Co-creating ResponsibleSteel’s input materials requirements

26 January 2021

15:00-17:00 GMT

Marnie Bammert, Technical and Assurance Director
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
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<tbody>
<tr>
<td>10 mins</td>
<td>Welcome, housekeeping, antitrust</td>
</tr>
<tr>
<td>10 mins</td>
<td>Consultation process so far and next steps</td>
</tr>
<tr>
<td>Up to 100 mins</td>
<td>Input materials supply chain mapping</td>
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<tr>
<td></td>
<td>ESG risk management in supply chains</td>
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<td></td>
<td>‘ResponsibleSteel certified’ claims related to sourcing</td>
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<tr>
<td></td>
<td>Reporting on the responsible sourcing of input materials</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 is 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.
Consultation process so far and next steps (indicative timeline)

Aug-Sep
- 60-day public stakeholder consultation

Oct-Jan
- Review of feedback
- Group calls
- 1:1 calls

Feb
- Drafting of next version of requirements
- Board check-in

Feb-Apr
- 60-day public stakeholder consultation

May-July
- Further calls as needed
- Finalisation of requirements
- Member and Board review and approval
• Listened and discussed views over the last few months
• Simplify and clarify requirements
• Claims to be more prescriptive
• Headlines to remain the same, except for one
Which input materials are covered by the sourcing requirements?

<table>
<thead>
<tr>
<th>Ferrous raw material</th>
<th>• Concentrate</th>
<th>• Lump ore</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Direct reduced iron (DRI)</td>
<td>• Pellets</td>
</tr>
<tr>
<td></td>
<td>• Fines</td>
<td>• Pig iron</td>
</tr>
<tr>
<td></td>
<td>• Hot briquetted iron (HBI)</td>
<td>• Sinter</td>
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<table>
<thead>
<tr>
<th>Process coal, coke and charcoal</th>
<th>• Anthracite</th>
<th>• Coking /Metallurgical coal</th>
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<tbody>
<tr>
<td></td>
<td>• Charcoal</td>
<td>• Pulverised coal for injection</td>
</tr>
<tr>
<td></td>
<td>• Coke</td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Ferro alloy</th>
<th>• Aluminium</th>
<th>• Manganese</th>
<th>• Phosphorous</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Boron</td>
<td>• Molybdenum</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Chrome</td>
<td>• Molybdic oxide</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Cobalt</td>
<td>• Nickel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Magnesium</td>
<td>• Niobium</td>
<td></td>
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</tbody>
</table>

| Non-ferrous raw material | • Aluminium | | |
|--------------------------|-------------|--------------|
|                          | • Magnesium | | |
|                          | • Tin | | |
|                          | • Zinc | | |

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<tr>
<th>External scrap</th>
<th>• Manufacturing scrap (scrap from the manufacturing processes of final products, such as automobiles and buildings)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• End-of-life scrap (scrap from after the end of life of final products)</td>
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</table>

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<tr>
<th>Other input material</th>
<th>• Limestone</th>
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Mandatory minimum list. Sites may add materials, e.g. chemicals, electrodes, energy inputs, lubricants, oils, refractories and rolls

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Map input material supply chains

For mined material:

- Collect information on who is in your supply chains (not made public but shown to auditors)
- Within 3 years of becoming certified, the supply chains are known for at least 95% of received input material up to the mines of origin (in tonnes, as calculated from the total tonnes of received mined material)

For scrap: Separate discussion on-going to determine cut-off point
ESG risks and impacts in supply chains

Addressing ESG risk and impact in supply chains is disputed amongst our members:

- Term “due diligence” deliberately not used since closely linked to OECD minerals guidance. E in ESG only marginally addressed
- Steel companies not in driving seat, must rely on information from suppliers
- Usually no agreed standard and assurance protocol -> potentially low reliability and great variance of results
- Outcomes cannot be audited within the RS system, only the steel company’s procedure on managing ESG risks and impacts in supply chains
ESG risks and impacts in supply chains

Need an approach that satisfies stakeholder expectations, is manageable and truthful

Figure from OECD Guidelines for Multinational Enterprises

Steps 1 and 6: Covered by existing RS Standard

Steps 2 and 5: Suggested to be covered by input materials requirements

Steps 3 and 4: Suggested to be out of scope of input materials requirements
ESG risks and impacts in supply chains

Ready-made tools out there for ESG risk analysis → All companies would work from the same basis

<table>
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<tr>
<th>Tools (examples)</th>
<th>Comment</th>
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| TDI/RRA          | TDI = ESG profile of country and material  
RRA = Supplier self-assessment, 3rd party audit may be added  
Both to be coupled in 2021 and digitalised  
RRA potentially does not yet cover all relevant input materials for steel production |
| Ecovadis         | Self-assessment reviewed by independent assessor  
Cloud-based system |
| Coppermark       | RRA + 3rd party assurance process |
| Joint Due Diligence Standard | Implements OECD guidance (i.e. limited to human rights)  
Scheduled for release in February, applies to copper, lead, nickel, zinc. Could potentially cover other materials too |

Might also use audit reports of sites participating in recognised programmes for ESG risk analysis
“ResponsibleSteel certified” claims for steel product

- **Mass balance** to be the basis for calculating how much outgoing steel product can be sold as “ResponsibleSteel certified”
- Allows mixing of certified/verified input material and non-certified/non-verified input material, no segregation is needed,
- Quantity of incoming certified/verified input material equals outgoing steel product sold as "certified"
- We will ask that certified/verified input material **comprises the top 5 input materials** used at the site
- Define different levels of achievement, for example
  * 20-40%
  ** >40-70%
  *** >70%

  First level (*) to be met for both input materials and GHG to be able to make steel product-related claims
- Scrap: Separate conversation ongoing
Prerequisites for mined material:

- **Strong ESG performance of key actors in the upstream supply chain** has to be certified/third-party audited according to a **RS-recognised programme**. Focus on where ESG impact is likely to happen: mine sites, smelters, refiners. Companies that do not physically alter the input material (e.g. a transportation company, a distributor, a trader) do not have to be ESG-certified/verified
  
  - Mining programmes: Bettercoal, ICMM, IRMA, ITA, TSM initially being analysed
  
  - For smelters / refiners: Can the RS Standard apply? Other programmes such as ASI?

- Information to verify that the strong ESG performance of key actors has been certified/third-party audited has to travel from the mine site to the steel site that wants to make claims. How this has to happen will be specified in **chain of custody requirements**. Recognise other systems? E.g. looked into the draft IRMA CoC standard. Information might comprise: Name and address of

- Scrap: Separate conversation ongoing
Site-level information for publication on the ResponsibleSteel website at regular intervals:

- Input material that is from fully certified/third-party audited supply chains and achieved level of performance (*)
- Input material that is classified as high, medium and low ESG risk or impact

-> Detail still to be worked out
Thank you for your contributions!

60-day consultation on next draft version of the requirements for input materials and GHG expected to start later in February

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