Co-creating ResponsibleSteel’s input materials requirements

15 December 2020

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

Marnie Bammert, Technical and Assurance Director
<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
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<tbody>
<tr>
<td>10 mins</td>
<td>Welcome, housekeeping, antitrust</td>
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<tr>
<td>Up to 110 mins</td>
<td>Supply chain mapping</td>
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<td></td>
<td>Analysis of potentially ‘verified’ input material</td>
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<td></td>
<td>ESG risk and impact management</td>
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<tr>
<td>18:00 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
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.
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

To what extent? Pipeline of ‘verified’ input material
Approach that satisfies stakeholder expectations, is manageable and truthful
• Clarification on “mapping”: Does not mean a map like Google maps, but a collation of information, could be a matrix or a map – whichever format works best for steel companies

• Within 3 years of becoming certified to input materials requirements: 95% of the quantity of received input materials is from supply chains where all links in the chain are known, back to the mine site level or to the commercial supply site of external scrap

Covered input materials:
– Ferrous and non-ferrous raw material
– Process coal, coke and charcoal
– Ferro alloys
– External scrap

• Other input material for steel making and processing that is not listed here is proposed to be out of scope. I.e. acids, chemicals, electrodes, energy inputs, lubricants, oils, refractories and rolls
ResponsibleSteel certification – Map input material supply chains

• Note: We are not expecting steel companies to make details about their suppliers public, but to provide the auditors with relevant information so they can verify the mapping requirements.

To discuss:
• “All links” to be known? Focus on supply chain activities that are likely to have the biggest ESG impacts?
• Too many materials? Which input materials to be covered?
• Separate conversation on what is a “commercial supply site of external scrap”, not today.

Covered input materials:
- Ferrous and non-ferrous raw material
- Process coal, coke and charcoal
- Ferro alloys
- External scrap

- Operational and industrial products:
  - fluxing agents and desulphurisers,
  - industrial gases

• Other input material for steel making and processing that is not listed here is proposed to be out of scope. I.e. acids, chemicals, electrodes, energy inputs, lubricants, oils, refractories and rolls.
ResponsibleSteel certification – Claims

• Started to project potential availability of input materials that might become available from “verified” mines

IRMA
• ArcelorMittal and Anglo American have public commitments to put all of their mines (except diamond mines) into IRMA, timeline currently not known
• ArcelorMittal and Anglo American combined production:

<table>
<thead>
<tr>
<th>Material</th>
<th>Million tonnes per annum</th>
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<tbody>
<tr>
<td>Iron ore</td>
<td>122.6</td>
</tr>
<tr>
<td>Coking coal</td>
<td>28.4</td>
</tr>
<tr>
<td>Manganese</td>
<td>3.7</td>
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<tr>
<td>Nickel</td>
<td>0.45</td>
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• Minimum production that will be put through IRMA process since more mining companies are expected to join. Performance levels not known
ResponsibleSteel certification – Claims

- Strong increase in mines using IRMA self-assessment tool, spread across a dozen countries and producing some important input materials for the steel sector
- Where audit reports are published these promise to deliver a great level of transparency
ResponsibleSteel certification – Claims

TSM

- Coal, iron ore, nickel, other input materials (?) from Canada participating in TSM. More than 60 facilities
- TSM expanding into 7 other countries: Argentina, Botswana, Brazil, Finland, Philippines, Norway, Spain

Need to gather detailed data on all 5 programmes that will be considered for recognition initially
ResponsibleSteel certification – ESG risks and impacts

- Need an approach that satisfies stakeholder expectations, is manageable and truthful
- Ready-made tools out there for ESG risk analysis → All companies would work from the same basis

<table>
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<tr>
<th>Tool</th>
<th>Comment</th>
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<td>TDI/RRA</td>
<td>TDI = ESG profile of country and material / RRA = Supplier self-assessment, 3rd party audit may be added. Both to be coupled next year and digitalised. RRA potentially does not yet cover all relevant input materials for steel production.</td>
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<tr>
<td>Ecovadis</td>
<td>Self-assessment reviewed by independent assessor Cloud-based system</td>
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<tr>
<td>Coppermark</td>
<td>RRA + 3rd party assurance process</td>
</tr>
<tr>
<td>Joint Due Diligence Standard</td>
<td>Implements OECD guidance Currently in development and applies to copper, lead, nickel, zinc.</td>
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- Potentially others out there. Might also want to look into ‘Together for Sustainability’ (TfS) of the chemicals industry or the Joint Audit Cooperation (JAC) by the telecom sector, Dutch sector initiatives.
- Use audit reports of sites participating in recognised programmes for ESG risk analysis.
Addressing ESG risk and impact in supply chains is very disputed amongst our members

- Reliability?
- Steel companies not in driving seat
- Rely on suppliers
- Outcomes cannot be audited within RS system, only steel company’s procedure
- Would have to commission third-party audits of all suppliers
- Too costly, too onerous
- And, why build yet another auditing system?
- Have to make sure that RS claims are truthful and do not overpromise

→ Stop at ESG risk and impact analysis, but strengthen transparency
→ Make publicly known the results of ESG risk and impact analysis and report on share of input material from ‘verified’ suppliers
→ Show progress over time
Thank you for your contributions in this difficult year!

No further session planned on input materials requirements
Will digest and potentially re-convene group in early 2021

Have a lovely Christmas and New Year’s break!

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