Draft Requirements for ResponsibleSteel ‘Certified Steel’

03 March 2022

Alison Lucas, Acting CEO
Marnie Bammert, Technical and Assurance Director
Matthew Wenban-Smith, GHG Lead
Housekeeping

• Observe antitrust issues
• Slides will be shared with you
• Webinar is recorded and will be posted on website (without Q&A)
• Keep microphone on mute, unmute for questions and comments at any time
• Chatham House rule: Can speak about what was said in meeting, but cannot make known who said what

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• Click on “participants” at bottom or top of screen
• Click on “More” next to your name and “Rename”
• Provide your first name and the organisation you are with
Antitrust statement

ResponsibleSteel is committed to complying with all relevant antitrust and competition laws and regulations. Failure to abide by these laws and regulations can potentially have extremely serious consequences for ResponsibleSteel and its members, including heavy fines and, in some jurisdictions, imprisonment for individuals. ResponsibleSteel has therefore adopted an Antitrust Policy, compliance with which is a condition of ResponsibleSteel membership and participation. You are asked to have due regard for this Policy today and indeed in respect of all other ResponsibleSteel activities.
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 mins</td>
<td>Process and timeline for approving the requirements (Ali)</td>
</tr>
<tr>
<td>40 mins</td>
<td>Overview of responsible sourcing requirements and Q&amp;A (Marnie)</td>
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<tr>
<td>40 mins</td>
<td>Overview of GHG requirements and Q&amp;A (Matthew)</td>
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<tr>
<td>1 min</td>
<td>Wrap-up and close</td>
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Webinar is repeated later today
Process of developing the requirements

**Up to mid-2019**
- Sourcing and GHG were discussed as part of ‘Certified Site’ requirements
- Decision to focus on direct suppliers and GHG reduction strategy and planning for ‘Certified Site’ and to develop additional requirements for ‘Certified Steel’

**2020 – mid-2021**
- 2 draft versions for ‘Certified Steel’ presented to and discussed with members
- 2 public draft versions for consultation with stakeholders

**Late 2021 - now**
- 1 draft version discussed with members and stakeholders
- Now presenting draft 2.2 for ‘Certified Steel’ for final member review

Many group calls and 1:1 calls with members and stakeholders throughout the process, especially on GHG
Followed the ISEAL Code of Good Practice for developing standards
Objective of today: Provide overview of upcoming revised draft requirements
Draft version 2.2 will be sent to members on 10 March
Members do final review and provide final feedback

ResponsibleSteel Team takes account of feedback and finalises requirements, consults with members as needed
Standards, Assurance and Claims Committee and full Board agree that requirements are ready to go to membership vote

All full members are asked to vote
Simple majority from both business and civil society needed

Board ratifies requirements
‘Certified Site’ and ‘Certified Steel’

ResponsibleSteel Certified Site
Site meets all 12 Principles of the existing ResponsibleSteel Standard

ResponsibleSteel Certified Steel
As above, plus additional requirements for responsible sourcing of input materials and GHG emissions intensity
Will be voluntary
Draft Requirements for Responsible sourcing

03 March 2022

Marnie Bammert, Technical and Assurance Director
Responsible sourcing for ‘Certified Steel’

- Voluntary
- No integration with ‘Certified Site’
- Steel sites get certified, corporate owner involvement crucial
- Direct and indirect suppliers, also traders and brokers
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

- Extracted material and scrap separate
- Address risk but also reward good practice
- Criteria 2, 3 and 4 have Levels
Levels to break down complexity

- Provide roadmap
- Certification when milestones achieved
- Address reliance on suppliers
- No fixed timeline to move to next level
- Recognise front runners
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Commitment to recognised ESG programmes and to working with scrap sector to develop and promote ESG ‘solution’

Commitment anchored through:

- Senior management accountability
- Internal training
- Supplier code of conduct
- Supplier contract clauses
- Supplier approval procedure

Recognised ESG programmes:

- Currently proposed to be Bettercoal, IRMA, TSM
- FSC will be assessed
- Open to assessing further programmes
- Waiting list
- None for scrap
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Extracted material:
Sites of extraction and processing known for an increasing share of input material

Scrap:
Countries of scrap origin known for
- 60% at Level 1
- 75% at Level 2
- 90% at Level 3
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Extracted material:
- Assess ESG risks in supply chains (site / company / material and country)
- Analyse and evolve own practices
- Promote recognised ESG programmes to suppliers
- Implement strategy to close information gaps, support suppliers and increase participation in recognised programmes
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Scrap:
- Relevant third-party certification / second / first-party assessment at direct suppliers?
- Assess ESG risks of direct suppliers / country of origin
- Analyse and evolve own practices
- Implement strategy to close information gaps, address ESG risks and contribute to scrap sector initiative on ESG issues
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Only for extracted input material from supply chains participating in recognised ESG programmes:
- Establish a chain of custody in upstream supply chains (documentation per shipment, calculation)
- Chain of custody starts at extraction site, using mass balance approach
- Increasingly source from supply chains where extraction and processing sites have undergone a third-party audit and have achieved a pre-defined minimum ESG performance level
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Scrap:
- Level 1: No requirements
- Level 2: 30% from direct suppliers that have undergone relevant third-party audit
- Level 3: 50% from direct suppliers that have undergone relevant third-party audit / 30% from direct suppliers that have achieved minimum ESG performance
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Extracted material:
- Percentage of input material from fully known supply chains
- Percentage from supply chains with third-party audit / minimum ESG performance achieved under recognised programme
- Percentage from high, medium and low risk suppliers
- Description of high and medium ESG risks that have been identified in supply chains
- Actions taken to promote good ESG practices and to help reduce ESG risks, and outcomes thereof
5 Criteria for responsible sourcing

1. Commit to responsible sourcing
2. Know your upstream supply chains
3. Understand supplier ESG performance
4. Increase responsibly sourced material
5. Report publicly on responsible sourcing

Scrap:
- Percentage of scrap from direct suppliers with relevant third-party certification / second-party assessment
- Description of high and medium ESG risks related to direct suppliers / to countries of origin of scrap
- Percentage of scrap from high, medium and low-risk countries of origin
- Actions taken to reduce high and medium ESG risks in scrap supply chains and outcomes thereof
- Examples of good practices in scrap supply chains
- Outcomes of scrap strategy review.
## Overview of levels

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In tonnes, as received at steel site gate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know your supply chain</td>
<td>80%</td>
<td>90%</td>
<td>98%</td>
</tr>
<tr>
<td>Iron + coal separately</td>
<td>80%</td>
<td>90%</td>
<td>98%</td>
</tr>
<tr>
<td>Wood</td>
<td>100% FSC Certification (or equivalent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other input materials overall</td>
<td>60%</td>
<td>75%</td>
<td>90%</td>
</tr>
<tr>
<td>Third-party audit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron + coal separately</td>
<td>30%</td>
<td>50%</td>
<td>70%</td>
</tr>
<tr>
<td>Wood</td>
<td>100% FSC Certification (or equivalent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other input materials overall</td>
<td>-</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Minimum ESG performance achieved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iron + coal separately</td>
<td>-</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Wood</td>
<td>100% FSC Certification (or equivalent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other input materials overall</td>
<td>-</td>
<td>-</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Level 4 to recognise sourcing from suppliers that work to achieve best in class ESG programmes
- Will be developed with members and stakeholders
Questions?

Please review not only the requirements but also the guidance. It helps clarify intent and provides advice and recommendations.

We look forward to your feedback!
ResponsibleSteel Standard
Principle 8: Climate Change and GHG Emissions

3rd March 2022
Matthew Wenban-Smith, GHG Lead
## Principle 8: Principle 8: Climate Change and GHG Emissions

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Summary of Requirements</th>
<th>Must be met for ‘site certification’</th>
<th>Must be met for ‘steel certification’</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>• The corporate owner has published a science based decarbonisation target for the company, aligned with the achievement of the goals of the Paris Agreement</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>8.2</td>
<td>• The corporate owner is implementing the recommendations of the Taskforce for Climate-Related Financial Disclosures (TCFD)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>8.3</td>
<td>• Site level GHG emissions are measured using a recognised international or regional standard</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>8.4</td>
<td>• Site level GHG emissions are measured from ‘mine to metal’ using ResponsibleSteel’s internationally consistent GHG accounting rules</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>8.5</td>
<td>• GHG emissions reduction targets and planning aligned with the achievement of the goals of the Paris Agreement are in place and being implemented at the site level</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
| 8.6       | • Site level GHG emissions intensity threshold achieved  
• GHG emissions intensity performance level 1, 2 or 3 determined, tracking site level progress towards ‘near zero’ GHG emissions  
• Product level carbon footprint determined using a recognised international or regional standard |                                      | ✓                                    |
| 8.7       | • Key site level information published on the ResponsibleSteel website, including:  
  • Site level® GHG emissions data and decarbonisation target  
  • Site level® GHG emissions intensity performance data and performance level  
  • Product level carbon footprint data available to customers |                                      | Site level emissions & reduction targets only |
# Summary of certified site and certified steel GHG performance drivers

## Certified sites

**Requirements (C8.1, C8.2, C8.3, C8.5, C8.7):**
- The company has a science-based decarbonization target (SBTi/Net Zero) aligned with the achievement of the goals of the Paris Agreement
- The company follows guidance of the Taskforce for Climate-related Financial Disclosures (TCFD)
- The site has medium-term decarbonization target & plan, with measurement, monitoring and disclosure

**Performance driver(s):**
- Drives and rewards forward planning, commitment and the investments required by steelmakers to reduce their GHG emissions in the medium and long term

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## Certified steel

**Requirements (+ C8.6, C8.6, C8.7):**
- GHG emissions intensity performance for crude steel production meets threshold for steel certification
- Distinction between performance levels 1, 2, 3
- The carbon footprint of steel products is also available to customers, in line with existing international standards

**Performance driver(s):**
- Drives and rewards low GHG steel production for all scrap-based as well as iron-ore based steelmaking, irrespective of specific technology
- Data on embodied carbon is available to customers, supporting their measurement, reporting and reduction of their total carbon footprint over time
‘Certified Site’ Criteria: 8.1, 8.2, 8.3, 8.5, (8.7.1)

- Aimed to make minimal changes necessary for alignment with new requirements for certified steel
  - 8.1.2 Guidance: recognition of a 2050 ‘net zero’ company target as sufficient
  - No changes to C8.2
  - 8.3.2 Explicit reference to need for estimation of Scope 2 emissions
  - No extension to current guidance on need for primary data for key ferrous materials
  - 8.5.2 Guidance: deleted reference to carbon offsets, added reference to renewable energy certificates
‘Certified Steel’ Criterion: 8.4

• Most detailed discussions
  • Input materials listing based on worldsteel CO2 data collection listings
  • Upstream Scope 3 emissions scope confirmed, and specifications defined
  • Use of conservative default upstream emissions factors where primary data not available
  • ESG approach for ferrous materials addressed under ‘input materials’ requirements
  • Charcoal from FSC-certified plantations with full chain of custody control – upstream emissions factor is zero, but direct emissions counted in full
  • Waste gases: worldsteel CO2 methodology, with IEA global emissions factor
  • CCS recognised, but operational emissions need to included
  • Carbon footprint requirements addressed in accordance with the applicable international standard used by the site

To be completed:
• GHG accounting for CCU; default emissions data sheet
‘Certified Steel’ Criterion: 8.6

- Scope boundaries: ‘Cradle to crude steel’
- C8.4 defines consistent measurement rules for upstream Scope 3 emissions (mining, transportation), scope boundaries, CCU, CCS, etc.
- Crude steel GHG emissions intensity performance dependent on proportion of scrap input
- 4 performance levels:
  - Level 1: minimum threshold, 2020 global average
  - Level 4: target level, ‘Near Zero’
  - Levels 2 & 3, intermediate levels
- 5-yrly review of performance levels with defined objective to achieve the fastest global transition to a near zero steel sector
Certified Steel: 8.6.1 & 8.6.2: determination of crude steel GHG emissions intensity

**Crude steel GHG emissions intensity**

- Crude steel measurement allows direct point of comparison between all sites, all products
- Single measure covers *all* products for a given site – no need for multiple determinations for different products
- Takes account of the proportion of scrap used as an input
  - Level playing field irrespective of technology (BF/BOF, EAF)
  - Globally consistent and fair for economies at different stages of development
ResponsibleSteel requires that the product carbon footprint is determined for RS-certified products, and available on request.
- Includes emissions of on-site processing downstream of crude steel stage: rolling, coatings, etc.
- Takes account allocations of emissions between products and co-products.
- Site has choice of standards (epd/LCA) as recognised by its own customers, markets, etc.
- Customers can track the embodied carbon in their steel products.
Criterion 8.7: GHG emissions disclosure and reporting

8.7.1 Disclosure requirements for certified sites:
   • Total emissions for the site or group of sites in a portfolio
   • Transparency on basis of determination and level of assurance

Additional disclosure requirements for certified steel:
8.7.2 Crude steel GHG emissions intensity data and performance level
   • May be disclosed as an average across a number of sites within a business unit

8.7.3 The product carbon footprint, in accordance with applicable epd/LCA standard
Stainless and High Alloy Steels

- Further work required
- Working group recommendations to be reviewed and discussed with membership before subsequent vote on approval
We welcome your feedback!

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Matthew Wenban-Smith, mwenbansmith@responsiblesteel.org