Responsible™ Steel | standards & certification

Welcome to ResponsibleSteel Members Meeting

24th & 25th June 2020

Discussion on Draft Proposals and Options on

ResponsibleSteel 'Steel Product Certification Requirements':

- Claims framework
- Input materials
- GHG emissions

25 June 2020

Agenda

Time	Agenda item	Lead
10 mins	Background to the work on claims, input materials and GHG emissions	Ali
10 mins	Aims of the session and format	Francis
60 mins	Input materials	Marnie
30 mins	GHG emissions	Matthew
10 mins	Next steps	Ali

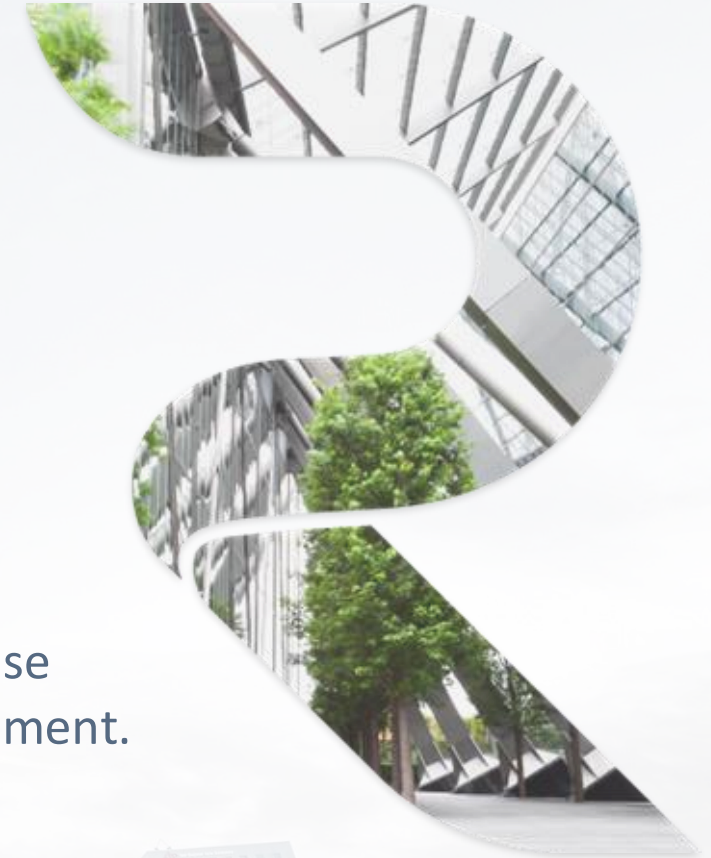
Francis will be our moderator

Antitrust

Attendees are kindly reminded that ResponsibleSteel is committed to complying with all the 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.

Housekeeping

- Meeting will be recorded for internal purposes only
- Chatham House rule applies*
- You will receive the slides after the meeting
- Mute your microphone to keep background noise low, unmute to speak
- Use chat, raise hands or reactions function at bottom of screen



* Under the Chatham House Rule, anyone who comes to the meeting is free to use information from the discussion, but is not allowed to reveal who made any comment. The rule is designed to increase openness of discussion.

The ResponsibleSteel Team

Alison Lucas

Executive Director

Joined in late 2019

Matthew Wenban-Smith

Policy and Standards Director

Joined in 2017

George Deslandes

Operations Coordinator

Joined in late 2019

Marnie Bammert

Technical and Assurance Director

Joined in 2018

Francis Sullivan

Board Deputy chair

Our moderator today

Background

- ResponsibleSteel Standard published in November 2019: Steel sites certified to Standard will be allowed to claim that their site is operated in a responsible manner
- Now: Developing additional requirements for the responsible sourcing of input materials and for GHG emissions intensity to allow claims to be made in relation to steel products offered by certified steel sites
- In parallel: Developing a methodology to benchmark and recognise credible third party mine site verification programmes. IRMA, TSM, Bettercoal and ITA have asked to be assessed
- Also working to finalise membership commitments and logo use
- 2021: Will look into including downstream supply chains in our certification programme

Process up to today: Claims, input materials and GHG

2017 - 19
- Issues identified and discussed

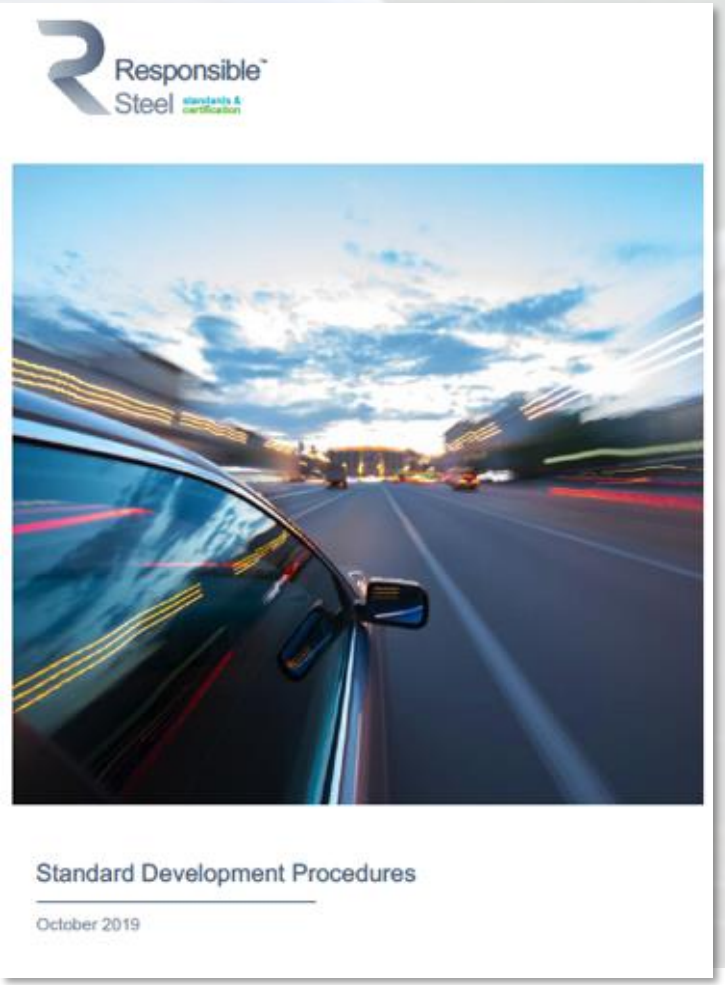
2020
- Working groups convened

March
- Online working group briefing (11 March)
- Draft requirements circulated to WGs (26 March)

April
- Virtual WG meetings (22 & 24 April)
- Collation and publication of comments

May
- Board review of process
- 1:1 calls with members

June
- Board review of proposals & options (02 and 15 June)
- Members review of proposals & options (25 June)



ResponsibleSteel Claims: current framework

ResponsibleSteel Member

ResponsibleSteel members are encouraged to use the member logo to promote their association with and support for ResponsibleSteel, and their commitment to its vision and mission.

Member Logo Use:

- The logo may be used by ResponsibleSteel members on member organisations' websites, on reports, in presentations, and for example in reception areas in offices.

ResponsibleSteel Certified Site

Sites that have been certified as meeting the current requirements of the ResponsibleSteel Standard are encouraged to use the certified site logo to promote their achievement.

Site Logo Use:

- The logo may be used on signage at certified sites, and in relevant reports and presentations to promote the site's achievement accompanied by descriptive copy which highlights which site has been certified.

ResponsibleSteel Certified Steel Product

Sites that meet the additional requirements for steel product certification in relation to the sourcing of input materials and/or GHG emissions, currently under development, will be encouraged to use the certified steel logo on their steel products.

Steel Product Logo Use:

- The logo may be used on, and to promote the use of, certified steel products.

Discussion topics prioritised by Members

Input Materials:

- 2.2 ‘Mass balance’ approach: To allow claims on input materials from verified suppliers
- 2.3 Supply chain mapping: A prerequisite for understanding and addressing risks
- 2.4 Risk assessment: To be able to prioritise risk mitigation efforts

GHG emissions:

- 3.1 GHG measurement methodology: Agree which methodology / methodologies to recognise so that GHG emissions figures of different sites are comparable

15 minutes per topic, incl. pre-announced 2-minute speaking slots by some Members

Team will follow up with Members who wanted to discuss topics that are not covered today

Aim of today's meeting

Based on the shared slide deck and background paper, get a sense from Members on the following:

- Do the proposals seem right?
- Are there options not proposed that you think would be better?
- Do you have any concerns in relation to what is proposed?

We appreciate hearing your views

After today's meeting

- Time was very short to prepare for Members. You can reach out to the Team with any issues in the next 2 weeks
- The Team will take the input received at the Members Meeting and in follow-up calls to draft the actual requirements
- We are launching the first public consultation in late July (for 2 months). Opportunity to propose new options, raise red flags, provide feedback, submit position papers, etc.

Draft Proposals and Options on Input Materials

ResponsibleSteel Members Meeting

25 June 2020

Marnie Bammert

Overview of Input Materials Proposal

Commit to sourcing from verified supply sites	Make claims on verified material	Map supply chain to show what you know	Classify risk of all known supply sites	Mitigate high risk at supply sites
Verified = Certified or 3rd party verified high ESG performance Benchmarking of mine site programmes	Mass balance Any material from verified suppliers No claims on non-verified supply	There can be gaps But 3 years after certification: 95% of material from known supply sites	Use categories high, medium, low RS to provide methodology	Lower at least to medium And implement plan to address medium and low risks

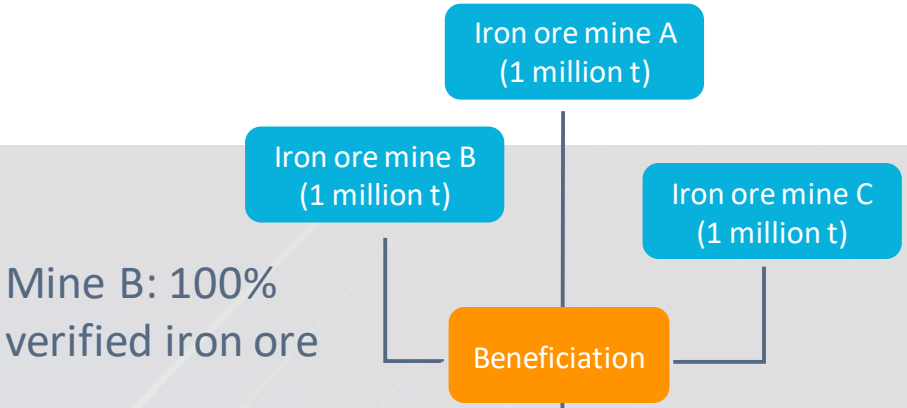
Cross-cutting reporting requirements

Journey

2.2 ‘Mass balance’ approach to claims

Secretariat proposal / options for consultation
Proposal: Allow claims on steel products proportional to the percentage of input material that is from fully verified upstream supply chains, using a mass balance model, and reflecting differing levels of performance of upstream suppliers. **Mass balance options for consultation:** Should we ask for a minimum percentage of verified input material (by mass), for example 10 % or 40%, as a starting point for making claims? If so, why and what percentage would be appropriate? Should we ask for a minimum percentage (by mass) for iron ore and coal/coke (for BF-BOF sites) or scrap (for EAF sites) since they are the key materials for steel making? If so, what percentage is appropriate? Should we ask that all input materials which make up more than a certain percentage of the site’s total input materials (by mass) are from fully verified supply chains? If so, what percentage is appropriate (e.g. 15%? 20%?)

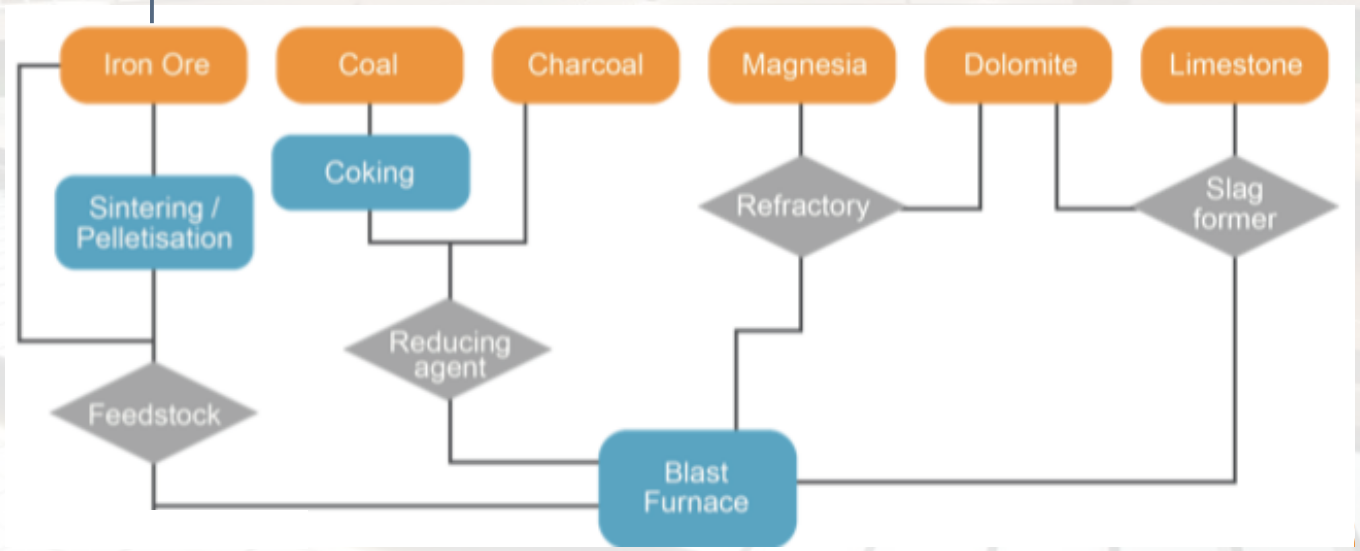
Mass balance simplified hypothetical illustration



Mine B: 100% verified iron ore

Mixing → 33,3% verified iron ore

Mixing with input materials from non-verified supply chains (equivalent to 7 million tonnes of iron ore)



10% RS certified pig iron
(the verified material could be in any 10%)

2.3 Supply chain mapping

Secretariat proposal / options for consultation
Proposal: Sites must map their upstream supply chains for all their input materials, back to the mine site level (where it is mined material) or to the commercial supply site of end-of-life scrap (such as a scrap yard or ship-breaking site). The mapping must identify all known upstream supply sites and show all supply chain stages with unknown supply sites. Within 3 years of becoming certified, the mapping must show that 95% of all received input materials (by mass) are from known sites. In the case of new suppliers, ResponsibleSteel certified sites must know all upstream supply sites back to the mine site level or to the commercial supply site of end-of-life scrap. **Options for consultation:** Is 95% of all used input materials appropriate? Should it be less or more? If so, why and what percentage? 3 years is the ResponsibleSteel certification cycle, i.e. the period between becoming certified and then recertified. Is 3 years appropriate? Is it too long or too short? If so, why and what would be an appropriate time frame?

2.4 Risk assessment

Secretariat proposal / options for consultation
Proposal: Sites must understand the supply chain ESG risks associated with their input materials and classify supply sites as high, medium or low risk. The classification must be reviewed and updated on a regular basis and when needed (e.g. due to changes in supplier activities or due to contracting new suppliers). **Options for consultation:** It is proposed that the risk analysis and classification comprises all known supply sites of all input materials. Is this appropriate or should the analysis and classification comprise fewer materials? If so, why and which materials should we focus on?

2.5 Risk mitigation

Secretariat proposal / options for consultation
Proposal: Sites must have implemented ESG risk mitigation plans for all known high risk supply sites. Updated risk classifications and provided evidence must show that the risks have been reduced at least to medium. Where new high risks become known after the site has become certified (e.g. due to changes in supply site activities), the site must work to reduce the risk at least to medium within 12 months and must provide evidence of effective risk mitigation to the auditors. **Options for consultation:** In addition to high risk supply sites, should implemented risk mitigation plans also be required for specific input materials, for example the two biggest input materials (by mass, and only if they are not from fully verified supply chains)? If so, why and for which materials?

2.6 Risk mitigation continued

Secretariat proposal / options for consultation
Proposal: Sites must have time-bound plans to mitigate the ESG risks associated with all other supply sites. Evidence of progressive implementation of the plans must be provided at each audit and must show that risks are being reduced or that supply sites are verified by recognised systems. **Options for consultation:** None

Draft Proposals and Options on GHG Emissions

ResponsibleSteel Members Meeting

25 June 2020

Matthew Wenban-Smith

3. GHG emissions

Existing requirements

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

3.1 GHG measurement methodology

Secretariat proposal / options for consultation

Proposal:
To recognise a limited number of standards (e.g. GHG Protocol, ISO14404 and EN 19694) but to specify additional elements required for RS reporting under the chosen standard – for example if using ISO14404 sites must use national or sub-national specific data for the calculation of Scope 2 emissions, not a generic global figure.

Option for consultation: to establish a single generic RS methodology:

- Would be used by all ResponsibleSteel certified sites as the basis for making ResponsibleSteel endorsed claims, could be based on ISO14404 or another standard as a starting point

Option for consultation: allow sites to choose their own methodology:

- ResponsibleSteel would recognise a limited number of standards (e.g. GHG Protocol, ISO14404 and EN 19694) without specifying additional requirements
- Sites would use their chosen methodology to determine GHG emissions as the basis for ResponsibleSteel claims

Timelines and process for ResponsibleSteel ‘Steel Product Certification Requirements’

Alison Lucas

Process and timeline: next steps

June

- Follow-up with Members (after 25 June)
- Finalise draft requirements and options

Jul - Sept

- Board review of draft for public consultation (by 17 July)
- 60 - day public stakeholder consultation 25 July – 25 Sept
- Further review of issues

Oct

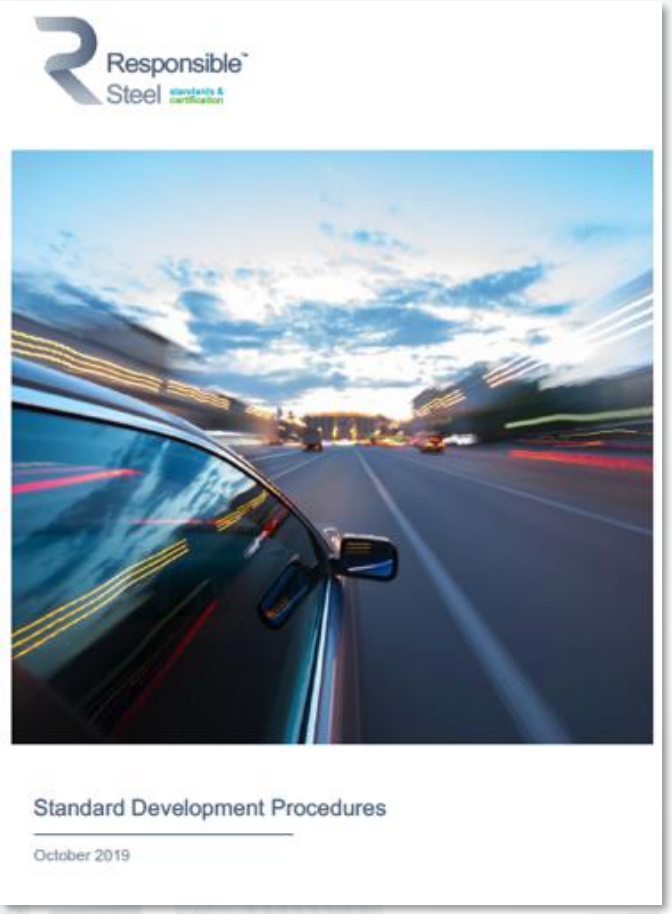
- Collation and response to comments
- Revised draft to WGs

Nov

- 2nd round of virtual WG meetings
- Board review of draft for public consultation (by 20 Nov)

Dec - Jan

- 30 – day public consultation (extended to new year)



Process and timeline: next steps (cont)

Jan

- Collation and response to comments
- Near to final draft

Feb

- 3rd Working Group Meetings and WG sign off

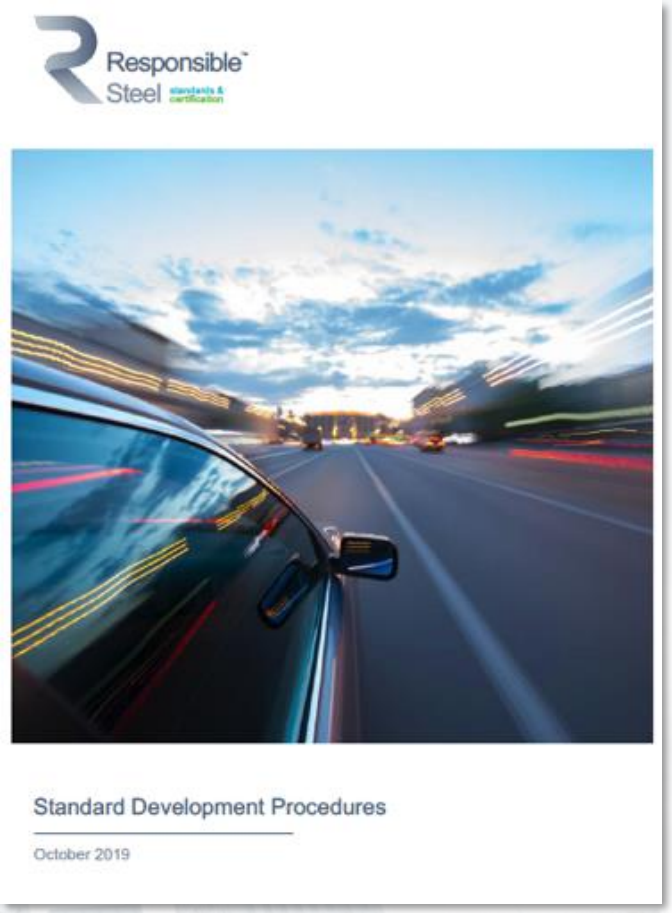
** if requirements for input materials, or requirements for GHG thresholds have not both been agreed at this point, the board will review options for further work, in consultation with the membership, to determine next steps*

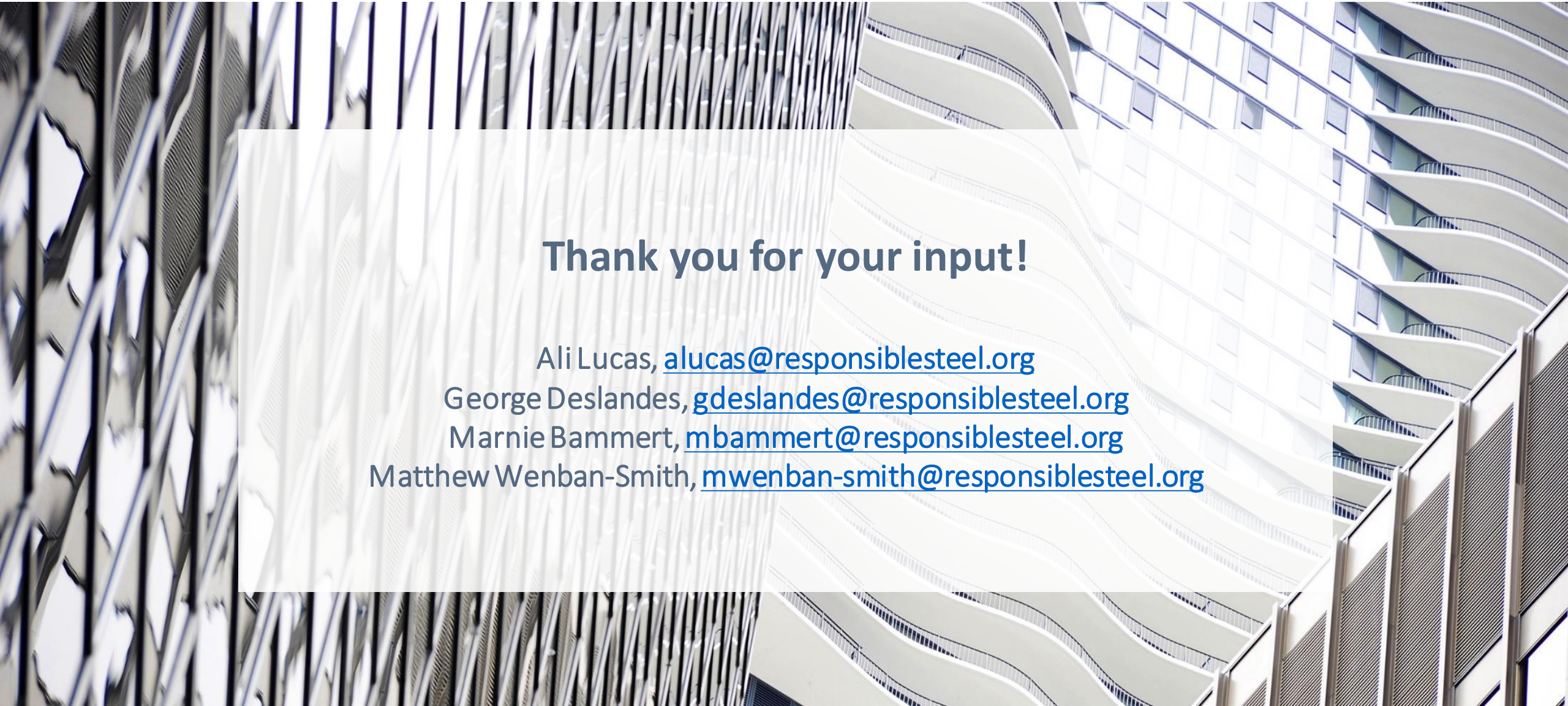
March

- 'Legal' review and finalisation
- SAC review of process, ToR and level of agreement, and recommendation to Board

Apr 2021

- Formal membership vote and board ratification
- Integration with site requirements, logo use guidance, guidance on specifying ResponsibleSteel certified steel products, etc.





Thank you for your input!

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Marnie Bammert, mbammert@responsiblesteel.org
Matthew Wenban-Smith, mwenban-smith@responsiblesteel.org

Discussion topics: Google form results

Topic	Votes
1.2 ResponsibleSteel ‘steel product claims’	5
2.2 ‘Mass balance’ approach to claims	9
2.3 Supply chain mapping	11
2.4 Risk assessment	7
2.5 Risk mitigation	5
2.6 Risk mitigation continued	2
3.1 GHG measurement methodology	7
3.2 GHG performance threshold for steel product claims	5
3.3 ResponsibleSteel requirements for LCAs/ EPDs	5
3.4 GHG Claims Taxonomy	5

Other topics received less votes

2.1 Commitment to source input materials from verified sites

Secretariat proposal / options for consultation
Proposal: Ask for a commitment to increasingly source input material from supply sites that have achieved credible third party verification of strong ESG performance. **Options for consultation:** None **Note: "**Input materials" is used here as an umbrella term for mined raw materials and for other materials that are not "raw" but are used in steel making and steel processing, for example scrap or molten iron.

2.7 Input material reporting

Secretariat proposal / options for consultation
Proposal: The following must be reported to the public on a regular basis once a site is certified to the requirements sketched out in this document • percentage of input material that is from fully verified supply chains • percentage of input material that is from unknown supply sites • percentage of input material that is classified as high, medium and low risk. **Options for consultation:** None

3.2 GHG performance threshold for steel product claims

Secretariat proposal / options for consultation

Proposal:

To define the GHG emissions intensity threshold for crude steel for the purpose of ResponsibleSteel certification according to the relative quantities of scrap (X) and primary metal (Y) used for steel production at the site. The standard specifies GHG emissions factors for steel production from scrap (x tonnes CO_2e/ tonne crude steel) and from iron ore (y tonnes CO_2e/ tonne crude steel) respectively. The threshold for product certification is then defined as:

$$((x * X) + (y * Y))/ (X + Y) \text{ tonnes } CO_2e/ \text{ tonne crude steel}$$

Issue for consideration:

How to value the recycling virtues of all steel products without creating a bias towards scrap?

3.2 GHG performance threshold for steel product claims

Secretariat proposal / options for consultation		
Illustrative example • Emissions factor for steel production from iron ore = 2 tonnes carbon /tonne steel • Emissions factor for steel from scrap = 0.5 tonnes/tonne		
Steel made from 100% primary steel Threshold for ResponsibleSteel certification = 2 tonnes carbon /tonne steel	**Steel made from 100% scrap** Threshold for ResponsibleSteel certification = 0.5 tonnes carbon /tonne steel	**Steel made from 50% primary steel and 50% scrap** Threshold for ResponsibleSteel certification = (2.0 + 0.5)/ 2 = 1.25 tonnes carbon /tonne steel

Options:

It would be possible to specify 'high' and 'low' emissions factors to allow for more than one threshold level. For example, more demanding thresholds could be based on emissions factors of 1 tonne carbon/ tonne steel for primary steel, and 0.25 tonnes carbon/ tonne steel for steel from scrap

3.3 ResponsibleSteel requirements for LCAs/ EPDs

Secretariat proposal / options for consultation

Proposal:

- The ResponsibleSteel standard would not *require* steelmakers to carry out a Life Cycle Analysis (LCA) in order to claim that a product is ResponsibleSteel certified; nor would the standard *require* that environmental product declarations (EPD) must be provided (other than to specify the level of RS performance level in relation to GHG emissions and the sourcing of input materials)

- If a steelmaker wishes to provide additional LCA and/or EPDs (for example if requested by its customers) it can of course do so, using the standard of its choice.

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

Option for consultation: RS to specify a limited list of RS-recognized international standards that may be used for LCA and/or EPDs for ResponsibleSteel certified products.

Option for consultation: RS to develop its own branded LCA and/or EPD standard

3.4 GHG Claims Taxonomy

Secretariat proposal / options for consultation

Issues for consultation:

- Should there be specific, separate ResponsibleSteel claims a) for steel that is made in accordance with carbon related BATNEEC principles today and b) for steel that is zero / ultra low carbon steel made with new breakthrough technology? If so:
  - How should thresholds for these different 'levels' of claim be defined?
  - How should these different types of claim be communicated (e.g. different 'levels', different logos?)
- Should threshold performance requirements for GHG emissions be added to the existing requirements for 'site certification' or be specified as requirements that must be met only for 'steel product certification'? Or could there be a 'basic' threshold included with the existing 'site certification requirements, and a more demanding threshold be required for 'steel product' certification?

B. Integration with existing requirements

Secretariat proposal / options for consultation

Proposal:

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

Option(s) for consultation:

1. The additional requirements for product certification to be added to the relevant Principles of the current ResponsibleSteel Standard (i.e. to Principles 2 & 8)
2. As above, but with possibility of an additional principle on 'Sourcing of input materials' (or similar title)
3. A new *section/ part* of the current ResponsibleSteel Standard, specifying the additional requirements for product certification
4. A new, free-standing document to include the additional requirements relating to GHG and Raw Materials required for product certification with title such as:
   a) 'ResponsibleSteel product certification requirements'
   b) 'ResponsibleSteel chain of custody' standard
5. Some combination of the above