Draft Requirements for ResponsibleSteel ‘Steel Certification’

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ResponsibleSteel site certification and steel certification

**ResponsibleSteel Site Certification**
Site meets all 12 Principles of the existing ResponsibleSteel Standard

**ResponsibleSteel Steel Certification**
As above, plus requirements for responsible sourcing of input materials and crude steel GHG emissions intensity performance
3 performance levels for both input material and GHG. Outcome expressed as Levels
ResponsibleSteel Standard as is

1. Corporate Leadership
2. Social, Environmental, Governance Management Systems
3. Occupational Health + Safety
4. Labour Rights
5. Human Rights
6. Local Communities
7. Stakeholder Engagement and Communication
8. Climate Change and GHG
9. Noise, Emissions, Effluents and Waste
10. Water Stewardship
11. Biodiversity
12. Decommissioning and Closure
## ResponsibleSteel Standard with Sourcing and GHG additions

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This diagram illustrates the key principles and criteria under Corporate Leadership, Social, and Environmental aspects of the ResponsibleSteel Standard. The principles are structured to reflect the interrelatedness of governance, social responsibility, and environmental management, ensuring a holistic approach to sustainability in the steel industry.
ResponsibleSteel steel certification – Responsible Sourcing

- Supply chain stages where RS Standard applies
- But, have to cover entire supply chain if want to achieve our Vision
- More than 100 standards, frameworks, guidelines... We know what responsible mining looks like
- RS to contribute to making responsible mining a reality by promoting credible mining programmes through its responsible sourcing requirements
- Downstream supply chain in 2022
ResponsibleSteel steel certification – Responsible Sourcing

Conditions for the recognition of other programmes:
- Transparent
- Clear
- Comprehensive
- Competent
- Stakeholder involvement

What we analyse:
- Standard
- Governance of the programme
- Audit procedures and
- Monitoring

Assessment results up to today:
- Bettercoal
- IRMA
- TSM
All recognised, but from which level?
- ICMM
- ITA
Currently being assessed
ResponsibleSteel steel certification – Responsible Sourcing Criteria

- Responsible sourcing commitment
- Upstream supply chain visibility
- Mined materials
  - Leverage RS-recognised programmes to:
  - Encourage good ESG performance
  - Verify good ESG performance
- ESG standards in supply chains
- Scrap
  - Use RS Responsible Scrap Principles and ESG risk management to:
  - Further improve visibility of supply chains
  - Encourage use of management systems
  - Support ESG risk reduction
- Input material eligible for ‘certified steel’ claims
- Reporting on responsible sourcing

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ResponsibleSteel steel certification – Responsible Sourcing

- Minimum RS-accepted ESG achievement level confirmed through third-party on-site audit carried out in the last 3 years
- + Chain of Custody certification

Bettercoal

IRMA

TSM

Mine

No

Yes

Input material not eligible

Input material eligible for ‘certified steel’ claims

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Integrate and thus promote recognised mining programmes like Bettercoal, IRMA and TSM:

- Agreed set of requirements developed with stakeholder input, tested on the ground
- Defined audit protocols, auditor training, oversight
- Transparency on requirements and audit results
- Having a limited set of standards to work towards can help reduce the burden on steel companies and suppliers to manage and respond to numerous, slightly differing ESG questionnaires
- Provides for more streamlined understanding of what ‘responsible’ means
- Provides an on-ramp for getting engaged in mining programmes
- **Similar approach could be taken to other supply chain stages and activities**, e.g. scrap, aluminium. The ResponsibleSteel Standard could also be applied elsewhere
ResponsibleSteel steel certification – Responsible Sourcing Criteria

**Responsible sourcing commitment**
Commitment to recognised mining programmes and Responsible Scrap Principles.
Anchor commitment through:
- Senior management responsibility
- Internal training
- Supplier code of conduct
- Supply contracts
- Supplier approval procedure

**Upstream supply chain visibility**
By 3 years after certification, 95% of mined material sources known up to the mine site.
30% of the sources of external scrap known, up to the primary scrap consolidation or manufacturing site.
Information on suppliers must be captured, e.g.:
- Name, location
- Provided input material
- Quantity

**ESG standards and good practices in supply chains**
- Mined material: Supplier self-assessment against recognised standard or third-party audit, every 3 years
- Scrap: Carry out ESG risk assessment if suppliers do not have system(s) for managing environment, H&S, labour and human rights issues
- Agree with suppliers on how gaps and issues will be addressed and whether steel site can support them in this

**Input material eligible for ‘certified steel’ claims**
Predefined minimum ESG score must be achieved for suppliers of:
- Ferrous raw material
- Coal / Charcoal
- Limestone
- Ferro alloys
- Non-ferrous raw materials

Separate, tiered requirements for external scrap:
- 50 / 80 / 95% of scrap sources known
- Management systems in place at suppliers or effectively addressing high and medium ESG risk

**Regular reporting on responsible sourcing**
For each input material category:
- Countries of origin
- Level of supply chain visibility
- Aggregated results of mine site self-assessments and audits
- Scrap supply classified as high or medium risk
- Support provided to suppliers in addressing ESG gaps and issues
- ESG achievement levels of mines

Chain of Custody needed to verify material is from responsible sources
ResponsibleSteel steel certification – Responsible Sourcing Criteria

Covered input materials*:
- Iron ore
- Coal / Charcoal
- Limestone
- Ferro alloys
- Non-ferrous raw materials
- Scrap (different set of requirements)

Commitment to RS-recognised programmes
Anchoring commitment:
- Senior management responsibility
- Internal training
- Supplier code of conduct
- Cascading up the chain
- Supply contracts

List comprises the chief ingredients that are thought to cover up to 95% of all input materials used in steel making and steel finishing. Other input materials and consumables such as energy inputs, chemicals, electrodes, lubricants, oils, refractories and rolls are out of scope. Co-products are out of scope as well.

Depending on where a steel site is placed in the supply chain, it might use these input materials in raw or processed form.

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By 3 years after certification, 95% of mined material sources known up to mine site, and 30% of the external scrap, up to the primary scrap consolidation or manufacturing site.

Information on suppliers must be captured, e.g.:

- Name, location
- Input material provided
- Quantity
ResponsibleSteel steel certification – Responsible Sourcing Criteria

Leverage RS-recognised programmes to encourage good ESG performance in mined material supply chains:

• Supplier self-assessment against recognised standard or third-party audit, every 3 years
• Share results with customers
• Let them know how you intend to address gaps, see if customer can support you in your efforts

Note that there are separate requirements for scrap
Responsible Steel steel certification – Responsible Sourcing Criteria

Certified steel’ claims only if at least some mined material from all categories achieves ‘RS-recognised ESG performance level’:
- Ferrous raw material
- Coal / Charcoal
- Limestone
- Ferro alloys
- Non-ferrous raw materials

- Will ensure that steel companies not only work on their bulk input materials
- Suppliers must have Chain of Custody certification to verify that sources are managed responsibly (IRMA CoC Standard)
- No traceability required
- No minimum threshold, but whether claims can be made depends on suppliers’ Input Material Scores, calculated as per ResponsibleSteel formula (see consultation doc)
- To ‘marry’ GHG and input materials outcomes, scores are converted into Levels

Note that there are separate requirements and scores for scrap
ResponsibleSteel steel certification – Responsible Sourcing SCRAP

| Note that all individual requirements of a specific Score must be met for the steel site to achieve that Score |
|---|---|---|
| | Score of 1 | Score of 2 | Score of 3 |
| a) Scrap suppliers are known up to the primary scrap consolidation or the manufacturing site | For at least 50% of the purchased scrap (by mass) | For at least 80% of the purchased scrap (by mass) | For at least 95% of the purchased scrap (by mass) |
| b) In fully known supply chains (as described in a) above), tier 1 supply sites are certified to a ResponsibleSteel-recognised CoC Standard if they provide scrap to the site | | | |
| c) Known suppliers adhere to the ‘Responsible Scrap Principles’ | There is evidence for the suppliers of at least 20% of the purchased scrap (by mass) | There is evidence for the suppliers of at least 40% of the purchased scrap (by mass) | There is evidence for the suppliers of at least 50% of the purchased scrap (by mass) |
| d) Known suppliers systematically manage environmental, health and safety, labour and human rights issues in line with recognised standards and guidelines | At least 50% of tier 1 suppliers | At least 50% of tier 1 and tier 2 suppliers | At least 50% of suppliers up to the primary scrap consolidation or manufacturing sites |
| e) Where known supply sites do not systematically manage environmental, health and safety, labour and human rights issues, they are assessed for ESG risks that are not covered by their management approach | | | |
| f) High and medium ESG risks are addressed together with known suppliers | | | |
| g) ESG risk reduction efforts are effective | There is evidence of ESG risk reduction for the suppliers of at least 20% of the purchased scrap (by mass) | There is evidence of ESG risk reduction for the suppliers of at least 40% of the purchased scrap (by mass) | There is evidence of ESG risk reduction for the suppliers of at least 50% of the purchased scrap (by mass) |
ResponsibleSteel steel certification – Responsible Sourcing Criteria

- Responsible sourcing commitment
- Upstream supply chain visibility
- ESG standards and good practices in supply chains
- Input material eligible for ‘certified steel’ claims
- Regular reporting on responsible sourcing

• Achieved levels per input material category at tier 1 suppliers
• Aggregated results of self-assessments and 3rd party audits in supply chains per input material category
• Support provided to suppliers
• Countries of origin to be disclosed or sourcing regions for input material categories
### ResponsibleSteel steel certification – Criteria for GHG

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**Current ResponsibleSteel Standard (V1-0)** approved by RS Board and Members, November 2019

**Additional GHG emission requirements for certification of steel products** (consultation draft 1-0, September 2020)
New draft for 60-day consultation: published 19th April 2021

High level changes:
- Existing ‘site certification’ requirements (V1-0) and new ‘steel certification’ requirements integrated into revised Principle 8 covering both
- P8 Objectives and Background revised accordingly
### Changes to existing C8.1 to C8.5

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#### New draft

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#### Proposed changes to current C8.1 to C8.5:
- Criteria renumbered, and old C8.5 merged with 1st draft C8.9
- C8.1.2 Guidance: A credible and publicly accessible 2050 net zero emissions pathway would be sufficient to meet the requirements of 8.1.2.
- C8.3: Add requirement to have a system to estimate GHG emissions for imported energy (Scope 2 emissions)
- C8.5: Delete current C8.5.1 a, b, c, e.
- C8.5: Corrected wrong cross-references in C8.5.1f and C8.5.1g
- C8.5: C8.5.1.g required for steel certification, not for site certification (now C8.7.2)
New C8.4: Scope and accounting rules for GHG intensity determination

Proposed changes to 1st draft C8.7 (new C8.4):
- Renumbered as C8.4. Clarification of linkage with C8.3
- Guidance: recommend conformity asap for sites planning to certify their steel
- All scrap, not just end-of-life scrap, assigned emissions factor = 0
- Numerous changes to technical details, now C8.4.1 to C8.4.8, but not to overall approach
### New C8.6: GHG emissions disclosure and reporting

| 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 |
| C8.6 | Crude steel GHG emissions intensity performance threshold (taking account of end of life scrap percentage) |
| C8.7 | Consistent GHG accounting rules to determine crude steel GHG emissions intensity performance |
| C8.8 | Steel Product GHG emissions (worldsteel LCA methodology) |
| C8.9 | Transparency and comparability of GHG emissions data |

#### Proposed changes to 1st draft C8.6 (new C8.6):
- Includes C8.7.8 and C8.7.9 from 1st draft (measure and record crude steel production, scrap use and GHG emissions)
- Includes C8.8 from 1st draft (product embodied carbon determination)
- Specifies threshold requirements for ‘steel certification’:
  - GHG emissions intensity threshold achieved (revised threshold)
  - GHG emissions intensity performance level 1, 2 or 3
  - Product embodied carbon determination
New C8.7: GHG emissions disclosure and reporting

Proposed changes to 1st draft C8.9 (new C8.7):
- Amalgamation with current C8.5
- C8.7.1 specifies disclosure for ‘site certification’, C8.7.2 specifies disclosure for ‘steel certification’
- C8.7.1: simplified, compared to current C8.5
- C8.7.2: Explicit reference to reporting of disclosed data on ResponsibleSteel website

Consultation question: to allow data to be reported publicly as an average across multiple sites?
New Annex 4 presents data used to determine GHG intensity thresholds and performance levels, based on CRU Steel Cost Model and Emissions Analysis Tool.

Proposed ResponsibleSteel threshold: $y = 2.5 - 2.25x$ (CRU regression: $y = 2.59 - 2.42x$)

- 0% Scrap: 2.5 tonnes CO$_2$e/tonne crude steel
- 100% Scrap: 0.25 tonnes CO$_2$e/tonne crude steel

Configuration; artefact of cost modelling

Use of Fe-bearing reverts

Data: CRU Steel Cost Model and Emissions Analysis Tool
Comparison between ideas on performance levels included in September draft proposals (yellow, green, dark green), vs proposals based on CRU model (dotted lines for levels 1, 2 and 3). *Note that the threshold remains ‘global average performance’ in both cases – the difference is that we now have better data as to what global average performance actually is, when indirect upstream scope 3, indirect scope 2 and direct scope 1 emissions are all included.*
We welcome your feedback!

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