production consistently for all steel producers, as the basis for subsequent claims about the GHG emissions associated with ResponsibleSteel certified steel products. To agree one or more performance levels in relation to the GHG emissions intensity of steel production that will need to be met in order to make claims about the ResponsibleSteel certified status of steel products.	To agree the framework for making claims about the ResponsibleSteel certified status of steel products, that will drive the greatest improvements in social and environmental performance related to the sourcing and production of steel.

Standard Development: next steps

March

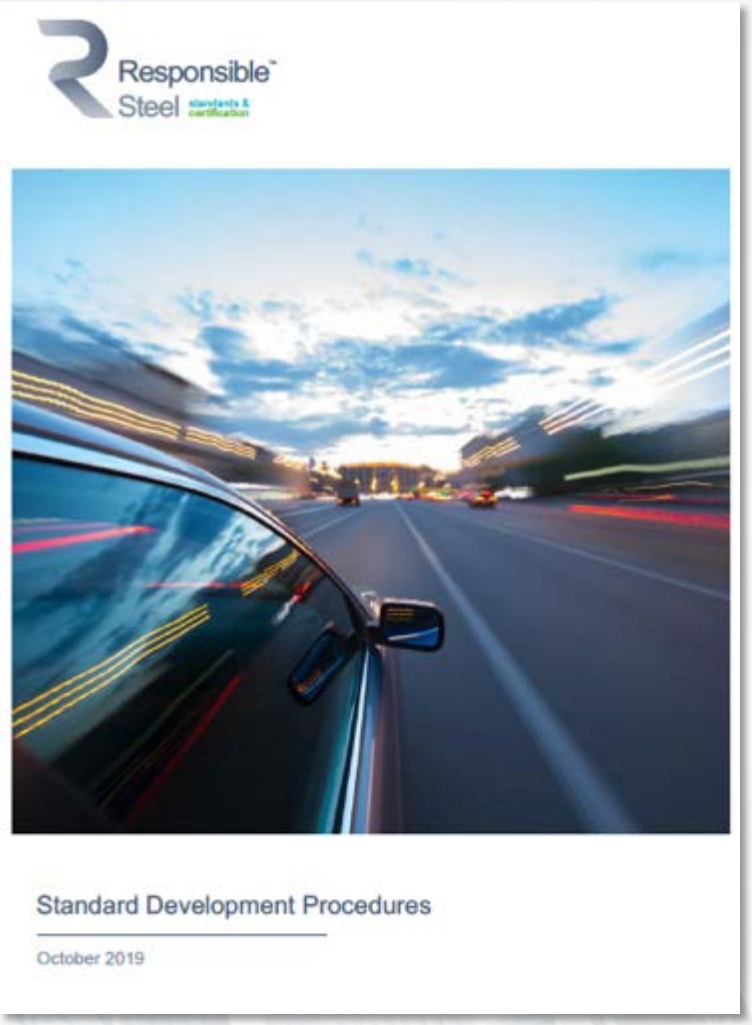
- Draft requirements/ options circulated to working groups (by March 23rd)

April

- Working group initial comments to Secretariat by 17th April:
  - Steel product claims WG: Ali
  - Raw materials WG: Marnie
  - GHG WG: Matthew
- Collation of comments
- Virtual WG meetings (22 & 24 April)

May

- Revised draft requirements/ options
- 30-day public consultation (May)



3. Steel Product Claims Working Group

WG Terms of Reference

To agree the framework for making claims about the ResponsibleSteel certified status of steel products, that will drive the greatest improvements in social and environmental performance related to the sourcing and production of steel.

Steel Product Claims: general framework proposition

ResponsibleSteel Member:

- Corporate level
- Membership fee
- Membership commitments, public support/ association
- Links to brand value, corporate comms, green/ transition financing of corporation, procurement qualification, stakeholder relations, risk mitigation…

ResponsibleSteel Certified Site:

- Site specific
- Site certification fee
- Site meets standard, site level reporting, etc
- Links to green/ transition financing of site, procurement, stakeholder relations, risk mitigation…

ResponsibleSteel Certified Steel Product:

- Steel product specific
- No additional fee proposed (covered by certification fee)
- Integrated with downstream procurement specifications
- Site meets standard, including additional requirements for making steel product claims:
  - Raw material sourcing requirements
  - Globally consistent measurement of GHG emissions intensity, data available to buyer
  - GHG intensity threshold requirements

Member Claims:

- Can use ‘Member’ logo in corporate documentation, websites
- “Company X is a ResponsibleSteel Member…”
- As a ResponsibleSteel Member:
  - …. We support the ResponsibleSteel vision and mission
  - … are committed to...
  - … Here’s what we are doing…

Site Claims

- Can use ‘Site’ logo in on-site signage, reception areas, site-specific documentation, etc
- “Site X is a ResponsibleSteel Certified Site…”
- As a ResponsibleSteel certified site:
  - …. We support the ResponsibleSteel vision and mission
  - … are committed to...
  - … meet the ResponsibleSteel Principles and Criteria for emissions, workers rights, communities, water…

Steel Product Claims

- Can make claims about the steel product itself…
- On product statements, claims, logo use (if requested)
- “This steel product is ResponsibleSteel certified…”
- “The steel used in this product has a GHG emissions intensity of X.X tons CO2 per ton of crude steel…”
- One star, Two star, Three star certified product?

Steel Product Claims: WG issues…

Key issues for WG to agree:

- One logo/ claim/ specification option only, or tiered logos/ claims/ specification options?
- Ensure specifications in relation to raw material sourcing meet downstream user needs (one or multiple levels?)
- Ensure specifications in relation to measurements and claims for GHG emissions/ transition meet downstream user needs (one or multiple levels?)
- How to combine/ communicate both GHG and raw material performance?
- Availability of steel product specific data?
- Relationship with LCA/ EPD approaches?

To consider potential linkage to:

- ResponsibleSteel membership commitments
- Steel Buyers Alliance commitments
- Campaign commitments, e.g. WEF/ETC mission possible
- Downstream customer specifications and standards (automotive, construction, infrastructure, energy sector, consumer… DriveSustainability, US GBC–LEED, GBC Australia, BREEAM, Railsponsible, SURE)
- Public procurement/ project specifications and standards (Buy Clean Act...)
- Public policy initiatives (border adjustment measures or equivalent)
- EPD/ LCA calculations
- … others?

1. Raw Materials Working Group

Terms of Reference

To agree the criteria for recognition of mine level assurance programmes by ResponsibleSteel.

To agree the requirements to be met for the sourcing of the raw materials for steelmaking, in order to make claims about the ResponsibleSteel certified status of steel products.

To agree one or more performance levels in relation to raw material sourcing, that will need to be met in order to make claims about the ResponsibleSteel certified status of steel products.

Raw Material Sourcing: principles

General principles:

- The ResponsibleSteel Principles and Criteria are the basis for assessing sustainability performance of raw materials
- Maximising steel's contribution to a sustainable society is about more than due diligence and downstream risk mitigation
- ResponsibleSteel™ will rely on credible, third party mining assurance schemes to provide mine site level certification
- Some kind of threshold level performance and continuous improvement model is essential

Raw Material Sourcing: existing requirements

1. Corporate commitment to responsible sourcing (RS Standard 1.1.1.e)
The corporate owner is committed to sourcing from suppliers whose policies and practices support the implementation of the ResponsibleSteel Principles and Criteria.

2. Effective site level procedures (RS Standard Criterion 2.2)
There are effective procedures in place to implement the corporate owner's commitment at site level, including listing of Tier 1 suppliers of key raw materials.

Raw Material Sourcing: framework proposition

3. Raw material supply chain mapping
There is an effective system in place to identify and record the sites of origin and processing of the raw materials used for steel-making at the site.

4. Due diligence
There is an effective system in place to evaluate risk across the supply chain and to prioritise action where social or environmental risk is highest and where the steelmaking site's sourcing has the greatest impact or influence.

5. Threshold level performance
There is a threshold level of performance in relation to the sourcing of raw materials, to be defined, which must be achieved for ResponsibleSteel steel product certification.

6. Target level performance
The target level of performance in relation to the sourcing of raw materials is implementation of the ResponsibleSteel Principles and Criteria through a recognised third party certification programmes.

Raw Material Sourcing: challenges

- One steelmaking site may source from 50 – 200 mines
- Few mine sites are currently certified
- There are several mine site-level assurance schemes (e.g. IRMA, MAC-TSM, Bettercoal and others)
- Mine assurance schemes recognize different and multiple performance levels (C, B, A, AA, AAA; 25/50/75/100)
- There is no established generic programme for assuring material from artisanal and small-scale mining (ASM)
- Application of ResponsibleSteel principles to scrap metal unclear
- Full traceability from mine to steelmaker is not currently standard practice
- Maintaining mine source traceability of material within a steelmaking site problematic
- Some elements are used at very low levels (e.g. Niobium at 0.09%)…
- … but social/environmental impact and reputational risk may not be related to quantity…
- … and steelmaking may be responsible for a high proportion of overall demand (e.g. 90% of manganese)

Assessment of mine certification standards

Hypothetical example for illustration only!

ResponsibleSteel Standard	MAC-TSM: A	IRMA: 75	MAC-TSM: AAA
Principle 8			
• Criterion 8.1	✓	✓	✓
• Criterion 8.2	X	✓	X
• Criterion 8.3	✓	✓	✓
• Criterion 8.4	X	X	✓
Principle as a whole:	**2/4**	**3/4**	**3/4**

Recognition of mine-level assurance programmes

There are recognised frameworks in place, including:

- ISEAL Credibility Principles
- ISEAL Sustainability Benchmarking Good Practice Guide

Recognition will include consideration of: standards, assurance, dispute resolution, transparency & accessibility, level of demand/ market recognition

ResponsibleSteel has already been working closely with IRMA and MAC-TSM to develop a methodology to compare ResponsibleSteel Principles and Criteria with IRMA/ MAC-TSM requirements

The Secretariat will prepare a draft framework for recognition of mine-level assurance programmes in June 2020, for review and development by the raw materials working group.

The recognition programme will not be exclusive.

ResponsibleSteel is working with IRMA, MAC-TSM and RJC to develop an interoperability platform to improve interoperability of programmes in the Mining, Minerals and Metals (M3) space.

2. GHG Working Group

Terms of Reference

To agree a standard to measure and report the GHG emissions intensity for crude steel production consistently for all steel producers, as the basis for subsequent claims about the GHG emissions associated with ResponsibleSteel certified steel products.

To agree one or more performance levels in relation to the GHG emissions intensity of steel production that will need to be met in order to make claims about the ResponsibleSteel certified status of steel products.

GHG emissions: existing requirements (site certification)

C8.1	Corporate commitment to achieve the goals of the Paris Agreement
C8.2	Corporate Climate-Related Financial Disclosures
C8.3	Site-level GHG emissions measurement and intensity calculation
C8.4	Site-level GHG reduction targets and planning
C8.5	Site-level GHG emissions reporting and disclosure

GHG emissions: challenges and approach (1) – GHG methodology

Criterion 8.3 of the ResponsibleSteel Standard recognises multiple international/ regional standards for calculating the GHG emissions intensity of crude steel.

This was considered acceptable as the basis for setting site level targets and for monitoring achievement of those targets (Criterion 8.4), but creates difficulties when customers need like-for-like figures to compare GHG emissions for steel produced at different sites.

Approach: to review existing standards (including the GHG Protocol, ISO14404 and EN 19694) to establish a single methodology that can be used to provide directly comparable figures for GHG emissions intensity for crude steel production across all sites.

GHG emissions: challenges and approach (2) – GHG thresholds

Draft 3-0 of the ResponsibleSteel Standard proposed specific thresholds for crude steel emissions intensity for i) scrap-EAF produced steel and ii) for all other steel production routes:

	Scrap-EAF	All other production
Product Target Level 1	<=X tonnes CO_2e/ tonne crude steel	<=A tonnes CO_2e/ tonne crude steel
Product Target Level 2	<=Y tonnes CO_2e/ tonne crude steel	<=B tonnes CO_2e/ tonne crude steel
Product Target Level 3	<=Z tonnes CO_2e/ tonne crude steel	<=C tonnes CO_2e/ tonne crude steel

This approach doesn't take account of varying quantities of scrap/ pig iron used in different production routes

Proposed alternative approach:

To define (one or more) GHG emissions factors for steel production from scrap (x tonnes CO_2e/ tonne crude steel) and for iron from ore (y tonnes CO_2e/ tonne crude steel) respectively. The GHG emissions intensity threshold(s) for crude steel for the purpose of ResponsibleSteel certification are then determined according to the relative quantities of scrap (X) and primary metal (Y) used for production at a given site:

	Combined scrap/ primary metal threshold(s)
Level 1 threshold	((x * X) + (y * Y))/ (X + Y) tonnes CO_2e/ tonne crude steel
Level 2 threshold	As above, with lower values of x and y
Level 3 threshold	As above, with lower values of x and y

GHG emissions: challenges and approach (3) – LCAs and EPDs

Proposed approach:

- ResponsibleSteel would not require that steelmakers provided Life Cycle Analysis (LCA) data or Environmental Product Declarations, nor would it specify particular standards for LCA and/or EPDs to be calculated.

- If a steelmaker wishes to provide LCA and/or EPDs it can of course do so.

- *If* a steelmaker does provide LCA and/ or EPDs it should use the GHG emissions intensity figures calculated under the ResponsibleSteel standard as the input for the LCA/ EPD calculation where applicable

Thank you

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