



Responsible Sourcing Working Group

Session 1 - Introduction

Thursday 11th January 2024

Agenda

- **Antitrust and Introductions**
- Context
- Approach and governance, working group role, working group and secretariat schedule
- Issues on the agenda
- Key issues for resolution today
- Next steps



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.

<https://www.responsiblesteel.org/wp-content/uploads/2018/09/ResponsibleSteelAntitrustPolicy2018-09-20.pdf>

Introductions

- Name, organisation, position and reason for interest in the working group
- Apologies



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A critical project

ResponsibleSteel Standard developed over 7 years

- 2015: What is going on in the steel value chain?
- 2016- Multi-stakeholder forum building trust and consensus.
- 2019: ResponsibleSteel international standard V1: covers key social and environmental impacts of steel.
Certification is feasible for all steelmakers.
Balances **ambition vs workability**
- 2022: ResponsibleSteel international standard V2 provides unique roadmap for improvement:
Core ESG criteria → Certified Site
Progress on Decarbonisation } → Certified Site AND
Progress on Materials Sourcing } Certified Steel
- 2023: Test Phase

This project

Review requirements to ensure that Certified Steel both

- demonstrates credible steelmaker progress on responsible sourcing, and
- will drive real improvements in steel value chain.

Today there is a clear market need for ResponsibleSteel Certified Steel

- green steel claims generating confusion
- opportunity for responsible transition
- build up of due diligence requirements
- scrutiny over Automotive supply chain escalating
- 2023 1.48°C above pre-industrial levels





Our Purpose and Mission

ResponsibleSteel™'s Purpose is

***To maximise steel's contribution
to a sustainable future.***

And our strategic mission is

***To be driving force in the socially and
environmentally responsible production
of net-zero steel by 2050, globally.***

**Our Ways
of Working**



Our Ways of Working

Our Common Values

Committed to our mission and underpinned by our code of conduct, we are guided by our common values:

Respect

Working together to deliver impact with passion and mutual trust, valuing our time and allowing ourselves the space to reflect, rest and recharge.

Integrity

Saying what we do and do what we say, taking responsibility for our own actions even when no one is looking, learning and growing as we go.

Transparency

Communicating clearly, honestly and openly in a timely manner in all we do

Collaboration

Engaging with those affected, listening to understand, co-creating bold strategies to deliver greater impact.

NB this will replace the 'principles on our new website, which will also outline explain our theory of change

ResponsibleSteel International Standard V2.0



13 Principles

61 Criteria

534 Requirements

- V1.0 launched in Nov 2019, V1.1 with slight changes, V2.0 with additional requirements launched in Sept 2022
- Sites are audited against the requirements by third party auditors
- All steel company members have to commit to starting certification of at least 1 site within 1 year of joining ResponsibleSteel
- V2.0 published September 2022

ResponsibleSteel Standard V2.0 – 2 types of certification

Type of certification	Conformity must be demonstrated for
Core	12 Principles (without P3 responsible sourcing and some of P10 GHG)
Progress Level (optional)	13 Principles Including additional requirements on: <ul style="list-style-type: none">• Responsible sourcing in new Principle 3• GHG emissions in Principle 10

- Test phase for the additional requirements ended September 2023.

ResponsibleSteel V2 offers multiple certification levels to define responsibly produced steel



Claims about ResponsibleSteel certification are subject to strict guidance, developed in consultation with business and civil society members and with reference to emerging ‘greenwashing’ legislation

Responsible sourcing overview

3.1/3.6

Commit to
responsible
sourcing

3.2/3.7

Know your
upstream supply
chains

3.3/3.8

Understand
supplier ESG
performance

3.4/3.9

Strengthen and
account for
responsible sourcing

3.5/3.10

Report publicly
on responsible
sourcing

Levels

Levels

- 5 criteria for key input materials
- Scrap criteria in 3.6-3.10 mirror structure of 3.1-3.5
- Criteria combine ESG risk management and rewarding good ESG performance of suppliers (through recognised programmes)

Responsible sourcing overview



4 Levels each in criteria 3.2/3.7 and 3.4/3.9:

- Provide roadmap for the future
- Allow certification when milestones are achieved
- Take account of reliance on suppliers when it comes to ESG issues in supply chains
- Recognise front runners

Steel sites not required to move to next level, minimum to be achieved is Level 1

Principle 3 Test Phase Feedback

During the test phase on the additional requirements, the secretariat has received some feedback that aspects of Principle 3 are very challenging.

The secretariat is investigating, focusing particularly on levels 1 and 2:

- a. Whether this feedback is reflective of broader industry perspectives;
- b. What the key obstacles or challenges to meeting the requirements of P3 are;
- c. What possible actions by ResponsibleSteel could support implementation of P3;



Know your upstream supply chains levels – 3.2/3.7

Of the total tonnes of key input materials received, at least the percentage specified is from upstream input material supply chains where all sites of origin and processing are known. For scrap, it is only the country of origin that must be known.

Feedback received:

- Challenging where materials are bought from traders/dealers.
- Challenging for processed iron materials.
- Difficult for small suppliers

How ambitious or achievable are these requirements? Are there key obstacles or challenges?

	Level 1	Level 2	Level 3	Level 4
Iron	≥ 80%	≥ 90%	≥ 95%	≥ 98%
Coal	≥ 80%	≥ 90%	≥ 95%	≥ 98%
Other	≥ 60%	≥ 70%	≥ 80%	≥ 90%
Plant. Wood	≥ 90%	100%		
Agri. Residues	≥ 60%	≥ 70%	≥ 80%	≥ 90%
Waste Materials	≥ 60%	≥ 70%	≥ 80%	≥ 90%
Scrap	≥ 40%	≥ 60%	≥ 70%	≥ 80%

Strengthen Responsible Sourcing Levels – 3.4

At level 1, by tonnes of supplied material, suppliers must be committed to a recognized programme. Levels 2 – 4 require a defined minimum ESG performance level under a recognized programme.

Feedback received:

- Limited number of existing mines committed to recognized programmes.
- Challenging in relation lime and non-ferrous additives.
- Chain of Custody requirements challenging.

How ambitious or achievable are these requirements? Are there key obstacles or challenges?

	Level 1	Level 2	Level 3	Level 4
	Suppliers committed	Min ESG performance	IRMA 50 or equiv.	IRMA 75 or equiv.
Iron	≥ 60%	≥ 80%	≥ 80%	≥ 80%
Coal	≥ 60%	≥ 80%	≥ 80%	≥ 80%
Other input materials	≥ 40%	≥ 60%	≥ 60%	≥ 60%
Plantation wood (FSC forest management + CoC)	≥ 90%	100%		

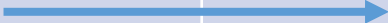
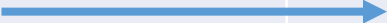


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Approach and Governance:

- The members' working group will provide ideas, test and improve secretariat proposals.
- Technical advisory panel will provide technical advice to Secretariat on the best way forward
- Standards, Assurance and Claims Committee (SACC) and Board will provide oversight of the process.
- A 30-day public consultation will be conducted on proposals resulting from the working group.
- An urgent revision may be made to the Standard in accordance with the ResponsibleSteel International Standards Development Procedures – contingent on stakeholder support and subject to ResponsibleSteel Board approval.

	January	February	March	April	May
Secretariat and WG develop proposals					
30-day public consultation					
RS Board approval					
V2.1 Standard Launched					

Working group role:

Objectives of the working group:

- Discuss whether the current progress level 1 and 2 requirements in relation to criteria 3.2 and 3.4 are effectively balancing the ambition and achievability that would be appropriate for the standard.
- Develop recommendations to ensure that the progress level requirements are fit-for-purpose.

Guiding principles for the working group:

- Support the responsible sourcing and production of steel, as a tool for the achievement of ResponsibleSteel's vision: to maximise steel's contribution to a sustainable society.
- Be realistic with the potential sector limitations and provide workable solutions (if any) to the issues raised.
- Follow the scope of the work. In case other areas for improvements are identified, we will record them as future areas of work.

Role:

- Members working group convened including a range of relevant stakeholders – steelmaking, mining companies, civil society, other experts and stakeholders.
- Build on basis from standards development of Version 2.0 of the ResponsibleSteel International Standard.
- Provide ideas, test, discuss, and improve proposals developed by Secretariat. The working group does not have decision-making authority.
- Discussions conducted with the Chatham house rule – open, frank discussion, listening to and taking account of views and ideas of all stakeholders.
- First working group meeting: 11th January 2024
- Presentations, notes and recordings will be shared among participants. Presentations to be published to ResponsibleSteel website.

Not part of working group roles:

- Discuss other Standard requirements not listed in the issues for discussion
- Take decisions

Working group and secretariat schedule:

Working group schedule: 4 meetings total

11 January: Introduction to working group

25 January: Understanding the issues

15 February: Discussion of solutions/possible approaches

29 February: Outstanding issues, wrap-up

- Calls to be held early afternoon European time.

Secretariat schedule:

Jan-Feb: Developing proposals for revisions, discussing with working group and technical advisory group

From 29th February: public consultation (March-April), board approval, updating requirements in a V2.1 standard (May)

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Issues on the agenda:

1. **Are the progress level specifications of level 1 and 2 in relation to knowing the upstream supply chain (Criterion 3.2) and strengthening and accounting for responsible sourcing (Criterion 3.4) achieving a balance of ambition and achievability compared to current industry praxis?** Relevant requirements: 3.2.3, 3.4.1
 - Consider whether the characteristics of lime production are well reflected in the requirements. (3.2.3.c, 3.4.1.c)
 - Consider whether the characteristics of processed iron materials are well appropriately reflected in the requirements. (3.2.3.a, 3.4.1.a)
 - Consider whether the requirements should further address complex, multi-tiered supply chains in relation to knowing the upstream supply chain (such as where there are traders or dealers of materials). (3.2)
 - Consider whether small supplier or artisanal mining guidance should be produced in relation to Criteria 3.2 and 3.4, notably for coal and the 'other input materials' categories. 'Other input materials' contains alloying metals, lime production among other materials. (3.2.3, 3.4.1)
 - Consider whether commitments to recognized programmes is an appropriate approach for level 1 given limitations (geographical and quantity) of sites meeting this level. (3.4.1)

Issues on the agenda:

2. **Does the approach of categorizing progress level requirements by raw material have unintended consequences for sites using different proportions of iron ore and scrap?** Relevant requirements: 3.2.3a), 3.4.1.a), 3.7.3, 3.9.1
 - Discuss whether the current approach is suitable for producers using high proportions of scrap as a share of metallics input.
3. **Are the requirements of Criteria 3.5 and 3.10 in relation to reporting too specific in places? Might they reveal commercially sensitive information?** Relevant requirements: 3.5.1.c&e, 3.10.1.c&e, 3.10.2.d-f

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Key issues for resolution today:

- Does the proposed overall approach make sense?
- Is the schedule acceptable/feasible?
- Is the scope of the working group clear and acceptable?
- Any other questions?

Next Steps

Secretariat:

- Share recording, notes, and presentation with working group.
- Send out calendar invitations for following working group meetings.
- Develop understanding of issues and potential solutions.

Working group participants:

- Read the Principle 3 requirements
- Provide any further feedback on process by 17 January.





Thank you!