# Overview of ResponsibleSteel recognition assessments

Bettercoal, IRMA, TSM

05 October 2021

## Introduction & Background

ResponsibleSteel's mission is to "achieve net zero carbon emissions for the steel sector by 2050, and to enhance the responsible sourcing, production, use and recycling of steel". To achieve this, our programme must eventually cover the entire steel supply chain. The ResponsibleSteel Standard (version 1.1, launched in June 2021) applies to steel production and processing. It comprises a Responsible Sourcing Criterion, but does not address the issue of input material sourcing in a comprehensive manner.

The key ingredients for steel making are mined materials and scrap. There are many existing programmes defining environmental, social and governance (ESG) requirements for responsible mining, and initial steps have been made to create such programmes for scrap as well. The most effective and efficient way for ResponsibleSteel to address sourcing aspects is to recognise input material programmes that credibly verify ESG performance of suppliers and to reference these programmes in our sourcing requirements.

ResponsibleSteel has developed a recognition methodology that directs how we assess input material programmes for the purpose of recognition. Our methodology covers the review of a programme's standard, of its governance and management structures, its assurance and oversight mechanisms as well as any rules on claims and labels that participating entities may use. We have taken such a broad view of the programmes since a strong standard on its own will not deliver positive change on the ground. It needs to be supported by robust procedures and operational practices to ensure effective implementation.

ResponsibleSteel's draft recognition methodology has been published on the ResponsibleSteel website for stakeholders to review and provide feedback. The methodology has been piloted in the assessments of the Bettercoal, IRMA and TSM programmes. These three programmes have been chosen for piloting since their scope is relevant for steel supply chains and because they approached us to seek recognition. This short paper provides high-level summaries of the three programmes and outlines under which circumstances ResponsibleSteel aims to recognise mine sites participating in the programmes. It serves as a quick overview for interested stakeholders before they access the full recognition assessments to provide feedback to ResponsibleSteel. **The consultation on the draft methodology and the pilot assessments is open until 05 December 2021.** Stakeholders that wish to provide feedback on the recognition methodology or the recognition assessments or both, are advised to study the methodology first to understand the basis on which the recognition assessments were done. **The consultation documents can be found here and the form for providing feedback here.**

It should be noted that ResponsibleSteel recognition assessments are based on a review of programme documentation. Insights derived from such a review will be supplemented with any feedback we receive through public stakeholder consultation. Stakeholder input will inform our conversations with the assessed programmes, but it will not lead to exclusion of programmes unless there are well-founded reasons to do so. A

comprehensive review of how well the written rules and procedures of a programme are implemented in practice is beyond what we can deliver.

Going forward, ResponsibleSteel will review additional programmes that are relevant for the steel sector as far as our capacity allows. All programmes that achieve ResponsibleSteel recognition will be listed on our website.

ResponsibleSteel's recognition work is possible thanks to a grant from the ISEAL Innovations Fund, which is supported by the Swiss State Secretariat for Economic Affairs SECO'.

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## Bettercoal

**Profile**

Bettercoal was established in 2012 by major energy companies. The global initiative promotes continuous improvement of sustainability performance in coal supply chains through the Bettercoal Code 2.0 and the accompanying Bettercoal Guidance and Assessment Manual. Bettercoal Members are major energy companies, who also currently make up the Bettercoal Board, which is the initiative's main decision-making body. The Board and the steering of the Bettercoal Code and assurance processes are supported by the multi-stakeholder Technical and Advisory Committee that consists of up to 16 members from civil society, Bettercoal Suppliers (i.e. coal mining companies), representatives of Bettercoal Members, standards experts, and the Bettercoal Secretariat. Coal is an important input material for steel production and, to date, 17 coal mining companies with 69 assessed coal mining sites in 7 countries participate in Bettercoal.

The Bettercoal Code Version 2.0 was launched in January 2021 after two years of consultation with Bettercoal Members, coal producers, NGOs, peer sustainability standards and other stakeholders. The Code consists of 12 principles, covering environmental, social and governance issues in a comprehensive way. The Code is underpinned by extensive Guidance, which is aimed at helping coal mining companies and Bettercoal Assessors better understand and interpret the Code and the steps needed to implement it. Going forward, all participating coal mining companies will be assessed against the Code Version 2.0, with a Code 1.1 to 2.0 Transition Plan soon to be shared with coal producers to explain the transition from one Code to another over the next two years.

The Bettercoal Assessment Manual describes the process to be followed by coal mining companies and Bettercoal Assessors. The assessment cycle is composed of 4 steps:

1. Supplier Commitment: The coal mining company signs a Letter of Commitment and becomes a Bettercoal Supplier.

2. Desktop Review: The coal mining company submits a self-assessmentagainst the Bettercoal Code and related documentation to the Bettercoal Secretariat. The Secretariat assigns a Bettercoal-approved independent Lead Assessor who reviews the Supplier Questionnaire and documentation.

3. Site-Assessment: Depending on the claim that the Bettercoal Supplier wishes to make to Bettercoal, either the entire organisation or an individual site is assessed. If an organisation is assessed, Bettercoal applies a sampling methodology which considers a list of risk-based factors. This means that those coal mining sites of a Bettercoal Supplier with the highest ESG risks are chosen for independent assessments. The sites are visited by Assessors that are approved and assigned by the Bettercoal Secretariat, and are assessed against the Bettercoal Code. Interviews with stakeholders are conducted to cross-check mine site performance.

The Assessors allocate one of the following ratings to the coal mining site(s) for each of the 144 provisions in the Bettercoal Code:

• Meets

• Substantially Meets

• Partially Meets

• Misses

4. Continuous Improvement and Re-assessment: Where coal mining sites do not achieve a "Meets" rating, they must develop and implement a Continuous Improvement Plan. Progress against the plan is monitored and assessed by Bettercoal and the coal producer's allocated Lead Assessor at least 2-3 times per year, with a full Reassessment taking place every 3-5 years, after the original or last site assessment.

A detailed Assessment Report is shared with Bettercoal Members (i.e. the energy companies) and the Bettercoal Secretariat together with the  Continuous Improvement Plan. A summary of the Assessment Report, called a Public Report, is published on the Bettercoal website.

The Bettercoal Secretariat conducts oversight of the assessment programme, shadowing a large share of the on-site assessments, reviewing all assessment reports, and approving and training Assessors.

In addition, Bettercoal Members and Suppliers may promote their participation in the Bettercoal programme through the use of claims and the Bettercoal logo. Claims and logo use is guided by clear rules and adherence to the rules is monitored by the Bettercoal Secretariat.

**ResponsibleSteel recognition**

Overall, Bettercoal has developed a robust programme to assess and verify ESG performance of coal mining companies. ResponsibleSteel aims to recognise the Bettercoal programme and participating mine sites that have seen an independent on-site assessment against the Bettercoal Code Version 2.0 in the last three years.

Beyond recognition, ResponsibleSteel makes the following recommendations to Bettercoal:

- As part of its ongoing governance review, Bettercoal should consider granting more decision-making power to the Technical and Advisory Committee or opening up the Bettercoal Board for non-industry stakeholders. This would help strengthen inclusivity of the Bettercoal programme.

- The level of detail in the Code Guidance and the Assessment Manual supports consistent application of the Bettercoal Code. Additional guidance in the Assessment Manual would further help strengthen and streamline assessments. These should cover rules or guidance on audit time, interviews with external stakeholders, root cause analyses and improvement actions by Suppliers, sampling of sites, as well as transparency of assessment findings.

The full Bettercoal recognition assessment can be found here.


## Initiative for Responsible Mining Assurance (IRMA)

**Profile**

IRMA was founded in 2006 by a coalition of civil society organisations, mining companies and their customers, communities affected by mining, and labor unions. These five groups each hold two seats on IRMA's Board of Directors, which is the organisation's key decision-making body. No decision can be taken if any of the five groups fundamentally disagree with the tabled decision proposal. This mechanism ensures that IRMA Board decisions have the full support of the mining sector's main stakeholder groups. IRMA also strives for balanced representation of all five groups in committees and working groups it sets up to address specific issues.

Membership in IRMA is open to all stakeholders with an interest in mining. However, there is a Policy on Association that allows IRMA to disassociate from organisations if IRMA's credibility or standing is at risk, for example due to illegal mining activities or violations against the eight fundamental International Labour Organization conventions. Whoever becomes a member, has to abide by IRMA's Membership Principles. For mining companies, these principles include having at least one mine site third-party audited within 12 months of joining IRMA.

The first version of the IRMA Standard for Responsible Mining was launched in 2018, after many years of consultation with stakeholders and following pilot testing in the field. The Standard comprises 26 chapters and

specifies objectives and leading performance requirements for environmental, social and governance issues. It is arguably the most comprehensive and demanding responsible mining standard that currently exists. IRMA certification is achieved if a mine site meets all requirements in all 26 chapters as verified by a third-party audit firm. However, mine sites at all stages of the responsibility journey can participate in IRMA to conduct a self-assessment or third-party audit and have their result expressed on a sliding scale ranging from 50 to 100.

IRMA offers an online self-assessment tool called 'Mine Measure'. Mine sites can use the tool to understand their gaps compared to the IRMA Standard. If a mine site wants to undergo a third-party audit, a self-assessment has to be carried out to provide a basis for the auditors' work. Mine sites may request assessment of their performance against all or against a selection of chapters in the IRMA Standard. If they want to make any claims about any achieved performance level, they have to agree to the full audit results being published on the IRMA website. This level of transparency is unprecedented in the mining sector.

Currently, more than 50 mine sites apply the IRMA self-assessment tool and 7 mine sites are undergoing a third-party audit against the IRMA Standard. In total, mines in 21 countries are using the IRMA Standard and some of them extract iron, zinc and ferro-alloys such as cobalt, chrome and manganese, which are important input materials for the steel sector.

Third-party audit firms with IRMA-trained and approved personnel can carry out IRMA audits. Currently, IRMA works with only two audit firms to be able to gain in-depth insight into application of the IRMA audit protocol and to be able to exert a high level of oversight of its programme before opening up to other audit firms. The IRMA Certification Body Requirements lay out detailed rules that audit firms must follow.

An IRMA audit starts with a self-assessment by the mine, which includes uploading of documentation and other evidence to an IRMA platform to support the mine site's self-ratings. The mine's ratings and self-assessment documentation are reviewed by the Certification Body, and the auditors' ratings are shared with the mine to enable it to fill gaps, if needed ahead of the on-site audit. During the on-site visit, mine site management and workers as well as external stakeholders such as neighbouring communities, civil society organisations, labour unions and regulators are interviewed. The collected evidence is triangulated to determine the audit outcomes. The full audit reports, including the findings for each IRMA requirement that was assessed, are published on the IRMA website.

The IRMA Secretariat carries out oversight of the IRMA programme, however, IRMA is currently working with external assurance consultants to evaluate different oversight models and revise its system to increase the robustness and effectiveness of its processes.  To start with, two audit firms were selected and trained by IRMA to carry out assessments. To date, all site visits have been shadowed by the IRMA team, but as the IRMA programme grows it is likely that only a sample of audits for each Certification Body will be shadowed in a given year. All audit reports are reviewed by IRMA prior to their finalisation. Members and mine sites may promote their participation in the IRMA programme through the use of claims and the IRMA logo. Claims and logo use is

guided by a Communications and Claims Policy and adherence to the policy is monitored by the IRMA Secretariat.

**ResponsibleSteel recognition**

The IRMA programme is very detailed, comprehensive and clearly laid out, and defines a very high bar for mine site certification. ResponsibleSteel aims to recognise IRMA and participating mine sites that have undergone a third-party on-site audit in the last three years. The only recommendation ResponsibleSteel wishes to make is that IRMA formalises the way it conducts programme oversight. While oversight is carried out in practice and in a comprehensive manner, having clearly defined protocols will ensure that oversight is always conducted to the same level of rigour.

The full IRMA recognition assessment can be found [here](#).

# Towards Sustainable Mining (TSM)

**Profile**

TSM was created in 2004 by the Mining Association of Canada (MAC) to support the country's mining companies in managing key environmental and social risks. All MAC members must participate in TSM and have been reporting publicly their TSM performance ratings since 2006. Since 2015, the TSM standard has been adopted and adapted by the mining associations of Quebec, Finland, Argentina, Spain, Brazil, Norway, Botswana, Philippines, and Australia.

In Canada, TSM has defined a series of eight Protocols that lay out performance indicators in relation to environmental and social issues. In most Protocols, the indicators are depicted on a scale ranging from C to B to A, AA and AAA. As part of TSM participation, mining companies must commit to demonstrate continual improvement in their performance over time. In addition, TSM has developed its Responsible Sourcing Alignment Supplement to augment the Protocols and cover issues not already addressed. This Supplement is a voluntary part of TSM but must be included by facilities looking to use TSM to qualify for ResponsibleSteel.

While TSM may be governed differently in each country where it is implemented, in Canada, the highest governing body of TSM is the MAC Board of Directors, which is composed of member company representatives. A Community of Interest (COI) Advisory Panel makes recommendations to the Board and reviews Board proposals. The COI Panel is an independent, multi-interest group comprised of 12 to 15 individuals from Indigenous groups, communities affected by mining, environmental and social NGOs, labour and financial organisations, as well as MAC Board members. The COI Panel was formed in 2004 and has been integral to TSM's design and development. While the Panel does not have formal decision-making power, in

practice, key decisions related to TSM receive support from the COI Panel before going to the MAC Board for decision.

TSM was originally developed for Canadian mines. Due to legislation and enforcement being comparatively strict in Canada, the TSM Protocols and procedures did not cover all issues that stakeholdersjurisdictions might commonly expect from a comprehensive responsible mining programme. In an effort to align more closely with other programmes and to respond to expectations from stakeholders such as ResponsibleSteel, TSM has recently advanced its programme in various areas:

- Additional voluntary performance indicators on issues such as human and labour rights and environmental stewardship have been defined

- An issues resolution mechanism for stakeholders has been drafted

- There will be clearer rules on how independent verification of mine site performance has to be conducted

- Transparency on the rationales behind the self-assessments and independent verifications will be strengthened

- TSM will engage an independent consultant to strengthen oversight of external verification

- A new policy on claims and labels will set out rules for MAC members on how they may communicate their achievement under the TSM programme

The TSM verification process can be summarised as follows: Mining companies participating in TSM self-assess and report performance of their individual sites against the eight TSM Protocols annually. Every three years, third-party verifiers review the mining companies' self-assessments for all their sites and against all Protocols, although some sampling within the Protocols is allowed. While not mandatory, on-site visits are encouraged by TSM as part of the third-party verification and, historically, the majority of mining companies have chosen to have on-site visits. Engagement of external stakeholders in the verification exercises is required if a site achieves performance level A or higher. The mining company receives a full verification report for its own use. MAC is in the process of adding a new requirement for a summary of the verification results for individual sites to be published on the TSM website.

MAC works with an independent consultancy firm to train and approve verifiers prior to taking up TSM activities and holds an annual webinar to ensure that verifiers are aware of recent TSM developments. In planned revisions to verifier training requirements, the annual webinar will become mandatory and, with some exceptions, verifiers will need to undergo training and reapproval every three years. In a verification oversight process to be introduced in 2022, the independent consultancy will sample verification reports for review to

assure the quality of the TSM verification process and will conduct analysis of verification reports to inform the further development of TSM.

While the COI Panel does not have a formal oversight role in the external verification, it does have a formal oversight role in the verification process: Every year, the Panel selects two mining companies that have to appear before the Panel to participate in a post-verification review. During this review, verified results are discussed and the Panel further examines the company's performance against the TSM Protocols. Reports on these post-verification reviews are posted on the TSM website. If the Panel finds a reason not to agree with the verification findings, this would be discussed by MAC, the company, and the verifier to inform the subsequent self-assessment.

To date, TSM is applied by 64% of metal and metallurgical coal mine sites in Canada, including 5 of 7 iron ore mines and 6 of 10 metallurgical coal mines. In countries outside of Canada, the national mining associations that have adopted the TSM system will have to work with MAC to review their alignment with the ResponsibleSteel recognition assessment to reflect their specific contexts.

**ResponsibleSteel recognition**

The individual TSM Protocols are revised from time to time and the TSM recognition assessment has been done using the latest versions of the Protocols. Mine sites participating in TSM are proposed to be recognised under ResponsibleSteel if they have been third-party verified on-site against the latest versions of all TSM Protocols and the Responsible Sourcing Alignment Supplement within the last three years and using the new Verification Guide.

ResponsibleSteel very much welcomes the recent advances the TSM programme has made and provides the following recommendations to further evolve TSM:

- Strengthen the role of the COI Panel to formalise that no Board decisions are taken against the advice of the Panel. This is already lived practice at TSM and might as well be institutionalised

- While the tiered structure of the TSM criteria makes clear what is expected to achieve a certain grade, the indicators in the TSM Responsible Sourcing Alignment Supplement are phrased in a very high-level style, leaving room for interpretation by both companies and verifiers. We recommend that TSM tightens up the language here and there to reduce ambiguity. We also advise to clarify that the Frequently Asked Questions (FAQs) in the Protocols are of authoritative nature

- Site visits to mine sites are encouraged and many mines make use of that option. We recommend making site visits a compulsory element of verification since they contribute to robust verification outcomes

- Stakeholder interviews during external verification are mandatory where mine sites achieve grade A or higher. We propose to make stakeholder engagement a standard feature, independent of the achieved grade, since stakeholders are a rich source of information for Verifiers

The full TSM recognition assessment can be found [here](#).