ResponsibleSteel Members Meeting

Background

This is a document outlining the agenda and comments made by members from the 2020 ResponsibleSteel members meetings on the 24th and 25th of June. Representatives from all ResponsibleSteel members were invited and two time slots for each session were given, one in the morning for members based in Asia-Pacific and Europe, the other slot in the evening for Europe and Americas.

Timetable

24th June 2020

08:00 – 10:00 Board Update and Member Presentations - Interactive Session 1

17:00 – 19:00 Board Update and Member Presentations - Interactive Session 2

25th June 2020

08:00 – 10:00 ResponsibleSteel - steel product claims proposal Session 1

17:00 – 19:00 ResponsibleSteel - steel product claims proposal Session 1

N.B All times are in BST

24 June, Board Update and Member Presentations - Interactive Session

1st session Attendees – 66 people

2nd session Attendees – 42 people

Agenda and Comments

1st Session

- Ali Lucas, Executive Director ResponsibleSteel - Welcome and housekeeping, Antitrust and Agenda (10 Minutes)
- Gerry Tidd, Co-Chair ResponsibleSteel - Setting the Scene (10 Minutes)
- Edwin Basson, Director General WorldSteel - WorldSteel perspective (15 Minutes)
- Q&A Session, facilitated by Ali Lucas (15 Minutes)
- Ali Lucas, Executive Director ResponsibleSteel - ResponsibleSteel: the next three years (15 Minutes)
- ResponsibleSteel Members' Voices with:

- Ludovic Le Cam, Executive Head of Safety & Sustainable Development at Anglo-American
- Mariane André-Taillé, Group Sustainability & Compliance Officer at Aperam
- Jim Norris, Project Manager – Steel Buyers Alliance at The Climate Group
- Paul King, Managing Director Sustainability & External Affairs – Europe at Lendlease

(25 Minutes)

- Members Q&A session (25 Minutes)
- Gerry Tidd, Co-Chair ResponsibleSteel, Final remarks (5 Minutes)

<u>2nd Session</u>

- Ali Lucas, Executive Director ResponsibleSteel - Welcome and housekeeping, Antitrust and Agenda (10 Minutes)
- Alan Knight, Co-Chair ResponsibleSteel - Setting the Scene (10 Minutes)
- Edwin Basson, Director General WorldSteel - WorldSteel perspective (15 Minutes)
- Q&A Session, facilitated by Ali Lucas (15 Minutes)
- Ali Lucas, Executive Director ResponsibleSteel - ResponsibleSteel: the next three years (15 Minutes)
- ResponsibleSteel Members' Voices with:
  - Ludovic Le Cam, Executive Head of Safety & Sustainable Development at Anglo-American (Video recording of morning session)
  - Mariane André-Taillé, Group Sustainability & Compliance Officer at Aperam
  - Darren Colderwood, Director of Infrastructure at Heathrow
  - Margaret Hansbrough, Campaign Director at Mighty Earth

(25 Minutes)

- Members Q&A session (25 Minutes)
- Alan Knight, Co-Chair ResponsibleSteel, Final remarks (5 Minutes)

25 June, ResponsibleSteel - steel product claims proposal Session

1st session Attendees – 46

2nd session Attendees – 23

Agenda

- Ali Lucas, Executive Director ResponsibleSteel - Background to the work on claims, input materials and GHG emissions (10 Minutes)
- Francis Sullivan, Deputy Chair - Aims of the session and format (10 Minutes)
- Marnie Bammert, Technical and Assurance Director, ResponsibleSteel – Input Materials (60 Minutes)
- Matthew Wenban-Smith, Policy and Standards Director, ResponsibleSteel – GHG (30 Minutes)
- Ali Lucas, Executive Director ResponsibleSteel – Next Steps

N.B The same agenda was used for both sessions.

Comments and questions on input materials

Mass balance

1. Mass Balance might force steel producers to source from large organisations and already certified organisations for their 10%+ of raw materials. There is a concern this could mean that a focus is not given to the higher risk suppliers, can ResponsibleSteel talk to this?

Secretariat response: We want to give steel companies the flexibility to decide which suppliers to work with. If they have suppliers that are ready and willing to meet one of the mining standards we will recognise, they can start with them. They might be large, they might be small - key is that they have a strong ESG performance and can prove that. High risk supply sites will still have to be addressed via our risk assessment and risk mitigation requirements, so they cannot be overlooked.

2. As an alternative to a pure mass balance approach you could also use a "number" (or count) of raw material inputs approach (or number of suppliers) approach. Or a hybrid of number of suppliers and mass balance. In mass balance, few raw materials will dominate so I suggest considering doing a hybrid: 95% by mass and 95% of number of defined materials (or number of suppliers).

Secretariat response: Thank you, this is a suggestion we will discuss in more detail with members.

3. The presentation on the mass flow model focuses on carbon steel production. Does this also apply to stainless steel?
4. Could you please explain expectations around verified scrap as certifications are less common in this area?

Secretariat response to 3. and 4.: The shown model is a simplified graph and only illustrative. Yes, the mass balance model would apply to stainless steel as well. However, scrap is a challenge since there are no widely accepted certification schemes out there as there is for mined materials. For scrap, we might develop a different set of requirements or limit how far up the supply chain you have to go to be able to make claims about your steel products being ResponsibleSteel certified.

5. As an alternative to a pure mass balance approach you could also use a "number" (or count) of raw material inputs approach (or number of suppliers) approach. Or a hybrid of number of suppliers and mass balance. Is this something you have considered?

Secretariat response: We have not considered this and it is something we will explore further, thank you for the suggestion.

6. Are there any input materials with higher ESG risks that would become insignificant or undervalued in the mass balance approach, because the relative mass weight of those materials is so small compared to others?

Secretariat response: There are a lot of aspects wrapped up in this question. We are proposing that high risks in supply chains have to be addressed to be able to become certified to our steel product requirements. However, it can be assumed that no credible supply chain programme recognised by us would verify a high risk supply site as having strong ESG performance, so these kinds of supply sites would not be covered by the mass balance approach (i.e. no claims could be made in relation to input materials form these supply sites). The mass balance approach would recognise any supply site whose strong ESG performance has been verified by a recognised programme, whether it is a large or a small supply site. A verified supply site delivering large amounts of verified input material allow a certified steel site to make stronger claims though.

7. When talking about mapping the supply chain 95% mapping is fine for coal and iron, issues occur with the smaller base metals as there are so many traders and smelters – this might need to be addressed as traders are unwilling to give up their contacts.

Secretariat response: We intend to propose 95% within 3 years of becoming certified and will see how stakeholders react to that during the public consultation. The world is moving and the development of due diligence standards and initiatives like LME's responsible sourcing requirements are a sign of the times that things are expected to change.

8. Being able to make claims starting at just 1 % seems risky unless there is a requirement to hit continuous targets to increase each year.

Secretariat response: We propose to leave it up to steel sites to decide which percentage they consider high enough to go out and make claims about certified steel product. However, when they do these claims have to be accompanied by the percentage of verified input material to make sure the claims are truthful.

9. You have proposed, in your paper, to require that there be a "commitment to increasingly source input material from supply sites that have achieved credible third-party verification". Couldn't you require that they demonstrate that they are

increasingly sourcing" more input material from credible sources on a year to year basis?

Secretariat response: The amount of input material from supply sites verified by programmes that we might consider to be credible is currently very small, so year-on-year increase might not be possible. This could change in a few years' time though.

10. Will output claims on the mass balance be only on the percentage of certified output (e.g. 10% certified output gets a fully certified claim) or would it be on all outputs being 10% certified?

Secretariat response: We are proposing that claims can only be made on the percentage of certified output. For example, "10% of my steel products are certified".

ESG risk assessment

11. How can we make sure that ESG risk assessments will be homogeneous across the different companies? Any shared methodology that we could share? Would that assessment be audited during sites-level audits?

Secretariat response: We will develop a methodology on which risks considering and how to decide whether they are high, medium or low, and we will consult with members on that methodology later this year. The way the risk assessment has been done will be verified by the auditors.

12. Should high risks of known supply sites be lowered to at least medium before becoming certified or should we allow sites to become certified with a credible action plan in place to reduce high risk within 3 years after becoming certified?

Secretariat response: This is a question we will explore further with members before going out for consultation on the draft requirements that we will develop over the next weeks.

13. Scrap is a risk. It is excluded logically -- for example in RMI's conflict minerals standard -- but this is exactly where there is higher risk of fraud, as virgin materials are mixed and traded as EoL scrap. This should be considered with the release of any steel standard.

Secretariat response: We do not intend to exclude scrap. However, we recognise that scrap is a massive challenge, so we are considering developing a different set of requirements for scrap or limit how far up the supply chain you have to go to be able to make claims about your steel products being ResponsibleSteel certified.

14. Are there any special considerations for materials sourced from captive mines vs. other suppliers in the supply chain mapping, verification, and risk mitigation procedures? I expect a steel producer would have more transparency and control over ESG risks in a captive mine than an outside supplier.

Secretariat response: There are no special considerations at this point for captive mines. Maybe this is something we should consider.

Comments and questions on GHG

15. The standard should make sure that it does not impose too high standards requirements that it prevents compliance with EPD scheme rules. Remember that ultimately the market determines what is valuable and you don't want to create a situation where a steel company has to choose between compliance with an EPD requirement vs RS requirement, or alternatively having to invest in double effort for compliance. A certain level of alignment is needed.

Secretariat response: Fair comment – we would not want to create a situation where a customer is looking for an EPD in accordance with its preferred standard, and ResponsibleSteel prevents that. We also do not want to try to re-invent widely recognised EPD standards. However, we also think it is important that any claims about GHG emissions that come with some level of ResponsibleSteel endorsement are consistent and comparable across geographies and sites, for like products, and we have heard from many stakeholders that they would consider such consistency a valuable attribute of any ResponsibleSteel endorsed claim. We hope that the proposed approach will be able to accommodate these objectives satisfactorily.

16. GHG needs a consistent methodology that would need to cover all GHG emissions sources and should be based on performance rather than footprint.

Secretariat response: we strongly agree that there is a need for a consistent methodology that covers all GHG emissions sources – and there seems to be consensus on this objective across a broad range of stakeholders and ResponsibleSteel members.

The draft proposed approach includes several elements, including a methodology for measuring GHG emissions for crude steel production, as well as the provision of additional product-specific information for downstream customers. These elements serve different purposes, but of course are related.

The proposed methodology for measuring GHG emissions for crude steel does take a 'footprint' type of approach – it is intended to provide information about the total emissions associated with the production of crude steel 'from cradle to crude steel'. It would leave it to steel companies to determine the best way for them to assess how to improve their performance in relation to different stages of production. To date we think this provides the simplest and fairest way to focus on impact – which is overall GHG emissions – while recognising that companies themselves are best placed to work out how best to reduce GHG emissions associated with different processes, and to manage the trade-offs relating to performance at different stages of production (including, indeed, the sourcing of input materials that vary in their own associated GHG emissions). This of course doesn't stop companies monitoring their own performance in other ways as well. We recognise there is a range of opinions on this issue, and will continue to listen to different viewpoints during future drafting and consultations.

17. Do any of the methodologies on the table specifically include, or exclude, CCS at the plant site?

Secretariat response: the methodologies currently on the table for consideration of GHG emissions intensity for crude steel production are: ISO 14044, GHG Protocol, and EN 19694. Other standards could also be considered if these are identified during the consultation process. We will check how those standards consider CCS at the plant site, but would propose that reliable carbon storage at the site would not be counted as an emission. Subject to consultation this is the kind of issue that ResponsibleSteel could provide guidance on to ensure that all certified sites are counting on-site CCS in the same way, and to ensure that the approach is clear and transparent.

18. WorldSteel already has a recurring LCA report -- is this not a logical basis for GHG of the product?

Secretariat response: We would always like to align with ongoing systems and reports, and especially those that are already widely adopted. We will follow up to see whether the worldsteel LCA approach is already sufficient to provide the kind of site/ product level consistency that is needed for the ResponsibleSteel system. To date our understanding is that it is not sufficient for the purpose of determining site level GHG emissions intensity for crude steel consistently. We will follow up to see whether it provides a sufficient framework for the provision of additional steel product-specific data.

19. It was suggested in the last GHG WG that we all invite an expert to really help everyone understand the different standards and think through how thresholds based on them would drive decisions. Can we do that, so that everyone is on the same page?

Secretariat response: We agreed at the time of the working group that we would like to do that, and that is still our intent, subject to budget.

20. More time has been asked to get the GHG standard correct and to make sure all stakeholders are keenly aware of the nuances of the GHG standard.

Secretariat response: we have received a lot of comments and suggestions during the discussion of the GHG principle in 2018 and 2019, and have received further feedback from our GHG working group meeting in 2020, and with subsequent 1:1 discussions with ResponsibleSteel members. The next step will be to put forward a draft proposal, and to seek comments both from ResponsibleSteel members (business and civil society) and from other stakeholders. We also intend to carry out a number of ‘surgery’ calls to discuss specific issues in parallel with this. Broadly speaking, ResponsibleSteel is committed to seeking consensus on our requirements – time will tell how long that will take, but we strongly believe that we are now in a position to start that process.