Co-creating ResponsibleSteel’s input materials requirements

08 December 2020
09:00 – 11:00 GMT and repeated at 16:00-18:00 GMT

Marnie Bammert, Technical and Assurance Director
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 mins</td>
<td>Welcome, housekeeping, antitrust</td>
</tr>
<tr>
<td>15 mins</td>
<td>Refresher on draft criteria for input materials</td>
</tr>
<tr>
<td>Up to 95 mins</td>
<td>When should ‘certified’ claims be possible?</td>
</tr>
<tr>
<td></td>
<td>What kind of ESG risk management has to be done?</td>
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<tr>
<td></td>
<td>Moderated discussion</td>
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<tr>
<td>11:00 GMT</td>
<td>Wrap-up and close</td>
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Housekeeping

• Observe antitrust issues
• Webinar will be recorded for internal purposes
• Slides will be posted on ResponsibleSteel website
• Please unmute to ask questions or use the Q&A box on your screen
• Meeting is conducted under the Chatham House rule: You can speak about what was said in this meeting, but you cannot make known who said what
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.
Stakeholder consultation on input materials requirements

Feedback by Sector

- Automotive 26%
- Certification & Assurances 7%
- Civil Society 4%
- Construction 11%
- Finance 4%
- Mining & Metals 11%
- Other industry Associations 4%
- Steel making 33%
Stakeholder consultation on input materials requirements

Feedback by Country

- United Kingdom: 31%
- Germany: 11%
- United States: 7%
- Switzerland: 7%
- Canada: 4%
- Denmark: 4%
- Australia: 8%
- Austria: 4%
- South Korea: 4%
- Luxembourg: 4%
- India: 4%
- Finland: 4%
- North Macedonia: 4%
- Belgium: 4%
- South Korea: 4%

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ResponsibleSteel certification – Input Materials

- 100% responsibly managed supply chains with strong environmental, social and governance (ESG) performance is our ultimate goal
- But, many materials, many suppliers, all at different stages of the “responsibility journey”, blending of material, and a lot of unknowns
- Recognise credible third party verification in other stages of the supply chain, e.g. mining
- But include a bridging mechanism for addressing ESG risk in supply chains, i.e. a due diligence-type approach
- Result: 6 Criteria published for consultation, aimed at incentivising the best and eliminating the worst
ResponsibleSteel certification – Input Materials

Currently defining how programmes in other supply chain stages can be recognised

First programme assessments to be published in February as part of next consultation

Wide agreement on this criterion

Commit to responsible sourcing

Map input material supply chains

Claim ‘certified steel’ based on verified input

Assess ESG risks and impacts in supply chains

Address ESG risks and impacts over time

Report on implementation of commitment
ResponsibleSteel certification – Input Materials

Focus of today’s session

Commit to responsible sourcing
Map input material supply chains
Claim ‘certified steel’ based on verified input
Assess ESG risks and impacts in supply chains
Address ESG risks and impacts over time
Report on implementation of commitment

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ResponsibleSteel certification – Claims

Verified input:
Input material from supply sites that have achieved:
• Certification or
• Verification of strong ESG performance through third-party audit according to a programme that ResponsibleSteel recognises

Claim ‘certified steel’ based on verified input

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### ResponsibleSteel certification – Claims

#### Mining programme level

<table>
<thead>
<tr>
<th>TSM Rating Scale</th>
<th>Description</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Excellence and leadership.</td>
<td>Full recognition</td>
</tr>
<tr>
<td>AA</td>
<td>Integration into management decisions and business functions.</td>
<td>Partial recognition</td>
</tr>
<tr>
<td>A</td>
<td>Systems/processes are developed and implemented.</td>
<td>Partial recognition</td>
</tr>
<tr>
<td>B</td>
<td>Procedures exist but are not fully consistent or documented; systems/processes planned and being developed.</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>No systems in place; activities tend to be reactive; procedures may exist but they are not integrated into policies and management systems.</td>
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</table>

*Results are assumptions!*
## Responsible Steel certification – Claims

### Mine site level

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<thead>
<tr>
<th>TSM Rating Scale</th>
<th>Contribution to ‘verified input material’</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AAA</strong></td>
<td>Excellence and leadership.</td>
</tr>
<tr>
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*Results are assumptions!*
ResponsibleSteel certification – Claims

Verified input material: 10% (any material) from recognised programme

90% other input material

Mass balance allows mixing, no physical segregation of verified and non-verified material
Does not allow tracing back to origin and it is not known which of the products really contain verified material

10% of steel product certified if AAA mine sites
8% of steel product certified if AA mine sites
6% of steel product certified if A mine sites

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ResponsibleSteel certification – Claims

Feedback received during consultation:

- Proposal is fine
- Steel sites can start making claims once they have reached 10% of input material from 'verified sources'
- Ask for percentage to increase over time
- Why have a threshold at all? Let market decide how much it wants / needs
- Define minimum and higher levels of performance and link them to the claims that can be made
- Ask for higher percentage (25%, 40%)

Let's discuss these points:

- Iron ore should be covered
- Material with high ESG risk should be covered
- The draft requirements should be tested for feasibility

Input from earlier session:
ResponsibleSteel certification – Claims – New proposal

- Different levels of achievement
- Key points in the supply chain that would need to provide verification
- Would have to comprise some of the key input materials
  → What should these be?
- Would address concerns around perception of low threshold
- Would align with thinking on GHG
- Would allow companies at different stages of the ‘responsibility journey’ to come in
- Define different approach for stainless steel / sites where scrap is the key input material

<table>
<thead>
<tr>
<th>Achievement level</th>
<th>Result</th>
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<tr>
<td>&gt; 70 %</td>
<td>Gold</td>
</tr>
<tr>
<td>41 – 70 %</td>
<td>Silver</td>
</tr>
<tr>
<td>20 %–40%</td>
<td>Bronze</td>
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</table>
ResponsibleSteel certification – ESG risks and impacts

Assess ESG risks and impacts in supply chains

Requirements would be limited to ‘Top 3 input material categories’ or materials where steel sector has ‘Top purchasing power’

Classify risks and impacts as high, medium or low and prioritise them

Address ESG risks and impacts over time

Address risks and impacts step by step, according to set plans and strategy

Options:
1. Use ready-made tools such as TDI work for worldsteel or RRA
2. Use own methodology
3. Focus on credible certification / 3rd party verification and do not consider risks and impacts

Feedback showed no clear preference

Feedback showed clear preference for 1. and 3.
Feedback:
• Unknown sites in supply chain should not be classified as high risk
• Assessing all known supply sites for risk is too much to ask. There needs to be a filter of some kind → even for ‘Top 3’ / ‘Top purchasing power’?

Feedback:
• Steel companies have little influence over suppliers beyond tier 1
• Requiring plans and strategies for addressing all risks is too much
• Recognise more that risk management is an ongoing process
Thank you for your contributions!

Next session
Co-creating the input materials requirements
15 December
09:00-11:00 and 16:00-18:00 GMT

Marnie Bammert, mbammert@responsiblesteel.org