

ResponsibleSteel Test Phase Proposals and Consultation Questions on Responsible Sourcing Requirements

15 March 2024

Table of Contents

About this Document..... 2

Background and Introduction to the Proposals for Consultation 3

Draft Revised Principle 3. Responsible Sourcing of Input Materials..... 6

 Criterion 3.1: Commit to responsible sourcing and incorporate it in key functions and processes 10

 Criterion 3.2: Know your upstream supply chains..... 13

 Criterion 3.3: Understand ESG risks and impacts of supply chains and promote improvement..... 18

 Criterion 3.4: Strengthen and account for responsible sourcing..... 23

 Criterion 3.5: Report publicly on responsible sourcing..... 28

 Annex 3 (mandatory): Input materials covered, not covered and excluded 30

 Annex 4 (informative): Sources to understand supplier ESG performance 33

About this Document

This document presents draft revisions to the progress level requirements of Principle 3 resulting from the test phase of the ResponsibleSteel International Standard Version 2.0.

This document has been drafted by the ResponsibleSteel Secretariat based on discussions with our Board, Members, and stakeholders since September 2022, and is released for public consultation with stakeholders. It follows from feedback received by the secretariat during the test phase of Version 2.0, a series of members working group meetings held in early 2024 and independent advice received from a Technical Advisory Panel.

We are keen to hear from stakeholders whether they support our draft proposals and what their opinions are on the consultation questions posed. Stakeholders are asked to submit their feedback on the proposals and consultation questions to ResponsibleSteel by the 14th of April 2024 via the Microsoft Form or via the Excel version of the Form provided: <https://forms.office.com/e/ZGS3VFi3F7> Please only respond once per organisation.

Following the consultation, the secretariat will collate and review the received feedback and determine a final proposal for a revised Principle 3. It will then seek the approval of the ResponsibleSteel Board to make an Urgent Revision to the Standard following the Urgent Revision Mechanisms specified in the ResponsibleSteel International Standards Development Procedures (v3.0).

Once revisions to Principle 3 and 10 are finalized, they will be incorporated into a version 2.1 of the ResponsibleSteel International Standard in mid-2024 with a defined effective date. Requirements for core certification are not proposed for revision. The revised progress level requirements will be able to be applied retrospectively to audits that have already been completed. There is therefore no disadvantage to seeking progress level certification before the finalization of the revisions.

If you have any questions on the proposed requirements, please contact the secretariat at: standards@responsiblesteel.org

Background and Introduction to the Proposals for Consultation

Background

In September 2022, version 2.0 of the ResponsibleSteel International Standard was approved and ratified by the ResponsibleSteel membership and Board. In addition to the core requirements that steel making sites can choose to be audited against to make claims about sites being operated in a responsible manner, version 2.0 introduced additional progress level requirements in relation to the responsible sourcing of input materials (Principle 3) and climate change and greenhouse gas (GHG) emissions (Principle 10). Certification against the progress level requirements enables sites to market and sell their steel products, co-products, and by-products as ResponsibleSteel certified.

The publication of version 2.0 followed an extensive consultation and development period with stakeholders. The requirements were developed between 2020-2022, underwent two rounds of 60-day public consultation, and were approved by a double majority vote of the Business and Civil Society members of ResponsibleSteel prior to being ratified by the ResponsibleSteel Board.

Towards the conclusion of the test phase of the Standard version 2.0, the secretariat received requests for revision regarding the Principle 3 requirements for the responsible sourcing of input materials. Some of the requests for revision were complicated and would involve significant changes to the requirements. A members working group was convened to understand the issues, provide ideas, test and improve secretariat proposals. The working group met four times over January – February 2024 and was comprised of civil society, steelmaking, mining, traders and other member organisations of ResponsibleSteel. After the working group meetings, a Technical Advisory Panel comprising met, discussed and provided independent input to the ResponsibleSteel secretariat's draft proposals. The presentations and discussion notes of the meetings are available on the ResponsibleSteel website at:

<https://www.responsiblesteel.org/resources/standard-development/>

This document 'ResponsibleSteel Test Phase Proposals and Consultation Questions on Responsible Sourcing Requirements' now presents the draft revisions to Principle 3 requirements taking account of feedback from the test phase and discussions during the members working group. This document is published for public consultation in the period from March 15 2024 – April 14 2024.

In 2024, ResponsibleSteel will conduct a review of the Standard as a whole corresponding to its 5-year review cycle from the first publication of the Standard Version 1.0.

Introduction to the Proposals for Consultation

This document includes a tracked-changes version of the revised sections of Principle 3. It includes Criteria 3.1 - 3.5 and two relevant annexes. Criteria 3.6 - 3.10 which relate to the responsible sourcing of scrap are not included as no draft changes are proposed to these areas at this time.

The changes include alterations to the specification of progress levels under Criteria 3.2 and 3.4 with the intent of ensuring that progress level 1 is representative of an appropriate balance between ambition and achievability. The table below explains the proposed approach to each and the relevant consultation questions.

Topic and relevant criteria	Proposed Approach	Explanation	Consultation Questions:
Know your upstream supply chains (Criterion 3.2) progress level 1 specification.	For level 1, a steelmaker would need to know the subnational regions of origin and processing for given percentages of raw and processed mined materials. By 3 years from the publication of the standard, a certificate applicant would have to meet the same percentages but for the upstream sites of raw and processed mined materials.	<p>This would provide an on-ramp in the short term with subnational regional information being more commonly available than mine site information. A certificate holder would be incentivized to meet the current requirement in order to avoid losing the certificate.</p> <p>The split between raw and processed mined materials reflects the more complex supply chains of processed mined materials as well as the ability to use the chemical composition of raw mined materials to establish an assumed region of origin.</p> <p>An issue discussed in the working group was whether a date by which the full requirement must be met should be stipulated that would apply to all applicants, or whether the timeline should be based on the certification cycle of the applicant. Discussions were inconclusive on this.</p>	<p>3.2.4. asks that the sites of origin and processing are known three years after the launch of ResponsibleSteel's responsible sourcing requirements. Assuming that the requirements will be launched in mid-2024, this will be mid-2027. If a steel site enters the ResponsibleSteel programme in early 2027 it will only have a few months' time until this requirement has to be met. Would it be more appropriate to require one of the following?</p> <ol style="list-style-type: none"> 1. That a certified site will have to know the sites of origin and processing by the time of its first surveillance audit. This would be about 1.5 years after initial certification to the responsible sourcing requirements, or 2. That a certified site will have to know the sites of origin and processing by the time of its re-certification audit. This would be 3 years after initial certification to the responsible sourcing requirements. At the surveillance audit there would have to be a review of progress made to date.
Strengthen and account for responsible sourcing (Criterion 3.4) progress level 1 specification	For level 1, a similar approach to Criterion 3.2 is proposed. A transition period has been incorporated such that a steelmaker would need to undertake a campaign to increase supplier	The working group and technical advisory panel both discussed what would constitute an effective campaign. Feedback was received that a generic commitment in a sustainability report	3.4.3. asks that suppliers have started a third-party audit under a recognised programme three years after the launch of ResponsibleSteel's responsible sourcing requirements. Assuming that the requirements will be launched in mid-2024, this will be mid-2027. If a steel

	<p>participation in recognized programmes and by 3 years from the publication of the standard, demonstrate that given percentages of their suppliers are committed to recognized programmes. The definition of committed has been made more stringent than the current requirements. The proposal is that commitment would mean that suppliers have started a third-party audit under a recognized programme.</p>	<p>would be insufficient. Instead, steelmakers should be able to demonstrate continuous efforts to improve suppliers' performance.</p> <p>The same issue in relation to timeline that was discussed in relation to Criterion 3.2 was also discussed in relation to Criterion 3.4.</p>	<p>site enters the ResponsibleSteel programme in early 2027 it will only have a few months' time until this requirement has to be met. Would it be more appropriate to require one of the following?</p> <ol style="list-style-type: none"> 1. That suppliers have started their third-party audit by the time of the steel site's first surveillance audit. This would be about 1.5 years after initial certification to the responsible sourcing requirements, or 2. That suppliers have started their third-party audit by the time of the steel site's re-certification audit. This would be 3 years after initial certification to the responsible sourcing requirements. At the surveillance audit there would have to be a review of progress made to date.
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In addition to the changes to the specification of the progress levels, the draft includes a variety of other edits to the requirements, guidance and annexes. These include:

- There are edits to Criterion 3.3 to bring improvements to language and clarity as well as integrating the region-based approach now recommended as a starting point in Criterion 3.2 into the risk and impact analysis of Criterion 3.3;
- Some guidance has been made mandatory where it was previously optional;
- Some Principle 3 specific definitions have been copied from the glossary to the standard's guidance for clarity of understanding;
- Some additions to guidance to provide further information on meeting the requirements;
- The wording of Criterion 3.5 has been aligned to the proposed changes to Criteria 3.2 and 3.4;
- Guidance to the scope of the application of the responsible sourcing requirements in Annex 3 has been made consistent with the proposed revisions to material categories specified in Criteria 3.2 and 3.4.

We invite feedback from stakeholders specifically on the two consultation issues, additions to requirements in Criteria 3.2 and 3.4, and the mandatory guidance that define 'region', 'raw mined input materials', 'processed mined input materials', and 'campaign' relating to these issues. If you have any other comments on the tracked changes to the requirements, these will be considered in the finalisation of these proposed revisions to Principle 3. Comments relating to other parts of the requirements out of scope for this consultation will be taken into account for the forthcoming review of the Standard and future revision processes.

Draft Revised Principle 3. Responsible Sourcing of Input Materials

Objective:

ResponsibleSteel certified sites increasingly source input materials from suppliers that are working to improve their environmental, social and governance (ESG) performance and address ESG risks.

Background:

Principle 3 applies where steel sites want to achieve the certification of progress in relation to responsible sourcing in addition to core site certification. Stakeholders, especially customers, regulators and civil society at large organisations, expect companies to understand what is going on in their supply chains and to help manage supplier ESG issues. This expectation reaches beyond the direct suppliers of companies and encompasses all stages of the supply chain. Our vision is that steel companies eventually source all input materials, services and goods from responsible direct and indirect suppliers. However, we recognise the challenges of multi-tier and multi-material supplier networks where a buyer's influence diminishes the more distant suppliers are in the value chain and the lower the buyer's purchasing value. Since this vision of our responsible sourcing vision will take time to implement, ResponsibleSteel has defined 4 progress levels for the responsible sourcing of materials that are associated with increasing ESG performance expectations.

The progress levels are intended to:

- Assist in reducing the complexity of responsible sourcing by defining discrete steps to achieve
- Provide a clear roadmap for the responsible sourcing journey for steel companies and their suppliers
- Help drive momentum for the creation of responsible supply chains
- Enable downstream customers and other stakeholders to specify which level of ESG performance they expect from steel companies and their suppliers.

The steel sector relies heavily on extracted minerals, on scrap and – in some cases – on wood for the production, processing and finishing of steel products. Mining, forestry and related processing activities can be important contributors to a country's economy and to regional development. However, they can also be associated with complex environmental and social impacts. Rather than developing our own standards for the responsible conduct of these activities, we recognise programmes that credibly define and promote what responsible mining, forestry and processing look like and integrate them into our own requirements. Agricultural residues and waste materials such as plastics are used to a small extent in the steel sector as a replacement for coal-based input materials and steel sites are expected to manage ESG risks associated with suppliers of these input materials. Annex 3 lists all input materials that are covered and not covered by the responsible sourcing requirements and those that are excluded, which currently are energy crops and wood from forests (as opposed to wood from plantations). While there are a number of programmes for responsible mining, forestry and related processing that our Standard can build on, there are no comparable programmes for the collection and processing of scrap at the time of publishing these requirements. Being a recycled material, scrap supports sustainable production. However, scrap supply chains are significantly

diversified, with many more players of different sizes and levels of formalisation and maturity than other supply chains. For these reasons, this document contains a separate set of requirements for scrap.

[We have defined two sets of Criteria \(3.1 – 3.5 and 3.6 – 3.10\) with underlying requirements for the responsible sourcing of input materials used in steel production and processing.](#)

[The structure of each set of Criteria is similar and can be summarised under the following 5 headings:](#)

- [Commit to responsible sourcing and incorporate it in key functions and processes \(Criteria 3.1 and 3.6\)](#)
- [Know your upstream supply chains \(Criteria 3.2 and 3.7\)](#)
- [Understand supplier ESG performance and promote improvement \(Criteria 3.3 and 3.8\)](#)
- [Strengthen and account for responsible sourcing \(Criteria 3.4 and 3.9\)](#)
- [Report publicly on responsible sourcing \(Criteria 3.5 and 3.10\)](#)

The Criteria apply to the respective input materials where they are highlighted in blue in the following table.

Input material	Criterion									
	3.1	3.2 Levels	3.3	3.4 Levels	3.5	3.6	3.7 Levels	3.8	3.9 Levels	3.10
Raw mined materials										
Coal										
Processed mined materials										
Other input materials										
Wood from plantations										
Agricultural residues										
Waste materials										
Scrap										

[The structure of each set of Criteria is similar and can be summarised under the following 5 headings:](#)

- [Commit to responsible sourcing and incorporate it in key functions and processes \(Criteria 3.1 and 3.6\)](#)
- [Know your upstream supply chains \(Criteria 3.2 and 3.7\)](#)
- [Understand supplier ESG risks and impacts of supply chains performance and promote improvement \(Criteria 3.3 and 3.8\)](#)
- [Strengthen and account for responsible sourcing \(Criteria 3.4 and 3.9\)](#)
- [Report publicly on responsible sourcing \(Criteria 3.5 and 3.10\)](#)

Criterion 3.1 requires steel companies to commit to increasingly source input materials from suppliers that operate in a responsible manner. They are also expected to anchor their responsible sourcing commitment in key functions and processes to aid its implementation.

Under Criterion 3.2, steel companies are asked to know their direct and indirect supply chain links to an increasing extent, as defined in the different [progress](#) levels of the Criterion. Steel is made using a variety of input materials that might be raw or

processed, that pass through different suppliers and are mixed and melted at various stages of production and processing. Only when these complex supply networks are understood, can steel companies start to understand supplier ESG performance and support improvements where needed.

Criterion 3.3 requires that the ESG ~~performance risks and impacts~~ of suppliers ~~are~~^{is} reviewed and assessed and that recognised ESG standards are promoted to supply chains. A strategy to ~~support good~~^{avoid and reduce} ESG ~~risks and impacts~~^{practices} in supply chains must be in place and progress on strategy implementation must be monitored.

Criterion 3.4 describes a progression. ~~Initially, steel sites are expected to help drive demand for recognised programmes. To achieve the higher progress levels, they must increasingly~~ ^{in-sourcing} from suppliers that ~~are committed to a recognised input material programme and~~ can offer independent proof of how they perform on ESG issues. We rely on recognised input material programmes to deliver such proof. To achieve ResponsibleSteel's mission, supplier ESG performance has to ~~increase~~^{progress} over time.

Under Criterion 3.4, we have also defined Chain of Custody requirements to monitor and record input material quantities as they move through supply chains. An intact Chain of Custody provides reassurance that input materials are indeed from responsible suppliers and is therefore an important credibility mechanism. However, the Chain of Custody model we describe, called mass balance, does not ask for the ability to trace input material back to the sites of origin as it allows blending and mixing of material throughout the chain. Requiring a proven, unbroken Chain of Custody from level 2 rather than level 1 will allow steel companies to build market demand and work with their suppliers on establishing a Chain of Custody.

Finally, under Criterion 3.5, steel companies are requested to publicly report key information and developments in relation to responsible sourcing. Providing transparency on what has been achieved and where progress is yet to be made is important for creating trust in the work that is being done to source input materials responsibly.

Steelmakers who wish to market or sell their steel products, co-products or by-products as ResponsibleSteel certified must meet the requirements of Criteria 3.1 to 3.10 and of criteria 10.4, 10.6, and 10.7 of Principle 10.

The requirements of Criteria 3.1 to 3.5 have to be met to achieve 'Certified Steel' certification, in addition to the requirements for GHG emissions intensity. Where ~~the requirements define progress~~ levels ~~are provided~~, at least ~~progress~~ level 1 has to be ~~met-achieved~~ for both responsible sourcing ~~(as specified in this Principle 3)~~ and ~~for decarbonisation as specified in Principle 10~~ GHG.

The different ~~progress~~ levels in Criteria 3.2 and 3.4 are intended as follows:

- ~~Progress~~ level 1 requires steel companies to have good visibility of their supply ~~regions and supply~~ chain links. ~~They must also~~ ^{and to} understand if their suppliers are ~~committed to~~^{participating in} one of the recognised programmes. The aim of level 1 is to generate market demand to support the creation of responsible supply chains. Level 1 must be met at a minimum ~~to be awarded 'Certified Steel' status~~^{for sites that wish to sell or market their products as being 'ResponsibleSteel certified'}.
- ~~Progress~~ Levels 2 to 4 build on level 1 and steel companies can choose to work towards these higher levels. In line with our Theory of Change, expectations from downstream customers, investors, regulators, civil society and other stakeholders will provide incentives to do so. Levels 2 to 4 cannot currently be made mandatory

since participation by suppliers in recognised input material programmes is too low to achieve them. This emphasises the importance of level 1 for building market demand

- To meet [progress](#) level 2, steel companies have to have high visibility of their supply chains links and must source large shares of their input materials from direct (tier 1) and indirect (tier 2, 3, etc.) suppliers that have achieved a pre-determined minimum ESG performance under an input material programme that is recognised by ResponsibleSteel (see the [ResponsibleSteel website](#) for more information)
- [Progress II](#) levels 3 and 4 can only be achieved where steel companies have even higher visibility of upstream supply chain links and where direct and indirect suppliers participate in input material programmes that are considered to be 'best-in-class' in their sector in the views of stakeholders and have demonstrated high levels of ESG performance as described in Criterion 3.4.

It should be noted that we require 90% FSC (Forest Stewardship Council) forest management and chain of custody certification for wood from plantations at [progress](#) level 1, and 100% from [progress](#) level 2. FSC is a well-established and recognised certification programme that has seen strong take-up over the last 30 years. The situation is therefore different than it is for mined and quarried input material, where only a small number of companies is currently signed up to recognised programmes.

The aim of our sourcing requirements is two-fold: Recognise well-performing suppliers and help improve ESG performance across supply chains. For [progress](#) level 1, we have deliberately defined requirements that get the steel sector and suppliers started on the responsible sourcing journey. [Progress II](#) level 2 should be understood as a stepping stone to responsibility. [Progress II](#) levels 3 and 4 require ESG performance that can currently be considered aspirational in the mining sector. These higher [progress](#) levels recognise steel companies and suppliers that commit to and implement input material programmes that are considered to be 'best-in-class' in their sector in the views of stakeholders. Through these levels we intend to incentivise a race to the top when it comes to sourcing. We expect that there will be a 5th level in the future and that level 1 will be phased out to help us all, over time, to achieve fully responsible supply chains. The [progress level that has been](#) achieved '[Certified Steel](#)' level will be communicated through the ResponsibleSteel website together with key information to be transparent on the status of responsible sourcing at specific steel sites.

The requirements do not currently consider the ESG impacts of transportation, although CO2 emissions from transport are part of a steel company's Scope 3 emissions and therefore covered by the GHG requirements. When the responsible sourcing requirements come up for revision, we expect to include transportation and hope to build on recognised ESG programmes for the transport sector, just like we do for mined and quarried material and wood from plantations. The requirements cover all the input materials that are listed in Annex 3. These are thought to account for 80 to 90% of the input materials used in iron and steel production, processing and finishing. Additional input materials, consumables and services may be added when the requirements are revised [in five years' time](#).

In terms of the practical implementation of the sourcing requirements, the following should be noted: The sourcing of input materials for steel production, processing and finishing is often done at the corporate level and for groups of sites rather than at individual steel sites. Due to this, engagement of the corporate owner of a steel site in ResponsibleSteel audits is expected and necessary to demonstrate that the sourcing requirements are achieved. For ease of reading, the responsible sourcing requirements have been written to address steel sites, but it is understood that the corporate owners of the sites will be

heavily involved in meeting the requirements.

We have provided guidance and definitions for underlined terms and concepts. Definitions can be found in the stand-alone Glossary, which is mandatory and therefore has to be used by steel sites and auditors. Some of which the guidance is marked as 'mandatory', which means that it is binding and has to be followed. Guidance not marked as 'mandatory' is optional. It is therefore important to read the guidance to understand the full extent of what is expected for 'Certified Steel' certification and to understand the context of our requirements.

Criterion 3.1: Commit to responsible sourcing and incorporate it in key functions and processes

There is a public commitment to increasingly source input materials from suppliers that operate responsibly and the commitment is incorporated in key purchasing functions and processes.

- 3.1.1. The responsible sourcing policy is readily accessible to the public and contains commitments to:
- a) Strive to achieve full visibility of input material supply chains over time;
 - b) Promote recognised input material programmes to direct and indirect input material suppliers;
 - c) Establish a Chain of Custody in upstream supply chains for input materials that are from responsible sources;
 - d) Report publicly and regularly on efforts undertaken to source input materials responsibly.
- 3.1.2. At least one specified member of senior management has been assigned accountability to implement the responsible sourcing policy for the site.
- 3.1.3. An effective training programme on responsible sourcing, Chain of Custody and company-specific procedures to implement the responsible sourcing policy is delivered for relevant personnel.
- 3.1.4. Direct suppliers of input materials are required to implement a code of conduct or similar instrument that covers at least the following issues:
- a) Compliance with applicable laws and regulations;
 - b) Prevention of corruption, bribery, extortion and money laundering;
 - c) Adherence to human rights and labour rights;
 - d) Protection of worker and local community health and safety;
 - e) Environmental stewardship;
 - f) Responsible sourcing;
 - g) Transparency on ESG-related issues;
 - h) Collaboration of supplier and customer to improve ESG performance;
 - i) Monitoring of supplier adherence to the code of conduct;
 - j) Expectation that suppliers demand similar ESG practices from their own suppliers.
- 3.1.5. New direct suppliers of input materials are assessed for their adherence to the code of conduct in line with a documented approval procedure.
- 3.1.6. Adherence of existing direct suppliers of input materials to the code of conduct is regularly assessed. Where gaps become apparent, measures are taken to ensure the supplier acts in line with the code of conduct.

Mandatory guidance:

Sourcing policy: At a minimum, the responsible sourcing policy must cover the input materials listed in Annex 3 of the Standard, which is mandatory for sites that aim to achieve [‘Certified Steel’ progress level](#) certification.

Specified member of senior management: A named senior executive role that is in charge of procurement, for example a chief procurement officer or a head of sourcing.

Chain of custody: Process by which inputs and outputs and associated information are transferred, monitored and controlled as they move through each step in the supply chain. See Annex 8 of the Standard for more information about the Chain of Custody model we have defined for upstream supply chains that participate in recognised input material programmes.

Human and labour rights: [Internationally recognised human and labour rights are laid out in the Universal Declaration of Human Rights and in the ILO Declaration on Fundamental Principles and Rights at Work. The core labour standards covered by the Declaration are laid out in nine conventions \(see below\).](#)

Environmental stewardship: [Refers to the efficient use of energy, water and other resources, the prevention of GHG emissions, air, water and land pollution, the application of the mitigation hierarchy to biodiversity and waste, the minimisation of toxic materials, and increased recycling.](#)

Recognised input material programmes: [The definite list of recognised programmes can be found on the ResponsibleSteel website. The methodology used to assess programmes for recognition, as well as the results of recognition assessments together with any conditions and minimum ESG performance expected from suppliers are also available from the website.](#)

Suppliers are required to implement a code of conduct or similar instrument: [This can either be a code of conduct, or similar instrument, that suppliers have developed and that applies to all individuals working for the supplier, or it can be a supplier code of conduct of the steel company. A code of conduct can be made mandatory by linking it to supply contracts, terms and conditions, or similar. In either case, the code of conduct must cover all the issues listed in 3.1.4. Note the definition of ‘worker’ in the mandatory ResponsibleSteel Glossary.](#)

Guidance:

[Note that 1.1.1.e and Criterion 2.2 also contain requirements on responsible sourcing. These requirements must be achieved as part of core site certification. Principle 3 builds on these requirements. Principle 3 and at least progress level 1 within it must be achieved for a site to sell any of its products as ResponsibleSteel certified.](#)

Full visibility of supply chains: This means that all upstream supply chain links are known, up to the site(s) of origin. Visibility refers to internal visibility, there is no requirement to make supply chain links public knowledge.

Direct and indirect suppliers: Direct suppliers are often referred to as tier 1 suppliers. Indirect suppliers mean tier 2 suppliers, tier 3, tier 4, etc.

Promote recognised input material programmes: ~~Ways to promote recognised programmes to supply chain partners are, for example, letters to suppliers, the inclusion of a commitment to a recognised programme in a supplier code of conduct or in terms and conditions, or offering rewards to suppliers that participate in a recognised programme~~ [See the guidance on ‘campaigning’ in 3.4 for details.](#)

Chain of Custody (CoC): A process by which inputs and outputs and associated information are transferred, monitored and controlled as they move through each step in the supply chain (adopted from ISO 22095:2020(E) Chain of custody - General terminology and models). See Criterion 3.4 for more detail.

Report publicly: See Criterion 3.5 to understand what kind of sourcing-related information is expected to be published through the ResponsibleSteel website.

~~**Human and labour rights:** Internationally recognised human and labour rights are laid out in the Universal Declaration of Human Rights and in the [ILO Declaration on Fundamental Principles and Rights at Work](#). The core labour standards covered by the Declaration are laid out in eight conventions (see below).~~

~~**Environmental stewardship:** Refers to the efficient use of energy, water and other resources, the prevention of GHG emissions, air, water and land pollution, the application of the mitigation hierarchy to biodiversity and waste, the minimisation of toxic materials, and increased recycling.~~

Codes of conduct should, at a minimum, reference the following internally recognised conventions:

- [Basel Convention](#) on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- ILO C029 and C105: The elimination of all forms of forced and compulsory labour
- ILO C087 and C098: Freedom of association and the effective recognition of the right to collective bargaining
- ILO C100 and C111: The elimination of discrimination in respect of employment and occupation
- [ILO C138 and C182: The effective abolition of child labour](#)
- [ILO C155: Occupational Health and Safety](#)
- International Bill of Human Rights (which consists of the [Universal Declaration of Human Rights](#), the [International Covenant on Economic, Social and Cultural Rights](#), and the [International Covenant on Civil and Political Rights](#) and its two Optional Protocols)
- [Minamata Convention](#) on Mercury
- [Stockholm Convention](#) on Persistent Organic Pollutants

Relevant personnel: Includes personnel working in procurement, strategy, sustainability and other departments and teams with links to input material sourcing.

~~**Suppliers are required to implement a code of conduct or similar instrument:** This can either be a code of conduct, or similar instrument, that suppliers have developed and that applies to all individuals working for the supplier, or it can be a supplier code of conduct of the steel company. A code of conduct can be made mandatory by linking it to supply contracts, terms and conditions, or similar. In either case, the code of conduct must cover all the issues listed in 3.1.4. Note the definition of ‘worker’ in the [mandatory ResponsibleSteel Glossary](#).~~

Supplier adherence to the code of conduct is regularly assessed: Such assessments may take the form of supplier questionnaires with documentary evidence, site visits to suppliers, audits of suppliers, etc. Note also the definition of ‘regular’ above.

Approval procedure: A procedure that describes the conditions for new suppliers to be added to the supplier pool, how fulfilment of the conditions is checked and who signs off on new suppliers. The conditions must reflect the issues covered by the code of conduct.

Measures taken to ensure the supplier acts in line with the code of conduct: These may range from soft measures such as communication of expectations, training and capacity building to surveying key performance indicators and formal warnings to hard measures such as contractual penalties. Positive incentives, such as longer-term contracts, increases in contract volumes or in paid prices, that are granted when the supplier can demonstrate conformance with the code of conduct are also possible measures.

Generally, the Responsible Jewellery Council’s [Due Diligence Member Toolkit](#) ~~Due Diligence Member Toolkit (2020)~~ and [ISO 20400:2017 Sustainable procurement – Guidance](#) are useful, hands-on resources that might help companies implement the responsible sourcing requirements. The [Partnership for Sustainable Textiles](#) has also developed helpful

resources that guide companies on ESG issues in relation to supply chains. The resources have been developed specifically for the textiles sector, but most of the advice and good practice is relevant for steel supply chains too.

Criterion 3.2: Know your upstream supply chains

The upstream supply chain links for the input materials used at the site are increasingly known and key information on direct and indirect suppliers is recorded.

- 3.2.1. A documented procedure for collecting information on direct and indirect upstream input material supply chain links and on regions of origin and processing and for maintaining records to verify the extent to which supply chain links are known is being implemented for the site. The procedure requires that data to verify supply chain links and regions of origin and processing Records are is maintained kept for at least 5 years or for the legally required time, whichever is greater.
- 3.2.2. The procedure specifies the following detail on the site's direct and indirect suppliers is internally recorded for each input material on an annual basis:
- a) Which primary and secondary data sources the site uses to collect information on upstream input material supply chain links and regions of origin and processing;
 - b) Operating names and addresses (or geo locations in latitude/longitude) of sites of origin and upstream processing and of other types of suppliers are internally recorded for each input material and on an annual basis;-
 - a)c) Where direct or indirect suppliers oppose to disclose this information operating names and addresses to the site, they it may be shared by suppliers with the ResponsibleSteel auditors for the purpose of verification via an auditable mechanism (test phase);
 - d) For direct and indirect suppliers sites of origin and upstream processing that are not known and are not shared via an auditable mechanism, the site describes what it has done to try and determine their identity and why it has been unable to do so;
 - b)e) The site determines at least the regions of origin and upstream processing where sites of origin and upstream processing cannot be identified for at least the percentages shown in the table in 3.2.3;
 - e)f) For each direct supplier of input materials, the site records the: Types, forms and tonnes of provided input materials that is provided by which site or sites of the supplier, and how much of the respective input material the provided quantities account for.
- 3.2.3. To become certified to progress level 1: Of the total tonnes received by the site in the last calendar or financial year, the regions of origin and processing are known for the following percentages. There is data to verify the achieved percentages:

	<u>Progress level 1</u>
a) <u>Raw mined input material</u>	<u>≥ 80%</u>
b) <u>Processed mined input material</u>	<u>≥ 60%</u>
c) <u>Plantation wood with FSC forest management and chain of custody certification, or equivalent</u>	<u>≥ 90%</u>

d) <u>Agricultural residues</u>	<u>≥60%</u>
e) <u>Waste materials</u>	<u>≥60%</u>

3.2.4. By three years after the launch of ResponsibleSteel's responsible sourcing requirements: Of the total tonnes received by the site in the last calendar or financial year, at least the following percentages are from upstream input material supply chains where all sites of origin and processing are known. There is data to verify the achieved percentages:

	<u>Progress level 1</u>
a) <u>Raw mined input material</u>	<u>≥ 80%</u>
b) <u>Processed mined input material</u>	<u>≥ 60%</u>
c) <u>Plantation wood with FSC forest management and chain of custody certification, or equivalent</u>	<u>≥ 90%</u>
d) <u>Agricultural residues</u>	<u>≥60%</u>
e) <u>Waste materials</u>	<u>≥60%</u>

~~3.2.3.~~ 3.2.5. To become certified to progress levels 2 to 4: Of the total tonnes received by the site in the last calendar or financial year, at least the following percentage is from upstream input material supply chains where all sites of origin and processing are known. There is evidence to verify the achieved percentage:

<u>Level 1</u>	<u>Progress level 2</u>	<u>Progress level 3</u>	<u>Progress level 4</u>
a) Iron <u>Raw mined input material</u> Coal ³ <u>80%</u>	<u>≥ 90%</u>	<u>≥ 95%</u>	<u>≥ 98%</u> ≥ 98%
b) a) ³ 80%	<u>≥ 90%</u>	<u>≥ 95%</u>	
c) b) Other input materials (overall) (test phase) <u>Processed mined input material</u> ³ <u>60%</u>	<u>≥ 70%</u>	<u>≥ 80%</u>	<u>≥ 90%</u>
d) c) Plantation wood (test phase) with FSC forest management and chain of custody certification, or equivalent ³ <u>90%</u>	100%		
e) d) Agricultural residues ³ <u>60%</u>	<u>≥ 70%</u>	<u>≥ 80%</u>	<u>≥ 90%</u>
f) e) Waste materials ³ <u>60%</u>	<u>≥ 70%</u>	<u>≥ 80%</u>	<u>≥ 90%</u>

Consultation Question:

3.2.4. asks that the sites of origin and processing are known three years after the launch of ResponsibleSteel's responsible sourcing requirements. Assuming that the requirements will be launched in mid-2024, this will be mid-2027. If a steel site enters the ResponsibleSteel programme in early 2027 it will only have a few months' time until this requirement has to be met. Would it be more appropriate to require one of the following?

1. That a certified site will have to know the sites of origin and processing by the time of its first surveillance audit. This would be about 1.5 years after initial certification to the responsible sourcing requirements, or
2. That a certified site will have to know the sites of origin and processing by the time of its re-certification audit. This would be 3 years after initial certification to the responsible sourcing requirements. At the surveillance audit there would have to be a review of progress made to date.

Mandatory Guidance:

Origin: Refers to the mining or quarrying site, the harvesting site or, for waste materials, the first point of waste consolidation (not collection) after the plastic item became waste and was reclaimed, whether from industrial, residential or municipal sources, thereby constituting the starting point within the supply chain for waste material. The same upstream supply chain boundaries apply to the scrap requirements.

Region: A region within a country, ideally a municipality in a country. The region is intended to give clues about potential risks to nature and people stemming from suppliers (see Criterion 3.3). It should be as granular as possible given that risk can vary greatly within a country. For example, for countries the size of Brazil, determining a state such as Minas Gerais to be the region of origin or processing would not be considered meaningful as Minas Gerais is too large to do a sensible analysis of risk to nature and people. Where the steel site does not know the region for sure, it should make its best informed guess about the region of origin or processing. In case the input material comes from artisanal, small-scale mining, the region might be the concession area.

Raw mined input material: Mined material that has not undergone chemical transformation. See more information in Annex 3.

Processed mined input material: Mined material that has been chemically transformed. See more information in Annex 3.

Other types of suppliers: Traders or brokers.

In the last calendar or financial year: For the initial certification against the responsible sourcing requirements as part of progress level certification 'Certified Steel', the evidence demonstrating that the required percentages have been achieved may cover a period that is shorter than 12 months, but cannot cover less than 6 months. At the next regular audit (which can be a surveillance audit or a re-certification audit, this depends on when in its certification cycle the site achieved 'Certified Steel' progress level certification), the site must present evidence for the full previous calendar or financial year to uphold certification.

The tables in Criterion 3.2 and in 3.4 should be understood as follows:

- A site ~~is-has achieved~~ awarded 'Certified Steel' progress level 1' status for responsible sourcing if it meets all the percentages shown in the 'progress level 1' column. It ~~has achieved~~ is awarded progress level 2 status if all the percentages of the progress level 2 column are met, and so on;
- If iron, coal or any other input material covered by the responsible sourcing requirements is used in processed form at the site that applies for 'Certified Steel', the respective requirement applies to the main input materials

used by the supplier of the processed material. See Annex 3 for examples of 'processed form' and examples of the main input materials used in processing;

- For the line 'other input materials (overall)': This means that the received tonnes of 'other input materials' (see Annex 3) are summed up. Of the total, 60% have to be known up to the sites of origin to achieve Level 1 under Criterion 3.2.
- The overall progress level achieved by the site will be the lowest that is achieved for any material category. A steel site is awarded 'Certified Steel' certification to the lowest of its achieved levels. To give an example: If the site achieves progress Level 2 for some requirements and progress Level 1 for others, it will be certified to progress level 1 overall.

See the mandatory Annex 3 for a list of input materials that are covered and those input materials that are not covered by the responsible sourcing requirements, or that are excluded for 'progress level Certified Steel' certification.

3.1.1. — Test phase: ResponsibleSteel intends to include a 12-month 'test phase' for certain areas of the new requirements where testing seems important to ensure that the requirements are fit for purpose. If the test phase shows that changes are necessary, additional stakeholder consultation on those requirements will be conducted. Where these changes are deemed significant, they will be subject to membership voting. 'Certified Steel' certificates will still be issued during the test phase and will be valid for three years, which is the default duration of ResponsibleSteel certificates. If significant changes are made to the requirements following the test phase, sites that have already been certified will be granted a transition period to meet any revised requirements. The existing ResponsibleSteel Standard is scheduled for a formal review in 2023. The new requirements for responsible sourcing and GHG will be reviewed at the same time to align future review cycles. The areas that will be covered by the 12-month test phase are marked 'test phase' in this document.

3.2.1. — FSC forest management and chain of custody certification, or equivalent (test phase): This means wood and wood-based products from plantations that are covered by valid FSC forest management certificates and FSC chain of custody certificates. 'Controlled Wood', meaning wood and wood-based products labelled as 'FSC MIX' are excluded and cannot be used by steel sites that wish to market or sell their products as 'ResponsibleSteel certified'. seeking 'Certified Steel' certification. 'Or equivalent' means that ResponsibleSteel is open to assessing whether there are other responsible forestry programmes in some regions that can be recognised.

3.3.1. — Note that plantations on areas that have been converted from natural forests after 1994 are not eligible for FSC certification. However, FSC is running a public consultation until 14 October 2022 that aims to address the question if and how deforestation that took place between 1994 and 2020 could be remedied and how converted areas might become eligible for FSC certification. See also here. ResponsibleSteel will accept whichever decision FSC takes on this.

3.4.1. For further information on permissible biomass-based input materials, see the mandatory Annex 3.

Guidance:

Evidence to verify Primary and secondary data sources: For example, an internal database with details on suppliers, also identifying knowledge gaps and reasons for those gaps. Reports on supply chain research, import/export data, global trade data, transit data, supply chain mapping platforms, due diligence reports by civil society organisations and others, supplier declarations, Chain of Custody certificates from other programmes (such as ASI for bauxite-derived materials, FSC for material from certified plantations or IRMA for all kinds of minerals originating from mines that participate in the IRMA programme), also invoices, shipping bills, bills of lading, certificates of origin, or customs clearances, contracts, purchase orders. There might be other types of records that fulfil the same purpose, i.e. that provide confidence that supply chain links are indeed known to the required extent.

Note that Criteria 3.3 and 3.4 also require supplier-related procedures. These procedures do not have to be stand-alone procedures but may be part of an integrated procedure to collect and record information on suppliers. There is a logical

link between the information that has to be collected on input material suppliers under Criteria 3.2, 3.3 and 3.4, and we recommend connecting the various supplier data points internally to keep administrative burden as low as possible.

It should also be noted that we are looking for site-level information on suppliers, not company-level. However, we realise that some types of suppliers, such as traders and brokers, might not have sites where physical input material is stored and managed. In such cases, company-level information is appropriate.

The following special cases should also be noted:

Transportation is currently out of scope of our sourcing requirements (but is covered by the GHG requirements). This means that if a trader or broker or other supplier uses a transportation company to deliver the input material to the steel site, the transportation company would be considered a service provider, not a supplier. The responsible sourcing requirements would therefore not be applicable to the transportation company

If a mine site that is a supplier to the steel site purchases ore from other mine sites (including artisanal and small-scale sites), the mine site would be expected to provide information on the mine sites it sources from to the steel site.

Auditable mechanism ~~(test phase)~~: In case input material suppliers are not willing to share the identity of their own suppliers with the steel site, they may be willing to cooperate through an 'auditable mechanism'. The mechanism would work as follows ~~and will be subject to a 12-month test phase. Note that ResponsibleSteel will develop separate guidance on how the auditable mechanism should be implemented by steel companies and auditors:~~

- The suppliers let the steel site know for how many tonnes of the total tonnes of provided input material they know all [regions of origin and upstream processing or all](#) sites of origin and upstream processing. This information allows the steel site to understand whether the percentages required by the tables [in 3.2.3 – 3.2.5](#) above are reached;
- However, for the steel site and ResponsibleSteel stakeholders to be confident that input material suppliers do indeed know what they say they know, this information is verified by the ResponsibleSteel auditors of the steel site. Initially, there might be a relatively large number of suppliers that does not agree to share supplier identities with the steel site. To keep the effort for identity verification reasonable, a sample of suppliers would be interviewed;
- Prior to the ResponsibleSteel audit, the steel site provides the ResponsibleSteel auditors with a list of input material suppliers that do not want to disclose information about their own supply ~~chainiers~~ to the steel site, together with the tonnes procured from each supplier in the most recent calendar or financial year;
- The ResponsibleSteel auditors select a sample of input material suppliers in advance of the audit and ask them to provide evidence directly to the auditors on their sources under a Non-Disclosure Agreement (NDA). The NDA serves to reassure suppliers that the provenance and other commercially sensitive information is treated confidentially;
- The auditors arrange focused interviews with the selected suppliers to review evidence related to their supply chain links, such as [an internal database, import/export data, global trade data, transit data, supply chain mapping platforms, due diligence reports by civil society organisations and others](#), customs declarations, certificates of origin, shipping logs, bills of lading, vessel packing lists, purchase orders, contracts or other equivalent documentation and records. The interviews can take place remotely, meaning off-site using an internet-based communication tool that allows screen-sharing. A site visit is not needed;
- The auditors use this information to verify the supply chain links and percentages required in the table above, without sharing the information with the steel company.

It should be noted that the costs for these remote interviews have to be borne by the site that ~~seeks-is seeking~~ [ResponsibleSteel 'Certified Steel'](#) certification, so there is a clear incentive to encourage input material suppliers to share

the identities of their own suppliers with the steel site rather than draw on the 'auditable mechanism'. See below for guidance on how to encourage suppliers to share information.

In the case that the ResponsibleSteel auditors come across any inconsistencies in the input material suppliers' information, they will inform the steel site of the nature of the inconsistencies so the site can act on this, while adhering to the clauses of the NDA.

There are also specialised service providers that can help identify supply chain links.

Direct supplier: Also referred to as tier 1 supplier. Might be a processor or a miner, or a trader or a broker. In the case of a steel processing site seeking 'Certified Steel' ResponsibleSteel certification, the direct supplier might be a steel making site. In the case of a steel making site it might be an iron making site.

What it has done to try and determine the supplier identity: Activities to determine the identity of direct and indirect input material suppliers may include the following:

- Entering into dialogue with suppliers to explain what the information is for. E.g. written correspondence, direct engagement (meetings, etc.) to discuss the data enquiry and how the supplier may accommodate it
- Where there is resistance, identify what barriers may be preventing the sharing of relevant information and explore what opportunities may be available to address or remove these barriers
- Enter into agreements to assure input material suppliers that the provided information will not be disclosed to other parties
- As a last resort, point out sanction mechanisms (e. g. reduced orders)
- Desktop analyses of publicly available information may also increase supply chain visibility
- There are also specialised service providers that can help identify supply chain links.

The way that steel sites communicate with suppliers is crucial for being successful in the collection of data. The following advice might help ensure appropriate communication:

- Clearly and openly communicate the reasons for collecting information on direct and indirect input material suppliers
- Highlight the importance of supply chain visibility and the fact that regulators and stakeholders increasingly expect companies to understand supply chain links beyond direct suppliers
- Highlight potential benefits of supply chain transparency for the supplier (e. g. risk identification, improved quality and product management, competitive advantage through transparency)

Be prepared for and ready to answer supplier questions on (financial) support for collecting data and on potential consequences of not sharing information.

Criterion 3.3: Understand ~~supplier~~ ESG ~~performance risks and impacts of supply chains~~ and promote improvement

The ESG ~~performance risks and impacts of direct and indirect~~ ~~associated with upstream~~ input material supply ~~chain~~ ~~ers~~ ~~are~~ ~~is~~ understood and an effective strategy ~~to help for~~ ~~improvement~~ ~~performance~~ is being implemented.

3.3.1. ~~There is a~~ documented procedure to collect, ~~analyse and classify~~ information on the ESG ~~risks and impacts~~ ~~performance of direct and indirect input material suppliers~~ ~~and to analyse and classify that information~~ ~~is being implemented~~.

~~3.3.1.~~

~~3.3.2.~~ The procedure establishes the following information hierarchy:

- ~~a)~~ Site-level information is given preference, meaning information on those sites of direct and indirect suppliers that are engaged in the respective input material supply chain;
- ~~b)~~ Where site-level information is not available, information is collected on the corporate owner of the sites;
- ~~a)~~ Where this is not available, information on the respective input material and on the countries-regions of origin and upstream processing is collected;
- ~~c)~~
- ~~b)~~ The procedure lists the primary and secondary data sources that are used to understand and assess the ESG performance-risks and impacts of direct and indirect suppliers and, where these are not known, of the countries-regions of origin and upstream processing;
- ~~d)~~

~~3.3.3.~~ The procedure defines how to determine whether the ESG risks and impacts performance of direct and indirect suppliers and of regions of origin and processing poses are high, medium or low risk to people and nature based on their likelihood and severity of damage to people and nature of negative impact as a result of supplier performance;

~~e)~~

~~e)~~

~~3.3.4.~~ The procedure specifies that input materials or relevant shares thereof are classified as high risk if neither the sites of suppliers, nor their corporate owners, nor the countries-regions of origin and upstream processing are known;

~~d)~~

~~f)~~

~~3.3.5.~~ The procedure defines regular frequencies for updating risk classifications and describes unforeseen events that trigger unscheduled updates.

~~3.3.6.~~ In line with the procedure, the ESG risks and impacts performance of all direct and indirect input material suppliers, up to the origin of the concerned material, has been analysed and classified, and, where these are not known, for all countries-regions of origin and upstream processing. The results have been documented and are updated as required by the procedure.

~~g)~~

~~3.3.7;3.3.3.~~ In line with the procedure, the ESG risks and impacts of all direct and indirect input material suppliers, up to the origin of the concerned material, has been analysed and classified, and, where these are not known, for all regions of origin and upstream processing. The results have been documented and are updated as required by the procedure.

~~3.3.8;3.3.4.~~ An analysis of the governance structures, business strategies and practices of the site's corporate owner has been carried out to understand how they might evolve to avoid and reduce ESG risks and impacts in upstreamenable good ESG performance of input material supply chainsiers. The results of the analysis have been

documented.

3.3.9.3.3.5. There is a documented strategy to help ~~strengthen-avoid and reduce~~ ESG ~~performance-risks and impacts~~ in upstream input material supply chains. The strategy:

- a) Specifies how the ~~governance structures~~, business ~~strategies and~~ practices of the site's corporate owner are evolving to ~~avoid and reduce ESG risks and impacts in upstream~~ ~~enable good ESG performance of~~ supply ~~chains~~ers, reflecting the results of the conducted analysis;
- b) Outlines how unknown supply chain links might be turned into known ones over time;
- c) Describes how information gaps on the ESG ~~risks and impacts~~ ~~performance~~ of direct and indirect suppliers ~~as well as regions of origin and processing~~ are addressed;
- d) Describes which ~~direct and indirect suppliers and~~ ESG risks and impacts ~~of direct and indirect suppliers as well as of regions of origin and processing~~ are given priority to help avoid or reduce negative impact on people and nature;
- e) Defines ~~measures~~ that are taken to help avoid or reduce negative impact of direct and indirect suppliers ~~as well as of regions of origin and processing~~ on people and nature;
- f) Describes how recognised input material programmes are ~~promoted to direct and indirect suppliers~~;
- g) Contains ~~time-bound targets and objectives~~ to increase the quantity of input material coming from sites of origin and upstream processing that participate in a recognised input material programme.

3.3.10.3.3.6. Implementation of the strategy to ~~strengthen-avoid and reduce~~ ESG ~~risks and performance-impacts~~ ~~from~~ upstream input material supply chains is regularly reviewed. The results of the review and progress against the targets and objectives are documented, and the strategy is updated to reflect the review's findings.

Mandatory guidance:

ESG risks that are given priority: Companies should follow the United Nations Guiding Principles on Business and Human Rights. They state that where prioritisation of risks is necessary because there are too many risks to address them all at once, companies should first seek to avoid and reduce those risks that may be the most severe from the perspective of affected stakeholders. This means that risks that are low-likelihood but high-severity have to be prioritised, just like risks that are high-likelihood but low-severity. The severity of the (likely) impact should drive the company's approach to risk management. This is reflected in the risk matrix in Annex 4. In looking at risk, companies should also focus on the (likely) impact on the affected stakeholders rather than on the (likely) impact on business. This is distinct from traditional business risk prioritisation.

In some cases, it will be clear whether or not a risk is severe. In other cases, it will be important to engage with potentially affected stakeholders to gain an understanding of the likely severity.

Some examples of circumstances that should always be prioritised:

- Where risk of child, forced or compulsory labour is identified, they should be immediately addressed, but in doing so the well-being of the child or the person affected by forced or compulsory labour must be ensured.
- Where mine sites, harvesting or processing sites threaten World Heritage sites and other types of protected areas and the values for which the sites were granted protection, this should also be considered a high risk that should be addressed immediately.
- Likewise, the contamination of rivers, streams or lakes, the destruction of natural forests, mine sites with high risk tailings dams, or suppliers that are party to legal or tribunal disputes regarding land tenure should be prioritised.

[Where the steel site does not know the regions of origin and processing, let alone the sites of origin and processing, closing these knowledge gaps should also be prioritised.](#)

Guidance:

Information hierarchy: Where input material suppliers operate more than one site, ESG performance can differ from site to site, especially when they are located in different countries. Steel companies should seek to get site-level information on direct and indirect input material suppliers. Where this is not obtainable, company-level information is the next best choice. Where steel companies cannot get company-level information, they should at least seek to understand potential ESG risks in supply chains by reviewing how strongly specific input materials are associated with ESG issues, and whether countries of origin and upstream processing are associated with ESG issues.

Sites of direct suppliers: Where the direct supplier is a trader or broker, they should supply information on the sites the scrap comes from prior to arriving at the steel producer. Where they are not willing to share this information, the steel company should refer to the auditable mechanism (see the guidance below).

Primary and secondary data sources to understand input material supplier ESG performance risks and impacts: [See the guidance to 3.2 for examples.](#) In addition, there are a number of tools that can help steel companies understand supplier ESG performance. Some are publicly available and for free, others are liable to fees. More information is provided in Annex 4.

When analysing ESG risks [and impacts stemming from](#) input material suppliers, the conventions listed in the guidance to Criterion 3.1 should be taken into account at a minimum.

[In addition, when seeking to understand risks and impacts to nature and people, it is advisable to consider the landscape\(s\) that the input material originated from or passed through since nature and people usually do not stick to administrative boundaries such as municipalities.](#)

High, medium or low risk and impact: [See the Risk Matrix in Annex 4 to understand how ESG risks and impact should be classified according to likelihood and severity.](#)

Regular: See the definition in the [mandatory ResponsibleSteel Glossary](#). Note that the recently passed German 'Law on Corporate Due Diligence in Supply Chains' requires that risk assessments are carried out annually.

Unforeseen events: For example, a major incident with fatalities at an input material supplier, incidents of child, forced or compulsory labour, failures leading to grave environmental damage or damage to cultural heritage.

Evolve to avoid and reduce ESG risks and impacts~~Enable good ESG performance of suppliers:~~ [Sustainability should be integrated into the steel company's governance structures. New investments and project designs should be scrutinised with ESG risks and impacts on people and nature in mind.](#) Obstacles and challenges for suppliers can [also](#) arise from [a number of various other](#) aspects, for example: The steel company's procurement strategy, forecasting and planning, price calculations and price negotiations, terms of payment, terms of termination of business relations, changes to orders, lead times. The following functions should be analysed at a minimum: Strategy-setting, sourcing, product development, compliance.

ESG risks that are given priority: [Companies should follow the United Nations Guiding Principles on Business and Human Rights.](#) They state that where prioritisation of risks is necessary because there are too many risks to address them all at once, companies should first seek to avoid and reduce those risks that may be the most severe from the perspective of affected stakeholders. This means that risks that are low-likelihood and high-severity have to be prioritised, just like risks that are high-likelihood and low-severity. The severity of the (likely) impact should drive the company's approach to risk management. This is reflected in the risk matrix in Annex 4. In looking at risk, companies should also focus on the (likely) impact on the affected stakeholders rather than on the (likely) impact on business. This is distinct from traditional business risk prioritisation.

~~In some cases, it will be clear whether or not a risk is severe. In other cases, it will be important to engage with potentially affected stakeholders to gain an understanding of the likely severity. Some examples of circumstances that should always be prioritised: Where risk of child, forced or compulsory labour is identified, they should be immediately addressed, but in doing so the well-being of the child or the person affected by forced or compulsory labour must be ensured. Where mine sites or harvesting sites threaten World Heritage sites and other types of protected areas and the values for which the sites were granted protection, this should also be considered a high risk that should be addressed immediately. Likewise, the contamination of rivers, streams or lakes, destruction of natural forests, mine sites with high risk tailings dams, or where suppliers are party to legal or tribunal disputes regarding land tenure.~~

Measures to help reduce negative impacts: For example:

- Building and exerting influence over those suppliers that can most effectively avoid or reduce negative impact from supply chains;
- Continuing sourcing while working with suppliers to avoid or reduce ESG impacts, but making clear to suppliers that sourcing will be suspended in case there are no improvements after a set time period. ~~This may happen, Alternatively, suspending sourcing while working with suppliers to avoid or reduce ESG impacts,~~ for example, through:
 - Capacity building and training on ESG issues, joint ESG projects;
 - Financial or technical resources to address ESG issues;
 - Better contractual terms linked to improved ESG practices;
 - Engaging to improve governance structures;
 - Supporting input material traceability efforts;
 - Supporting formalisation efforts of subsistence and unofficial suppliers.
- Alternatively, sourcing might be suspended while working with suppliers to avoid or reduce ESG impacts;
- Disengagement from suppliers should be the last resort and should only take place if the supplier is unwilling to address identified issues. For example, if the supplier is unwilling to address child or forced labour. Companies should support suppliers that are willing to improve the situation and their practices but that face genuine difficulties in doing so. Disengagement can have negative implications for the people who work for the supplier and for local communities, so disengagement should always be done responsibly.

It is advisable to develop measures in consultation with suppliers and affected stakeholders to make sure the measures are relevant and appropriate for addressing specific ESG issues.

Note that grievance mechanisms are considered to be important tools for identifying ESG risks and impacts. Steel sites are required to have a grievance mechanism that is open to all stakeholders and to any kind of concern to achieve ‘Certified Site’ status-core site certification under the ResponsibleSteel programme. Sites must meet the requirements for ‘core’ site certification in addition any ‘progress level’ requirements, and so t~~This grievance mechanism is sufficient for responsible sourcing purposes, as ‘Certified Site’ is a prerequisite for ‘Certified Steel’.~~

Promoted to direct and indirect suppliers: See the guidance ~~to Criterion 3.1 on ‘campaigning’ in 3.4~~ for more information.

Time-bound targets and objectives: See Criterion 3.4 to understand the minimum targets and objectives that should be set.

Criterion 3.4: Strengthen and account for responsible sourcing

Input materials ~~come from~~ suppliers ~~that are urged to~~ participate in ~~a~~ recognised programmes to strengthen their ESG performance and ~~there is~~ an accounting system to support ~~an upstream~~ Chain of Custody is being established.

To become certified to progress level 1:

3.4.1. The site runs a documented campaign aimed at increasing participation in a recognised programme by direct and indirect suppliers. The campaign:

- a) Has the support of the site's senior management;
- b) Describes the range of activities and channels used to reach out to suppliers;
- c) Specifies time-bound milestones that, if reached, will allow for continued progress level certification;
- d) Defines how progress in meeting the milestones is tracked.

3.4.2. The site tracks its performance against the milestones. Where progress is lacking, the site reviews and amends its campaign.

3.4.3. By three years after the launch of ResponsibleSteel's responsible sourcing requirements, suppliers accounting for the below percentages of input material compared to the total tonnes of the respective input material have started a third-party audit under one of the recognised programmes:

	<u>Progress Level 1</u>
	<u>Third-party audit under a recognised programme has started</u>
<u>a) Raw mined input material</u>	<u>≥ 60%</u>
<u>b) Processed mined input material</u>	<u>≥ 40%</u>
<u>c) Plantation wood, applying for FSC forest management and chain of custody certification, or equivalent</u>	<u>≥ 90%</u>

To become certified to progress levels 2 to 4:

~~3.4.1.~~ 3.4.4. In the last calendar or financial year, suppliers accounting for the below percentages of input material compared to the total tonnes of the respective input material met the following:

	<u>Level 1</u> <u>Progress Level 2</u>	<u>Progress</u> <u>Level 3</u>	<u>Progress</u> <u>Level 4</u>
	<u>Suppliers are committed to a recognised programme</u> <u>Minimum ESG performance</u> <u>achieved under a recognised</u> <u>programme</u>	IRMA 50, or equivalent	IRMA 75, or equivalent
a) Raw mined input material a) <u>Coal</u>	≥ 60% <u>≥ 60%</u> <u>≥ 80%</u>	<u>≥ 80%</u> <u>≥ 80%</u>	<u>≥ 80%</u> <u>≥ 80%</u>

	$\geq 80\%$		
b) Other Processed mined input materials (overall) (test phase)	$\geq 40\%$ $\geq 60\%$	$\geq 60\%$	$\geq 60\%$
c) Plantation wood (test phase) with FSC forest management and chain of custody certification, or equivalent	$\geq 90\%$ 100%		

For levels 2 to 4, which constitute 'CoC Input Material':

~~3.4.2.3.4.5.~~ There is at least one specified member of staff that is responsible for the site's implementation of Chain of Custody requirements, as defined below.

~~3.4.3.3.4.6.~~ Direct suppliers of input materials are required to contribute to an unbroken upstream Chain of Custody as follows:

- a) Direct suppliers record shipments they receive, or specified shares thereof, as "CoC Input Material" where documentation provided by their own suppliers confirms that the input material comes from a supply chain with an unbroken Chain of Custody;
- b) The following information is recorded by direct suppliers for any shipment of "CoC Input Material" they receive:
 - Supplier that delivered the input material;
 - Date shipment was received;
 - Types, forms and tonnes of received "CoC Input Material";
 - ESG performance levels achieved by the sites of origin and upstream processing and the names of the recognised programmes they participate in.
- c) Direct suppliers retain documentation they receive from their own suppliers confirming the status and tonnes of received "CoC Input Material" for at least 5 years;
- d) Direct suppliers ensure that they only sell as many tonnes of "CoC Input Material" as they have received from their own suppliers;
- e) Direct suppliers provide documentation to the site that identifies shipments, or relevant shares thereof, as "CoC Input Material" as follows:
 - Date shipment was dispatched;
 - Types, forms and tonnes of shipped "CoC Input Material";
 - ESG performance levels achieved by the sites of origin and upstream processing and the names of the recognised programmes they participate in.
- f) Direct suppliers require from their own suppliers that they contribute to an intact Chain of Custody as outlined in a) to e) above.

~~3.4.4.3.4.7.~~ The site records received shipments of "CoC Input Material", or relevant shares thereof, as follows:

- a) Date shipment was received;

- b) Types, forms and tonnes of received [‘CoC Input Material’](#);
- c) ESG performance levels achieved by the sites of origin and upstream processing and the names of the recognised programmes they participate in.

[3.4.5-3.4.8.](#) Documentation provided by direct suppliers on [‘CoC Input Material’](#) and on the received tonnes thereof is retained for at least 5 years by the site.

[3.4.6-3.4.9.](#) Where input materials are purchased for a portfolio of sites:

- a) The portfolio of sites is clearly defined, including names and locations of the individual sites;
- b) The received tonnes of ‘CoC Input Material’ and the total tonnes of received input materials have been calculated for the portfolio of sites for the last calendar or financial year;
- c) The received tonnes of ‘CoC Input Material’ and the total tonnes of received input materials have been calculated for the site seeking [‘Certified Steel’ ResponsibleSteel](#) certification based on its share of the total tonnes of input materials received by the portfolio of sites;
- d) The share of ‘CoC Input Material’ calculated for the site seeking [‘Certified Steel’ ResponsibleSteel](#) certification meets at least the percentages provided in 3.4.1;
- e) Evidence to verify that the percentages provided in 3.4.1. have been met and how the calculations have been done are kept for at least 5 years.

[3.4.7-3.4.10.](#) Once certified and if the site sells any of its steel as [‘Certified Steel’ ResponsibleSteel certified](#), a documented procedure is being implemented to capture how much of the produced or processed steel was sold as certified (in tonnes), to which customers and in which forms in the last calendar or financial year.

[3.4.8-3.4.11.](#) Where steel products are imported to the site from other steel sites, a documented procedure is implemented to ensure that:

- a) The imported steel products are sold as [‘Certified Steel’ ResponsibleSteel certified](#) only if they are from sites that have themselves achieved [progress level certification](#) ~~‘Certified Steel’ status~~; or
- b) The imported steel products are kept physically separate from the site’s own steel products and, after processing or finishing, are not sold as [ResponsibleSteel certified](#) ~~‘Certified Steel’~~ if they are imported from sites that have not themselves achieved ~~‘Certified Steel’ status~~ [progress level certification](#).

Consultation Question:

[3.4.3.](#) asks that suppliers have started a third-party audit under a recognised programme three years after the launch of ResponsibleSteel’s responsible sourcing requirements. Assuming that the requirements will be launched in mid-2024, this will be mid-2027. If a steel site enters the ResponsibleSteel programme in early 2027 it will only have a few months’ time until this requirement has to be met. Would it be more appropriate to require one of the following?

- [1. That suppliers have started their third-party audit by the time of the steel site’s first surveillance audit. This would be about 1.5 years after initial certification to the responsible sourcing requirements, or](#)
- [2. That suppliers have started their third-party audit by the time of the steel site’s re-certification audit. This would be 3 years after initial certification to the responsible sourcing requirements. At the surveillance audit there would have to be a review of progress made to date.](#)

Mandatory Guidance:

Campaign: Ways to campaign for recognised programmes are, for example, steel site letters to suppliers, joint letters with other ResponsibleSteel members, the inclusion of a commitment to a recognised programme in a supplier code of conduct or in terms and conditions, offering rewards to suppliers that participate in a recognised programme, communication on the steel site's website, in its sustainability report, on social media, etc. The expectation is that the steel site uses different measures and channels to reach out to suppliers and does so over a period of time. A one-off exercise will not be considered sufficient.

Minimum ESG performance: See the ResponsibleSteel website for the [required minimum ESG performance](#) to be achieved under recognised programmes.

Recognised input material programme: See the ResponsibleSteel website for [information on recognition](#) of other programmes and for an up to date list of programmes that are currently recognised. Note that ResponsibleSteel considers its own programme to be a 'recognised programme' where a supplier to a steel site is a producer of pre-processed input materials, such as DRI, HBI or pig iron, or where a steel plant supplies another steel plant. Where a site is a steel processing site that receives, for example, slabs, billets or blooms as input materials, the crude steel production sites that it sources from must be ['Certified Steel' certified](#) [have achieved progress level certification](#) for the steel processing site to demonstrate achievement of the responsible sourcing requirements.

'CoC Input Material': Input material from different suppliers can be blended and mixed throughout the upstream supply chain, but the share of input material from sites of origin and upstream processing that participate in a recognised input material programme is recorded at each supply chain stage and related information and documentation is transferred to the next stage in the chain. 'Participate' means that sites of origin and upstream processing [have achieved at least the minimum ESG performance under that programme](#). Suppliers may sell this share as 'CoC Input Material'.

See the mandatory Annex 3 of the Standard for a list of input materials that are covered and not covered by the responsible sourcing requirements, or that are excluded for ['Certified Steel' progress level](#) certification.

Share of 'CoC Input Material': This is calculated using the following simple formula. The result is expressed in percent:

[Total tonnes of 'CoC Input Material' x 100](#)

Total tonnes of input material

Accounts for at least: The tables in 3.4.31. and 3.4.4. [have](#) to be read as follows:

- To achieve ['Certified Steel' progress Level 1' status](#), the [respective steel](#) site has to meet all the percentages shown in the ['progress Level 1' column](#). To achieve [progress Level 2](#), all the percentages of the [progress Level 2 column](#) have to be met, and so on;
- ~~If iron, coal or any other input material covered by the responsible sourcing requirements is used in processed form at the site that applies for 'Certified Steel', the respective requirement applies to the main input materials used by the supplier of the processed material. See Annex 3 for examples of 'processed form' and examples of the main input materials used in processing;~~
- ~~For the line 'other input materials (overall)': The received tonnes of 'other input materials' (see Annex 3) are summed up. The sum of the 'other input materials' used at the site provides the basis for meeting the percentages of the respective levels. To give an example: For Level 1, the suppliers of 40% of the 'other input materials' used at the site must be committed to a recognised input material programme. To achieve Level 2 to 4, 60% of the 'other input materials' used at the site must come from suppliers that have achieved the required ESG performance under a recognised programme;~~
- [The overall progress level achieved by the site will be the lowest that is achieved for any material category. A steel site is awarded 'Certified Steel' certification to the lowest of its achieved Levels.](#) To give an example: If the

site achieves [progress level 2](#) for some requirements and [progress level 1](#) for others, it will be certified to [progress level 1 overall](#).

Progress level 2: The required ESG performance level is different for each recognised input material programme because they all use different scales of performance and because they are not equivalent.

Progress levels 3 and 4: These [progress](#) levels serve to reward steel companies and suppliers that commit to and are implementing recognised input material programmes that are considered to be 'best-in-class' in their sector in the views of stakeholders. They are frontrunners in terms of the depth and breadth of their standard, the quality of their assurance and oversight mechanisms, the inclusivity of their governance structure, and the transparency about their processes, operations and participants. See the ResponsibleSteel website for more [information on recognised programmes](#) for more information on recognised programmes.

FSC forest management and chain of custody certification, or equivalent ~~(test phase)~~: See the mandatory guidance to Criterion 3.2.

Input materials purchased for a portfolio of sites: Only those sites in the portfolio that [achieve-meet the requirements for 'core' site certification and achieve at least progress level 1 for both materials sourcing and decarbonisation \(Principle 10\)](#) ~~'Certified Steel' certification~~ can [market or](#) sell [their](#) steel [products, co-products or by-products](#) as [ResponsibleSteel](#) certified and make claims in that regard.

Sells any of its ~~products steel as~~ [ResponsibleSteel certified products](#) ~~'Certified Steel'~~: Sites that have achieved [at least progress level 1 for both decarbonisation \(Principle 10\) and materials sourcing](#) ~~'Certified Steel' certification~~ can label all their outgoing steel products as [ResponsibleSteel](#) certified. ~~However~~[In order](#), to provide transparency on the extent that input material comes from responsible suppliers, key information has to be published on the ResponsibleSteel website. See Criterion 3.5 for more information. In addition, recording how much steel was sold as [ResponsibleSteel](#) certified will enable a downstream Chain of Custody to be established between steel sites and sites of end users such as car makers or construction companies. Downstream Chain of Custody requirements will be ~~finalised~~[developed](#) in due course.

Steel products imported to the site: If imported steel products are re-melted as part of a steel making process, they are treated as any other input material and the requirements of Criteria 3.1 to 3.5 apply.

Guidance:

Supply chain with an unbroken Chain of Custody: Where sites of origin or processing do not participate in a recognised input material programme or do not meet the required minimum ESG performance under that programme, the Chain of Custody is broken and suppliers cannot sell the respective input material as 'CoC Input Material'. The Chain of Custody is also broken if suppliers do not record 'CoC Input Material' or do not transfer related information to their customers.

Upstream Chain of Custody: Starts with the site of origin and ends with the respective steel site. In contrast to upstream Chain of Custody, 'downstream Chain of Custody' starts with the respective steel site and ends with the final user of the steel product, such as the site of a car maker or construction company. The details of downstream Chain of Custody will be worked out in due course.

Require direct suppliers to contribute to an unbroken upstream Chain of Custody: For example, clauses in supplier contracts or in terms and conditions, or other mechanisms that direct suppliers are required to adhere to. The mechanism must cover points a) to f) to meet the full requirement.

Forms of input material: For example, ingots, pellets, sinter, slabs.

Evidence to verify: For example, delivery notes, invoices, shipping bills, bills of lading, certificates of origin, customs clearances or other documentation confirming that the shipment or specified parts thereof contains 'CoC Input Material' and showing the shipped tonnes of 'CoC Input Material'. Also, audit reports or other publications from one of the recognised input material programmes (which may be available from the programme's website) confirming the audit results of the suppliers, or Chain of Custody certificates from other programmes such as ASI, FSC or IRMA.

Criterion 3.5: Report publicly on responsible sourcing

Key information [and developments](#) regarding responsible sourcing is regularly reported to ResponsibleSteel for publication on its website.

- 3.5.1. The following information is regularly reported for publication on the ResponsibleSteel website:
- The site's responsible sourcing policy;
 - Description of how the responsible sourcing policy is incorporated in key purchasing functions and processes;
 - A summary of the site's strategy to ~~help strengthen~~[avoid and reduce](#) ESG ~~performance risks and impacts~~ in upstream input material supply chains, including any time-bound targets;
 - A summary of the progress made in implementing the strategy and reaching defined targets;
 - The criteria used to prioritise ESG risks [and impacts](#) found at [direct and indirect](#) suppliers [and in regions of origin and processing](#);
 - A description of the site's [grievance mechanism](#) (~~as required by 8.2.1 for 'Certified Site' in the existing Standard see 8.2.1 and now became 8.2.1 in this document~~);
- 3.5.2. The following site-specific information is regularly reported for publication on the ResponsibleSteel website. The information is reported separately for [individual raw and processed mined](#) input materials ~~based on iron, coal, plantation wood and waste materials (other than scrap), and collectively for other input materials~~. Where sourcing is done for a portfolio of sites, the information is reported for the same portfolio that has been specified in 3.4.~~96~~.:
- Percentage of [raw and processed mined](#) input material sourced for the site:
 - [that is from supply chains where the regions of origin and upstream processing are known](#);
 - that is from supply chains where the sites of origin and upstream processing are known;
 - [that is from regions of origin or upstream processing with high, medium and low risk or impact](#);
 - that ~~originates is~~ from [sites of origin or upstream processing with](#) high, medium and low risk [or impact sites of origin](#);
 - ~~that is from high, medium and low risk upstream processing sites~~;
 - [Description of the high and medium ESG risks and impacts that have been identified for regions of origin and upstream processing](#);
 - ~~b)c)~~ [Description of the high and medium ESG risks \[and impacts\]\(#\) that have been identified at sites of origin and upstream processing](#);
 - ~~e)d)~~ [Description of key measures taken to \[promote avoid and reduce good\]\(#\) ESG ~~practices risks and impacts~~ in upstream supply chains ~~and to help reduce ESG risks~~, and the outcomes of those measures](#);
 - e) For [progress](#) level 1:
 - [Description of the site's time-bound milestones of its campaign to increase supplier participation in a recognised programme and progress against the milestones](#);
 - [Key measures taken to avoid and reduce ESG risks and impacts in upstream supply chains, and the outcomes of those measures](#);

f) For progress levels 2, 3 and 4:

d)g) Percentage of raw and processed mined input material sourced for the site that is from supply chains where the sites of origin and upstream processing have started a third-party audit under ~~are committed to~~ a recognised input material programme;

e)h) ~~For levels 2, 3 and 4:~~ Percentage of raw and processed mined input material sourced for the site that is from supply chains where the sites of origin and upstream processing have achieved the required ESG performance.

Mandatory guidance:

ResponsibleSteel provides an audit report template that has to be used to submit the information required in 3.5 to ResponsibleSteel for publication on its website.

Reported for the same portfolio: The names and locations of the individual sites of the portfolio must be provided in the audit report and will be disclosed on the ResponsibleSteel website.

Guidance:

Grievance mechanism: As specified in requirement 8.2.1, required by 6.2.1. in the existing ResponsibleSteel Standard (now became 8.2.1 in this document), the grievance mechanism must be effective. The UN Guiding Principles on Business and Human Rights provide eight effectiveness criteria for grievance mechanisms that steel companies should meet:

1. Legitimate
2. Accessible
3. Predictable
4. Equitable
5. Transparent
6. Rights-compatible
7. A source of continuous learning
8. Based on engagement and dialogue

High, medium, low risks: See the guidance to Criterion 3.3 for a definition of high, medium and low risk and also the information provided in Annex 4.

Key measures taken: See the guidance to 3.3.94.e) on what these key measures might be.

Annex 3 (mandatory): Input materials covered, not covered and excluded

1. Input materials covered:

The list below shows the [mined and quarried](#) input materials that are covered by the responsible sourcing requirements. The list is based on the report 'Responsible Sourcing and Due Diligence for the Worldsteel Membership', which identifies the most material inputs to the steel industry overall. We added 'lead' and 'oils' to align the below list with the list of input materials covered by the GHG requirements. We also added 'agricultural residues', ~~and~~ 'waste materials' (other than scrap) [and wood from plantations](#) as steel makers are searching for alternatives to coal-based input materials to support decarbonisation. The ~~list covered input materials are~~ [is](#) thought to account for 80 to 90% of ~~the all input~~ materials used in iron and steel production, processing and finishing.

[The responsible sourcing requirements differentiate between raw and processed mined input material:](#)

Raw mined input material: [Input material that has not undergone chemical transformation. For example, iron ore, coal, limestone. Raw input material has not been heated or smelted, but might have been crushed, grinded or pressed.](#)

Processed mined input material: [Input material that has been chemically transformed. For example, pig iron, ferro-manganese or ferro-chromium.](#)

Note: [It might depend on the used technology whether an input material counts as raw or processed. For example, if pellets are produced by cooking iron ore fines, they will be regarded as 'processed' because the cooking results in chemical transformation. Where the pellets are produced using binders, there is no chemical transformation and the pellets would be considered to be raw.](#)

The input materials are usually listed [below](#) in their raw, unprocessed form. If the steel site that aims to achieve 'Certified Steel' [progress level](#) certification uses these materials in raw or processed form, the responsible sourcing requirements must be applied to them. For example:

- Raw iron ore and its processed forms such as pellets, sinter, pig iron, DRI and HBI are all covered by the responsible sourcing requirements
- Likewise, any form of coal, such as anthracite, coking coal or pulverised coal, is part of the responsible sourcing requirements
- Nickel metal, nickel oxide sinter, nickel pig iron are covered as they are based on nickel
- Wood from plantations and its product 'charcoal' are covered too.
- If iron, coal or any other input material covered by the responsible sourcing requirements is used in processed form at the site that applies for [progress level certification](#) 'Certified Steel', the respective requirement applies to the main input materials used by the supplier of the processed material. For example:
 - Where a site uses pig iron, the main input materials used by the supplier will be iron ore and coal, charcoal, hydrogen or natural gas, plus limestone. Note that hydrogen and natural gas are currently not covered by the responsible sourcing requirements, so none of the requirements apply to hydrogen and natural gas. They do apply to the other key input materials though.
 - For nickel pig iron, the main input materials are nickel ore, coal and a mixture of sand and gravel. While sand and gravel are not covered by the requirements, nickel and coal are covered and the requirements therefore apply;

- Where a site is a steel processing site that receives, for example, slabs, billets or blooms as input materials, the crude steel production sites that it sources from must ~~be have progress level certification~~ [‘Certified Steel’ certified](#) for the steel processing site to demonstrate achievement of the responsible sourcing requirements;
- ~~Note that producers of pre-processed input materials, such as DRI, HBI or pig iron, cannot themselves become achieve progress level certification~~ [‘Certified Steel’ certified](#). However, the responsible sourcing requirements apply to them.

Mined and quarried input materials:

- ~~Iron~~

- ~~Coal~~

- ~~Other mined or quarried input materials:~~

- Bauxite
- Boron
- Calcium
- Chromium
- [Coal](#)
- Cobalt
- Dolomite
- [Graphite](#)
- [Iron](#)
- Lead
- Limestone
- Magnesium
- Manganese
- Molybdenum
- Nickel
- Niobium
- Oil (heavy as well as light)
- Phosphorous
- Silicon
- Tin
- Titanium
- Tungsten
- Vanadium
- Zinc

Pre-consumer and post-consumer scrap: Pre-consumer scrap is also referred to as manufacturing or new scrap. Post-consumer is also referred to as end-of-life or old scrap.

Agricultural residues: For example, sugar cane bagasse, wheat straw, corn stover, barley straw, coconut shells.

Waste materials: For example, reclaimed wood, post-consumer plastics, tyres.

Wood from plantations: Only wood and wood-derived products from plantations may be used by steel sites [seeking ‘Certified Steel’ that wish to market or sell their products as ResponsibleSteel certified certification](#). Wood from forests is excluded (see also below). For [Level 1](#), 90% of wood-based input material must be from FSC certified plantations that are covered by an FSC

chain of custody certificate. Only sawdust generated as a by-product, and wood pellets made from such sawdust, may be a mix of plantation- and forest-derived sawdust as it is not feasible to keep sawdust from different sources separate.

2. Input materials not covered:

The below input materials are not covered by the responsible sourcing requirements. This means that they can be used at steel sites, but there are currently no ESG expectations attached to them:

- **Home scrap:** Scrap from a downstream steel production process within the steelworks (e.g. rolling, coating) that is returned to steel making processes (e.g. BOF or EAF)
- **Internal scrap:** Scrap from a crude steel making unit that is then recycled within the same unit process (e.g. basic oxygen furnace (BOF) or electric arc furnace (EAF) (adapted from ISO 20915:2018(E) Life cycle inventory calculation methodology for steel products)
- **Hydrogen**
- **Natural gas**
- **Paints**

Input materials that are not listed as 'covered' or 'excluded' are considered to fall into the 'not covered' category.

3. Input materials that are excluded ~~(test phase)~~:

The following input materials are excluded. This means that they may not be used by steel sites seeking '[Certified Steel](#)' [progress level](#) certification:

- **Energy crops.** For example, maize, miscanthus (elephant grass) or short rotation coppice like poplar and willow
- **Wood from forests**
- **'Controlled Wood'**, meaning wood and wood-based products labelled as 'FSC MIX'.

Stakeholder views on whether these materials should be covered by the responsible sourcing requirements differ widely. Some fear that ResponsibleSteel could drive demand for energy crops if they were covered by the responsible sourcing requirements. Given that energy crops rely on arable land that is limited in quantity, this could prompt complex issues like land use change and food insecurity. Stakeholders also debate what is the better use of input materials like forest wood, in longer-lasting higher value products (e.g. construction or furniture) or as a bioenergy in industrial production processes. Others consider that where such sources are covered by recognised ESG certification programmes, this ensures responsible sourcing, and indeed that ResponsibleSteel should encourage the expansion of such certification to support the sustainable management of forests and also short rotation woody biomass.

Paris-aligned climate scenarios typically indicate that biological input materials will play a rather marginal role in the steel industry's decarbonisation due to the limits on the availability of sustainably sourced materials of biological origin. In the International Energy Agency's [Sustainable Development Scenario](#), for example, the share of bioenergy in the sector's total energy input mix increases from less than 1% to 5% in 2050. The modelling developed for the Mission Possible Partnership's [Net Zero Steel Sector Transition Strategy](#) indicates in all scenarios that the steel sector would peak its use of bioresources in 2030 at less than 2% of the estimated truly sustainable bioresources available, and thereafter decline. By excluding the two categories listed, that are subject to particular stakeholder concern, but including agricultural residues and wood from FSC certified plantations, the ResponsibleSteel-Standard avoids the risk of contributing to the issues outlined above whilst allowing for sufficient opportunity to source biological inputs responsibly.

The ResponsibleSteel Standard will be reviewed at least every five years and the list of input materials that are covered, not covered and excluded may change following these reviews.

Annex 4 (informative): Sources to understand supplier ESG performance

Here, we provide some examples for site-, company, country- and material-level sources that might help steel companies understand their suppliers' ESG performance.

Site-level information on ESG performance:

The standards of the input material programmes that ResponsibleSteel initially intends to recognise (see below for specifics) cover all ESG topics one would commonly consider when analysing and assessing ESG risks associated with specific sites of a supplier. Steel companies are asked to promote these programmes to their suppliers. Application of their standards will help steel companies understand suppliers' current ESG performance and, where the standards are applied in third-party audits under the recognised programmes, they will also help meet the requirements of Criterion 3.4. Currently, the standards of the input material programmes that ResponsibleSteel intends to recognise are:

- [Bettercoal Code](#). Where a mine (called Bettercoal Supplier) 'Misses' a certain category of the Bettercoal Code, this should be considered a high risk;
- [IRMA Standard for Responsible Mining](#). Where a mine 'Does not meet' a certain chapter of the IRMA Standard or any of its [40 critical requirements](#), this should be considered a high risk;
- [The 9 TSM Protocols and the TSM Voluntary Responsible Sourcing Supplement](#). Where a mine or a processing site comes out as 'Level C' in any criterion of the TSM Protocols or where 'No' is the response to any criteria that ask for a Yes/No judgement, this should be considered a high risk;

In cases where the supplier to a steel site is another steel site or is a stand-alone coking, sintering, pelletisation, HBI, DRI or pig iron production plant, having ResponsibleSteel 'Certified Site' status can serve as an indication of low ESG risk of that particular supplier since the certificate is only awarded if there are no major non-conformities with the ResponsibleSteel Standard. Issued site-level certificates are listed on the ResponsibleSteel website under '[Issued certificates](#)'.

The results of third-party audits against various [ISO standards](#) can give useful pointers to ESG risks if suppliers share the audit reports with the steel companies. Examples are:

- ISO 14001 for environmental management;
- ISO 45001 for health and safety;
- ISO 50001 for energy management.

Where the audits resulted in major non-conformities, these should be considered high risk.

It should be noted that none of these ISO standards consider social issues in a comprehensive manner. For social issues, third-party audits of the following nature can be valuable:

- on the basis of the ISO 26000 guidance on social responsibility
- against SA8000.

Other tools that may be used to understand the ESG performance of a specific site of a supplier are:

- the Sedex Supplier Risk Assessment Tool called [Radar](#);
- the business sustainability ratings offered by Ecovadis.

Both cater for site and company-level assessments. Radar can be used as a self-assessment tool or can be used by companies to assess their suppliers, meaning it is a second-party assessment. The Ecovadis rating criteria are established by Ecovadis and it is also Ecovadis that carries out the desk-top based assessments.

Company-level information on ESG performance:

There are a range of tools that might be used to understand ESG performance at company-level, where site-level information cannot be obtained:

- [Assent Supply Chain Sustainability Platform](#);
- [Ecovadis](#);
- [ELEVATE Responsible Sourcing Assessment](#) (ERSA), developed and applied by ELEVATE with a focus on social issues;
- [London Metals Exchange \(LME\) passport system for brands that are traded on the LME](#)
- [Risk Readiness Assessment](#) (RRA) by the Responsible Minerals Initiative, an entry-level self-assessment tool;
- Sedex Supplier Risk Assessment Tool ([Radar](#)).

It should be noted that the 'auditable mechanism' described under Criterion 3.2 may be helpful with Criterion 3.3 as well: Where suppliers are not willing to share information on the ESG performance of their own suppliers or of individual sites of their suppliers, they might be willing to share information in anonymised form with the steel site. The information will enable a dialogue to be started with suppliers on how ESG issues identified in their supply chains may be addressed. The information provided by suppliers would have to be verified for a sample of suppliers using the 'auditable mechanism' as described in Criterion 3.2. The tools listed above provide examples of the types of evidence that ResponsibleSteel auditors would look for.

In case the ResponsibleSteel auditors come across any inconsistencies in the suppliers' information, they will inform the steel site of the nature of the inconsistencies so the site can act on this, all the while adhering to the clauses of the NDA.

Input material and country-level ESG risks:

The below tools might help identify and classify ESG risks associated with individual materials, supply chain stages and specific countries where the materials are extracted or processed:

- [ESG Materials Score](#) by Levin Sources;
- [Material Insights by TDi Sustainability and the Responsible Minerals Initiative](#);
- [Raw Material Outlook](#) by Drive Sustainability;
- Country Profiles from [Delve](#) provide a summary analysis of the artisanal and small-scale mining sector for a specific country;
- The [CSR Risk Check](#) by MVO Nederland helps identify industry and country-level risks. It also provides possible risk management measures;
- The European Commission Directorate General for Trade (DG TRADE) has contracted RAND Europe to develop an indicative, non-exhaustive list of conflict-affected and high-risk areas ([CAHRAS](#));
- Note that the OECD has issued sector-specific guidance together with the FAO that might be useful for risk management in agricultural supply chains: [OECD-FAO Guidance for Responsible Agricultural Supply Chains](#) (2016).

If none of the tools listed above are used by a steel company or where a certain country is not covered by them, the approach described in Annex 5 may be applied. It uses a combination of indices to understand how a specific country might be associated with ESG risks and the results indicate how complex the context of a supplier might be. The used indices are:

- CPI = [Corruption Perceptions Index](#)
- EPI = [Environmental Performance Index](#)
- HFI = [Human Freedom Index](#)
- WGI = [World Governance Index](#)

If a supplier or a specific site of a supplier that provides input material to the steel site is based in a conflict-affected and high risk area (CAHRA, see also the guidance above) and the steel company cannot obtain information on the supplier's ESG performance, the supplier and their sites should be considered high risk.

Steel companies might use other tools not listed in this guidance to understand ESG performance of suppliers and their individual sites, of materials and countries. The tools should have the following characteristics:

- Cover human and workers' rights, degradation of the environment, impact on corruption and conflict;
- Draw on legitimate risk evaluation indices and sources;
- Have been developed with input from different external stakeholders;
- Results are independently verified;
- Are maintained and kept up to date.

Classifying high, medium and low risk

Below, we propose a risk assessment matrix that can be used to classify the level of risk by plotting the likelihood of the risk becoming a reality against the severity of the consequence of this.

The likelihood can be:

- Definite: Almost certain, meaning over 80% chance, to occur in relation to the direct or indirect supplier or their site, or in relation to the material or the country in question
- Likely: 60 – 80% chance of occurrence
- Occasional: 30 to 60% chance of occurrence
- Seldom: 10 - 30% chance of occurrence
- Unlikely: Less than 10% chance of occurrence.

The severity of the consequence can be:

- Catastrophic
- Critical
- Moderate
- Marginal
- Insignificant

Severity is usually judged by looking at three factors:

- Scale: How grave would the impact be if the risks became a reality?
- Scope: How many people would be affected?
- Remediability: How difficult would it be to restore the situation to the state it was in before the impact occurred?

Risk assessment matrix:

Likelihood	Definite	High	High	High	High	High
	Likely	Medium	High	High	High	High
	Occasional	Medium	Medium	Medium	High	High
	Seldom	Low	Low	Medium	Medium	High
	Unlikely	Low	Low	Low	Medium	Medium
		Insignificant	Marginal	Moderate	Critical	Catastrophic
		Severity				

The way the risk matrix is applied should align with the [United Nations Guiding Principles on Business and Human Rights](#), which means the following: Where prioritisation of risks is necessary because there are too many to address them all at once, companies should first seek to avoid and reduce those risks that may be the most severe from the perspective of affected stakeholders. This means that risks that are low-likelihood and high-severity have to be prioritised, just like risks that are high-likelihood and low-severity. The severity of the (likely) impact should drive the company's approach to risk management. In looking at risk, companies should also focus on the (likely) impact on the affected stakeholders rather than on the (likely) impact on business. This is distinct from traditional business risk prioritisation.

See Criterion 3.3 for examples of ESG risks that should always be prioritised.