Guidance and Annexes

Version 1.4
About this document

This document contains all non-mandatory/informative Guidance and Annexes to Version 2.1 of the ResponsibleSteel Standard that was approved in May 2024. The Mandatory guidance and Annexes can be found in the ResponsibleSteel Standard V2.1 itself.

Note that ResponsibleSteel also maintains a binding ‘Glossary’ that defines key terms and concepts of the Standard’s requirements. The Glossary must be used by sites and auditors to ensure everybody has the same understanding of important terms and concepts.

In case of questions, please write to assurance@responsiblesteel.org.
# Version history

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Principle 1. Corporate Leadership

Criterion 1.1: Corporate values and commitments
The site’s corporate owners have defined and documented the values and policies for responsible business conduct to which they are committed.

Guidance:
Note that terms with dashed underlines are explained in the stand-alone mandatory Glossary or in the Standard’s Guidance, which might be mandatory (meaning it has to be followed) or might be voluntary.

Overarching policies, procedures, codes of conduct, etc. may be set at the corporate owner or ‘group’ level, rather than separately by the individual sites seeking certification. In such cases, auditors will evaluate whether the policy, procedure, code of conduct, etc. is accessible, known, understood and effectively implemented at the site level. Sites must be able to demonstrate to their auditors that this is the case, but are not required to develop their own policies at the site level.

A Policy is a “Formal statement of intentions and direction of an organisation as formally expressed by its top management. A policy may be an integrated policy or consist of various stand-alone policies.” (see the ResponsibleSteel Glossary on https://www.responsiblesteel.org/certification/certification-resources/).
Alternatively, a policy statement may be part of another formally approved document, such as a code of conduct or internal standard, if that formally approved document meets the ResponsibleSteel requirements.

Publication of commitments in a company’s annual report or in a ‘corporate social responsibility’ report would be evidence of implementation of 1.1.1.

The ETI (Ethical Trading Initiative) Base Code, ISO 26000 - Social responsibility, or the Caux Moral Capitalism Principles are examples of frameworks that might help sites define or review their code of conduct.

ISO 20400: (2017) Sustainable procurement – Guidance might help with the implementation of sustainable procurement practices.

Criterion 1.2: Leadership and accountability
The site’s directors and senior managers are responsible for ensuring that the values, policies and commitments defined by the corporate owners are implemented at their site.

Guidance:
Note that members of senior management that are responsible for implementing the values, policies and commitments might be based at the corporate owner or at other parts of the company, they do not have to be based at the site seeking certification.

Linking senior management compensation to effective implementation of the values, policies and commitments is one way of strengthening accountability and considered good practice.

Board of directors or an equivalent oversight body: Where senior management is the site’s highest level of authority, the reporting and oversight requirements of 1.2 are satisfied at senior management level.
Principle 2. Environmental, Social and Governance Management Systems

**Criterion 2.1: Management system**
The site is operated in accordance with a documented management system that incorporates all applicable ESG requirements of the ResponsibleSteel Standard.

**Guidance:**
Requirements not applicable to the site seeking certification do not have to be considered further. This might apply, for example, in the case of Principle 4 if no site decommissioning or closure has been announced. The basis for the site's determination that certain Requirements are not applicable to its site will be reviewed and verified by the auditors during the assessment of the site against the ResponsibleSteel Standard.

The site’s management systems may be integrated to form a single overarching management system or may consist of various stand-alone management systems. Examples for recognised international management system standards that the site may use to manage its social and governance aspects and risks include ISO 9001, ISO 37001, ISO 45001 (replacing OHSAS 18001), ISO 50001, and SA8000.

Sites must take account of the concerns of stakeholders when identifying social, environmental and governance risks and impacts, and in defining prevention and mitigation measures.

Management system provisions: Note that these provisions do not necessarily have to be developed specifically for the purpose of compliance with the ResponsibleSteel Standard. Existing systems, processes and other relevant certifications may contribute to achieving ResponsibleSteel compliance.

Examples of key performance indicators for social, environmental and governance risk and impact areas are:

- Risk of corruption: Number of employees with anti-corruption training
- Risk of community grievances due to air emissions: Number and outcomes of community meetings, progress against air emissions reduction plan.

Since each site is different from other sites regarding its risks and impacts, the key performance indicators should be tailored to the respective site.

Competent Third Party: It is not required that the third party bodies issuing the ISO14001 certificate must be accredited by an accreditation body that is ISO 17021-accredited by an IAF (International Accreditation Forum) member. ResponsibleSteel encourages sites to describe the basis on which the third-party body issuing the ISO 14001 certificate has been determined to be competent for this purpose when demonstrating compliance with Requirement 2.1.3.

**Criterion 2.2: Responsible sourcing**
There are effective procedures in place to ensure that the site has implemented its corporate owner’s responsible sourcing commitments in its own procurement processes.

**Guidance:**
The Requirements recognise that the responsible sourcing policy and procedures may be implemented at corporate or group level or by another department that may operate from an off-site location. The fundamental Requirement is that the procedures must apply to the site’s procurement, must be effective, and can be audited as such.
Where tier 1 suppliers do not have their own policy on responsible conduct or responsible sourcing, this would be recorded. This would not of itself be a non-compliance for the site. However, the absence of a responsible sourcing policy by a tier 1 supplier does not support the implementation of the corporate commitment required under 1.1.1.e, so the auditor would expect to see action being taken over time to discontinue sourcing from such suppliers.

Note that additional Requirements in relation to the site’s responsible sourcing are specified in Principle 3 of the Standard. Achieving these additional Requirements will allow steelmaking sites to make claims about their progress level in relation to the responsible sourcing of input materials, and about the steel produced at their site. ResponsibleSteel anticipates that downstream customers, civil society, financial institutions and other stakeholders will increasingly demand that steel companies achieve these higher levels of performance.

**Criterion 2.3: Legal compliance and signatory obligations**
The site has effective procedures in place to ensure that it complies with applicable law and operates consistently with formal agreements that it has in place.

No further guidance

**Criterion 2.4: Anti-corruption and transparency**
The site has effective procedures in place to combat corruption.

**Guidance:**
**In-kind gifts:** These should include major charitable donations, sponsorships, community payments, and significant hospitality expenses offered in commercial circumstances.

**High corruption risk:** A country with a score below 50 on the most recent Transparency International Corruption Perceptions Index is considered to have a high corruption risk.

**Indirect contributions:** For example, contributions made by a trade association that the site is a member of.

Sites may find ISO 37001 – Anti-bribery management systems useful for this Criterion.

**Total monetary value received:** It is acceptable to report the total amount received within reasonable ranges, e.g. USD 1,000 to 10,000; USD 10,000 to 100,000; etc.

**Criterion 2.5: Competence and awareness**
Workers are competent and aware of their roles and responsibilities as specified within the site’s management systems.

**Guidance:**
**Actions to acquire and maintain the necessary competence:** These can include, for example, provision of training, mentoring of workers, re-assignment of workers, hiring or contracting of competent persons. The actions must enable workers to understand and implement their roles and responsibilities as defined in the site’s management system, which will include the following specific elements as referenced in this Standard:

- Responsible sourcing policy and its requirements and procedures for implementation;
- Code of conduct and expected behaviour related to the code (see 1.1.1.b);
- Legal obligations and obligations resulting from social and environmental agreements that the site is a signatory to;
Principle 3. Responsible Sourcing of Input Materials

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

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

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: 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.

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.

**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* 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.

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**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.

**Guidance:**

**Primary and secondary data sources:** For example, 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:** 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:

- 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 chains 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 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 is seeking ResponsibleSteel 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 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 ESG risks and impacts of supply chains and promote improvement**

The ESG risks and impacts associated with upstream input material supply chains are understood and an effective strategy for improvement is being implemented.

**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 ESG 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 7.

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 7 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: 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 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.

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, 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 core site certification under the ResponsibleSteel programme. Sites must meet the requirements for ‘core’ site certification in addition any ‘Progress Level’ requirements, and so this grievance mechanism is sufficient for responsible sourcing purposes.

Promoted to direct and indirect suppliers: See the guidance 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.

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**Criterion 3.4: Strengthen and account for responsible sourcing**

Input material suppliers are urged to participate in a recognised programme to strengthen their ESG performance and to establish an accounting system to support chain of custody.

**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.

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**Criterion 3.5: Report publicly on responsible sourcing**

Key information and developments regarding responsible sourcing are regularly reported to ResponsibleSteel for publication on its website.

**Guidance:**

Grievance mechanism: As specified in requirement 8.2.1, 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 7.

**Key measures taken:** See the guidance to 3.3.4.e) on what these key measures might be.

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**Criterion 3.6: 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, where the commitment is incorporated in key purchasing functions and processes.

*Note: Criterion 3.6 is the same as Criterion 3.1 for ‘Certified Steel’, but no Chain of Custody commitment is required for scrap and 3.6.4.h is unique to scrap.*

**Guidance:**

**Report publicly:** See Criterion 3.10 to understand what kind of sourcing-related information is expected to be published through the ResponsibleSteel website.

**Regularly:** The following extract of the definition of “regularly” is taken from the mandatory ResponsibleSteel Glossary: Scheduled at planned, appropriate intervals. The determination of appropriate intervals depends on the matter at hand. The intervals must be frequent enough to detect change and must take account of risk. Annual might be a suitable frequency for some matters. Where changes can happen quickly or where risk is high, the intervals must be shorter.

When it comes to public reporting on responsible sourcing efforts, annual seems an appropriate frequency that is in line with other corporate reporting cycles and with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

**Suppliers are required to implement a code of conduct or similar instrument:**

This can either be a code of conduct or similar 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 3.6.4. The issues have been identified through analysis of commonalities in codes of conduct of ResponsibleSteel steel company members. Note the definition of ‘worker’ in the mandatory ResponsibleSteel Glossary.

**Human and labour rights:** Internationally recognised human and labour rights are laid out in the International Bill 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).

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
• 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.

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

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’ (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.

Criterion 3.7: Know your upstream scrap supply chain

The supply chains for scrap steel used at the site are increasingly known and key information on suppliers is recorded.

Guidance:

Criterion 3.7 is not seeking to establish traceability of scrap used in steel making. Instead, steel sites are expected to increasingly know the countries of origin of scrap to inform ESG risk assessment using geography as a proxy indication of the likelihood of good supply chain management.

Some steel companies have completed extensive mapping of their supply chains and already know a high percentage of their scrap and other input material sources and each stage in the chain. ResponsibleSteel is not making the development of fully traceable input materials a requirement, but will supports its development over time. It recognises there are currently barriers to this for the very distributed scrap supply chain.

Boundary of supply chain knowledge: Refers to the furthest step in the supply chain for which information can be obtained. Scrap trades and origins can be complex, with many sources, multiple consolidation points, scrap grading, shredding, processing, aggregation and mixing. As transport costs can be very significant for scrap, local and regional supplies are often preferred by steel companies. However, to secure sufficient supply and required quality, countries with significant scrap needs often import significant volumes, in particular from developed countries and regions such as the USA, EU and Japan. This can be through shortsea shipping routes, the train freight network and deep sea (longer, international) routes. Scrap shipments may change hands several times during transportation and may be consolidated, mixed and further processed in dockside facilities. Steel companies often employ scrap assessors to assess scrap quality in outbound and inbound ports. As the focus is on securing supply of the right quality at the right price, scrap origins and ESG management and performance information is not always linked to the available supply. The boundaries where scrap source information becomes unobtainable should be
documented together with the reasons for being unable to identify further back up the chain to the original source countries.

**Auditable mechanism:** In case input material suppliers are not willing to share the identity of their own suppliers or source countries with the steel site, they may be willing to cooperate through an ‘auditable mechanism’. For scrap, the mechanism will 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 scrap they know the countries of origin. This information allows the steel site to understand whether the percentages required by the table in 3.7.3 above are reached;
- However, for the steel site and ResponsibleSteel stakeholders to be confident that 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 or country of origin information with the steel site. To keep the effort for identity and origin 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 its direct scrap suppliers and the tonnes of scrap procured from each supplier in the most recent calendar or financial year;
- The ResponsibleSteel auditors select a sample of scrap suppliers in advance of the audit and ask them to provide evidence directly to the auditors on their scrap 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 the countries of origin, such as 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 scrap country of origin, 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 ResponsibleSteel certification, so there is a clear incentive to encourage input material suppliers to share the identities of their own suppliers and country of origin information with the steel site rather than draw on the ‘auditable mechanism’. See the guidance to 3.2 on how to encourage suppliers to share information.

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, while adhering to the clauses of the NDA.

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

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**Criterion 3.8: Understand supplier ESG performance and promote improvement**

The ESG performance of direct scrap suppliers and the risks related to the countries of scrap origin are increasingly understood and an effective strategy to help improve performance is being implemented.

Guidance:
Risk Assessment: An ongoing, proactive and reactive process through which steel company and site management assess their and their supply chains’ management practices and performance in respect of human and worker rights, degradation of the environment, impact on corruption and conflict.

To enable a common risk assessment approach to be applied, ResponsibleSteel has drawn on research it commissioned and leans on internationally recognised risk indices. Guidance is provided in Annex 9.

The information gathered under Criteria 3.7 and 3.8 will help to better understand to what extent:

- Third-party certifications exist in the scrap industry as indications of robust ESG management;
- Second and first-party assessments exist in the scrap industry as tools for managing ESG issues;
- ESG risks and impacts for people and nature are prevalent in scrap supply chains.

Where a ‘Principle for the Responsible Management of Scrap’ is out of scope of a third-party certification, second or first-party assessment, other ways to check fulfilment should be explored. For example, legal compliance registers, the results of financial audits, regulated activities, internal audit reports, publications and media reports (online and print).

The gathered information will also enable the ResponsibleSteel community to raise awareness for ESG issues within the scrap sector. This, in turn, will support efforts to initiate and support a project to create a comprehensive ESG standard, framework or similar tailored to the scrap sector that ResponsibleSteel can recognise.

The information collected and analysed for Criteria 3.7 and 3.8 is also thought to inform the development of the definite targets and requirements for Progress Levels 2, 3 and 4 in Criterion 3.9.

Initiatives and recognised input material programmes: Means initiatives focusing on advancing ESG performance in scrap supply chains. This includes, for example, working groups coordinated by recycling industry associations, multi-stakeholder initiatives, international standards development committees, government or NGO-led projects focused on specific regions or locations.

ResponsibleSteel is aware that, currently, there may not be any programmes that address the whole spectrum of ESG issues and anticipates that these will develop over time. Membership of ResponsibleSteel is a step towards this as it is working in support of multi-stakeholder initiatives that address ESG risks in the scrap supply chain on behalf of its members. However, membership of ResponsibleSteel alone is not sufficient evidence of involvement in relevant initiatives.

Further guidance on initiatives is contained in Annex 8

Criterion 3.9: Strengthen and account for responsible sourcing

Supplier performance is monitored and sourcing from suppliers who meet accepted ESG benchmarks increases over time.

Guidance:

The aim of Criterion 3.9 is to specify requirements that will provide assurance to steel companies, downstream users of steel and stakeholders in general that scrap supply chains are managed responsibly. The targets provided in the table are preliminary. The definite targets and additional underlying requirements to establish and demonstrate an unbroken Chain of Custody are to be developed in a collaborative process with the recycling industry and are intended to be added to the responsible sourcing requirements during future revisions of the ResponsibleSteel Standard. Please see Criterion 3.4 to understand what the aim of a Chain of Custody is and what requirements this might entail.

The information collected and analysed under Criteria 3.7 and 3.8 are thought to inform the development of the definite targets and requirements for Criterion 3.9.

When a direct supplier is a trader or broker, then the suggested targets would relate to the first physical site before supply to the steel producer.
**Principle 4. Decommissioning and closure**

**Criterion 4.1: Decommissioning and closure**
The site takes action to minimise short- and long-term social, economic and environmental implications of decommissioning and closure.

**Guidance:**

**Applicability of the requirements:** The requirements of this principle are applicable when the site is already certified and when the site has begun to develop the plan to decommission or close. This may be prior to the public announcement of decommissioning or closure.

**Future-use-plans:** Where local authorities determine how the land will be used, the future-use-plans might not be known to sites or they might not be able to influence them.

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**Minimum ESG performance achieved in third-party audit:** This is to be defined in a collaborative process with the recycling industry.

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**Criterion 3.10: Report publicly on responsible sourcing**

Key information regarding the responsible sourcing of scrap is regularly reported to ResponsibleSteel.

*Note the public reporting requirements in 3.5. There is considerable overlap with 3.10 and steel companies are not expected to report identical information twice.*

**Guidance:**

**Grievance mechanism:** As specified in requirement 8.2.1., 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 and Annex 9 on high, medium and low risk.

**Key measures taken:** See the guidance to 3.3.4.e) on what these key measures might be.

**Good practices:** See Annex 3 and the Principles for the Responsible Management of Scrap, which describe good practices. The list is not exhaustive though.
Facilities and infrastructure: This includes the facilities of the steelworks and, as applicable, roads, railways, dams, captive power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals.

Mitigation provisions: These may include access to education and training, early retirement possibilities for older workers, relocation and job search assistance.

Protect from risks: Risks include, for example, water damage, freezing, snow load, structure wear and tear, fire, flooding, intrusion.

Site summary of its decommissioning, closure and post-closure plans, financial assurance arrangements: This includes the main elements and points of the plan and the related financial assurance arrangements. It does not require the disclosure of confidential information. It may be published on the site’s local website with relevant contact details and promoted via other channels to reach stakeholders, following the site’s stakeholder engagement processes.

Principle 5. Occupational Health and Safety

Criterion 5.1: Occupational Health and Safety

The site has an Occupational Health and Safety (OH&S) policy that recognises the rights of workers and acknowledges the obligations of employers to protect the health and safety of workers.

Guidance:

OH&S policy: At a minimum, the OH&S policy should reflect all the obligations at the level of the undertaking specified in ILO Convention 155.

Criterion 5.2: Occupational Health and Safety management system

The site establishes, implements, maintains and continually improves its OH&S management system.

Guidance:

Examples of recognised national or international OH&S management system standards or guidelines:

- ISO 45001:2018 Occupational health and safety management systems - Requirements with guidance for use;
- BS OHSAS 18001 (Occupational Health and Safety Assessment Series) until replaced by ISO 45001;
- Guidelines on occupational safety and health management systems ILO-OSH 2001;
- Any other national equivalent until replaced by ISO45001:2018 (e.g. AS/NZS 4801 in Australia & New Zealand).

Matters and decisions that affect workers: For example:

- Identification and assessment of hazards and risks;
- Design of education and training programmes;
- Reporting of incidents, occurrences of occupational diseases and their investigation

Health and Wellbeing Risks include all occupational health-related diseases, such as organic and systemic diseases, musculoskeletal diseases, mental health risks, burn out and all other work-related adverse health impacts. Note that these may be classified as:
• Acute (show their impact shortly after exposure to a hazard, such as exposure to carbon monoxide);
• Cumulative (show symptoms after a longer period of lower-level or repeated exposure, such as hearing loss, pneumonoconiosis, or repetitive strain injuries);
• Latent (having a period of delay between first exposure and emergence of symptoms, such as most cancers);
• Or may evolve into a chronic condition (symptoms are long-term or permanent, such as asthma, emphysema).

The International Labour Organization (ILO) estimates that 2.78 million workers die from occupational accidents and work-related diseases each year. Over 80% of these deaths are disease-related.

Effectiveness: An ongoing examination of leading indicators can give an idea of the effectiveness of OH&S policies, programmes and procedures.

Critical OH&S Risks: Sites are advised to pay specific attention to adverse health and safety risks, including but not limited to, risks associated with health and wellbeing (see definition above), process safety, electrical safety, working at heights, product handling, storage & transportation and the operation of equipment and any other risks sites may deem critical.

Preventive and protective control measures: These include modification, substitution and elimination of processes, conditions or substances that pose a hazard or health risk, as well as engineering and administrative controls (which can include documented OH&S standards) and personal protective equipment. In choosing where best to control a hazard, the principles of control in industrial or occupational hygiene dictate that the hierarchy should be applied:

1. At the source;
2. Along the exposure path;
3. At the worker only if (1) or (2) are not reasonable or possible.
   • At the source: A strategy of eliminating the hazard completely, for example by engineering it out of existence, or substituting a less hazardous chemical. Complete isolation of the hazard that prevents any and all possible exposure can also be described as control at the source. This is the best possible control strategy because no further monitoring, maintenance, control programme, or training is required - the hazard is simply gone.
   • Along the exposure path: A strategy of controlling a hazard somewhere between its origin and the point of interaction with a worker. Examples would be machine guards and barriers, noise absorbing machine enclosures, local and area ventilation.
   • At the worker: A strategy of controlling a hazard at the worker. Examples would include work procedures, personal protective equipment (PPE) and administrative controls such as job rotation. This is the least effective point at which to control a hazard because it requires the development of a control programme and constant monitoring for compliance, PPE suitability, PPE fit, PPE maintenance, PPE availability, training, enforcement, etc.

Workers have a right to refuse to perform unsafe or unhealthy work. Sites should consider providing a procedure for handling such refusals, ensuring that no negative consequences arise for a worker exercising this right, so long as it is done in good faith.

Criterion 5.3: Leadership and worker engagement on Occupational Health and Safety

The site demonstrates leadership and commitment with respect to OH&S, trains and educates workers on OH&S-related matters on an ongoing basis and has an effective mechanism for worker engagement and participation in key OH&S decisions.

Guidance:
Effective mechanism that brings together site management and workers: This may be a Joint Health and Safety Committee or another mechanism for the structured engagement of workers in OH&S matters and decisions. Where worker representatives exist, they may be part of the mechanism.

Note that voicing worker concerns in relation to OH&S issues is covered under Principle 6.

Formal rules of procedure: These include, for example, mutually agreed-upon rules on attendance, quorum and under which circumstances voting may be appropriately used as an alternative to consensus decision-making.

Criterion 5.4: Support and compensation for work-related injuries or illness

The site provides workers with support and compensation for work-related injuries or illness and cares for their dependants in case of work-related death.

Guidance:

Compensation: Compensation for injured or diseased workers should be provided on a “no-fault” basis, that is, eligibility for and amounts of compensation are not to be adjusted based on apportioned “blame”.

Commitment to cover the costs and losses: It is good practice to fully insure these commitments outside the books of the company.

Criterion 5.5: Safe and healthy workplaces

The site’s facilities, plants, infrastructure, workplaces, equipment and tools are safe and maintained in good working order

Guidance:

Plants, equipment and tools: This covers all forms of mobile plants, fixed plants and powered and non-powered tools in use at the site’s facilities. For example, forklifts, cranes, trucks, hand tools and personal protective equipment (PPE).

Facilities and infrastructure: This includes the facilities of the site and, as applicable, roads, railways, dams, captive power plants or transmission lines, pipelines, utilities, warehouses, and logistics terminals.

Housing provided for workers: Where work arrangements are bound to housing, this may be an indication of forced or compulsory labour, for example where workers are forced to take up certain housing. In such cases, specific attention should be paid to Criterion 6.2. Where workers have to pay unreasonably high fees for housing, requirement 6.8.6. might also be relevant, which states: Where accommodation is provided by the site or on behalf of the site, it is offered at no more than the appropriate market rate.

Criterion 5.6: Occupational Health and Safety performance

The site monitors and discloses key aspects of its OH&S performance and works to improve it over time.

Guidance:

Leading Indicators: These are indicators of an effective OH&S management system to proactively predict performance. The six main categories of leading indicators are those that provide qualitative or quantitative information on the existence or functioning of the following:

1. Effective worker-management mechanism;
2. Visibly committed management;
3. Human resources system: ensuring that the right people are assigned to the right jobs, including training and motivation;
4. Engineering, job design and work rules and procedures system: ensuring that jobs and tasks are properly designed and that procedures exist for doing them safely;
5. Purchasing and maintenance system: ensuring that materials, tools and equipment are as safe as possible;
6. Safety and occupational hygiene system: ensuring, on an ongoing basis, the safest and healthiest working environment possible.

Examples for leading indicators include:

- Near-misses;
- Potential serious incident frequency rates;
- Risk assessments;
- Health assessments;
- Progress on objectives;
- Participation rates on OH&S initiatives;
- Conduct of audits and inspections;
- Results of effectiveness of controls monitoring;
- Execution and effectiveness of preventative maintenance programmes;
- Conduct and effectiveness of OH&S training and meetings;
- Level of commitment of all OH&S systems, particularly the worker-management mechanism.

Some of this information can only be obtained by asking, either directly or via surveys of workers, for example.

**Lagging Indicators:** These can only be measured after some unwanted outcome. Examples include:

- Fatalities;
- Lost time injuries;
- Medical treatment cases;
- Instances of occupational disease;
- Other incidents and injuries;
- Compensation payments.

Sites should determine which leading and lagging indicators best suit their operations.

**Fatality:** Accidental death at workplace or arising out of work, including deaths due to occupational diseases.

**Lost time injury:** An injury that prevents a person from returning to his or her next scheduled shift or work period (including fatalities).

**Medical treatment case:** A workplace injury requiring treatment by a medical professional.

**Near-miss incident:** An incident where no injury and ill health occurs but has the potential to do so. May also be referred to as a “near-hit” or “close call”.

**Health and safety incidents:** Near-miss incidents as well as incidents resulting in any injury of ill health

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**Criterion 5.7: Emergency preparedness and response**

The site has identified and assessed emergency situations and has tested emergency preparedness and response processes in place to avoid and minimise the impact of accidental and emergency situations.
Principle 6. Labour Rights

**Criterion 6.1: Child and juvenile labour**
The site does not use or tolerate child labour, effectively addresses any detected incidents of child labour, and cares for juvenile workers.

No further guidance:

**Criterion 6.2: Forced or compulsory labour**
The site does not use or tolerate forced or compulsory labour and effectively addresses any detected incidents of forced or compulsory labour.

No further guidance:

**Criterion 6.3: Non-discrimination**
The site’s hiring decisions and employment relationships are based on the principle of equal opportunity, and actively prevent all forms of discrimination and promote workforce diversity and inclusion.

Guidance:

**Emergency preparedness and response processes** should:

- Be specific to the different kinds of accidents and emergencies that may occur;
- Specify training requirements, roles and responsibilities, provision of equipment and resources, and communication plans with potentially impacted workers, communities and individuals.

**Emergency Communication Plans** should:

- Be developed in consultation with potentially affected stakeholders such as workers, local communities and authorities;
- Identify all affected stakeholders that will be informed of emergencies;
- Confirm that communication on emergencies will be issued to affected stakeholders immediately after the incident has been detected;
- Specify that the communication will contain the type and potential impact of the emergency, what the site will do to minimise impact, what affected stakeholders can do to minimise impact, and who to contact for any emergency-related inquiries;
- Prescribe that the site will issue regular updates on impacts and remediation action to affected stakeholders;
- Outline how to coordinate with emergency services;
- Describe how the site will respond to inquiries in a timely manner.
Public policy (6.3.1.c): It is not expected that the exact wording is presented in policies as companies may have their own wording. Policies can be considered to be sufficient if it is reasonable to conclude that they cover the intent of the requirements.

Discrimination at the site: The risk analysis of the site shall not only cover workers employed directly by the site but also workers employed by contractors, agencies, etc. that perform activities at the site. Note that where local legislation or law requires positive discrimination in favour of local residents, indigenous peoples, or individuals who have been historically disadvantaged, this may not be regarded as discrimination.

Equal pay for work of equal value: In order to determine the value of a job for the purpose of applying the principle of equal pay for work of equal value, an objective assessment in accordance with relevant and appropriate criteria must be undertaken. The basic criteria used to valuate jobs are:

- The responsibility demanded of the work, including responsibility for people, finances and material;
- The skills, qualifications, including prior learning and experience required to perform the work, whether formal or informal;
- Physical, mental and emotional effort required to perform the work;
- The assessment of working conditions may include an assessment of the physical environment, psychological conditions, time when and geographic location where the work is performed. (adapted from Equality and Human Rights Commission)

Data demonstrating equal pay for work of equal value. This may include data that compares the pay for work of equal value, such as:

- The difference between average pay and total pay of women and men for each equal work group;
- Comparison of access to and amounts received of each element of pay. (adapted from Equality and Human Rights Commission)

Criterion 6.4: Association and collective bargaining
The site respects and supports workers’ rights to freedom of association and collective bargaining

No further guidance:

Criterion 6.5: Disciplinary practices
The site does not use, threaten to use or tolerate disciplinary practices that undermine workers’ dignity and effectively addresses any detected incidents of such disciplinary practices.

Guidance:

Public policy (6.5.1): It is not expected that the exact wording is presented in the policy as companies may have their own wording. The policy can be considered to be sufficient if it is reasonable to conclude that it covers the intent of the requirements.

Criterion 6.6: Hearing and addressing workers’ concerns
The site ensures that workers’ concerns are resolved. Workers and their representatives can communicate openly and safely with management regarding working conditions.
Guidance:

**Third-party mechanism**: A third-party mechanism does not necessarily have to be set up specifically for the site. Academic bodies, state agencies such as a local ombudsman, non-profit organisations are all examples of third-parties that have played a role in grievance mechanisms. There are also service providers specialised in running grievance mechanisms. Third parties can serve as facilitators, access points for the mechanism, technical experts, co-investigators, mediators, appeals assessors or oversight panel members. Some companies have also engaged third-parties to provide independent monitoring of the grievance mechanism on a regular basis. Sites may consult the IPIECA Good Practice Survey on operational level grievance mechanisms to seek advice on how to set up and manage grievance mechanisms. While it was developed for oil and gas companies, its advice is relevant for companies of other sectors.

**Mechanisms for suggesting improvements or changes to the workplace and to working conditions**: The mechanisms provided should be effective, see the mandatory glossary.

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**Criterion 6.7: Communication of terms of employment**

The site ensures that workers understand their current employment terms with regards to wages, working hours and other employment conditions.

No further guidance

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**Criterion 6.8: Remuneration**

The site pays workers fairly, regularly and on time, there are no inappropriate deductions from wages and overtime is rewarded.

**Guidance:**

**Prevailing industry standard**: These might be available from the Department of Labour, the statistical bureau or other government entities of the respective country. Where this is not the case, job sites or statistics service providers might be a useful resource.

**Overtime hours**: ILO Convention C001 - Hours of Work (Industry) specifies that "the rate of pay for overtime shall not be less than one and one-quarter times the regular rate". This may serve as guidance for sites on how to reward overtime. However, overtime might be compensated with time rather than money.

**Payment in monetary means only**: This does not apply to benefits such as insurances, medical plans or stock options that might be part of the overall payment package.

**Living wage**: Existing living wage estimates and guidance on how to estimate the living wage can be found on the website of the Global Living Wage Coalition ([https://www.globallivingwage.org/](https://www.globallivingwage.org/)).
**Criterion 6.9: Working time**

The site complies with applicable law and industry standards on working time, overtime, public holidays and paid leave.

**Guidance:**

**Public Policy (6.9.1):** It is not expected that the exact wording is presented in policies as companies may have their own wording. Policies can be considered to be sufficient if it is reasonable to conclude that they cover the intent of the requirements.

**Effective fatigue management:** In line with ILO Convention C001 - Hours of Work (Industry), regular workweeks should not exceed 48 hours and workers should have at least one day off every seven days. However, agreements with worker organisations might stipulate something different and in the case of shift work or in exceptional circumstances (such as emergency situations or in case of fly-in, fly-out sites the weekly limitation of working hours might be exceeded as long as the site has effective processes in place to manage worker fatigue.

**Maternity leave:** Sites may go beyond this Requirement and offer some parental leave also to fathers. Maternity/parental leave may not necessarily be paid at 100% of the full salary, although this is considered best practice.

**Interpretation on 6.9.1.b):**

In some jurisdictions and under specific circumstances, the law might permit to require overtime from workers, for example in crisis situations.

Where sites can credibly demonstrate that this kind of required overtime has been agreed with unions and that it is imposed in exceptional circumstances only and in a way that takes account of the needs of vulnerable workers such as pregnant women, auditors might accept this as meeting requirement 4.9.1.b.

However, auditors should verify that the respective unions genuinely represent workers' interests and that they are not so-called 'paper unions'. Secondly, they should verify that the provision is only applied to 'specific circumstances' as defined by law and has not become something that is regularly applied to force workers to accept conditions that they would otherwise consider unacceptable. This might be verified through interviews with worker and union representatives.

**Interpretation on 6.9.1.d):**

Requirement 6.9.1.d has been framed around ILO Convention C132 - Holidays with Pay. The Convention says in Article 3: 'The holiday shall in no case be less than three working weeks for one year of service'. It also says in Article 6: 'Public and customary holidays, whether or not they fall during the annual holiday, shall not be counted as part of the minimum annual holiday with pay'.

To remain in line with this ILO Convention, the required 3 weeks of paid annual leave do not include paid federal holidays.

For workers that have been with the site for less than 1 year, it is acceptable that paid federal holidays count towards the 3 weeks.

**Interpretation on 6.9.3:**

It is acceptable if payment for granted maternity leave comes from the government rather than the site.
**Criterion 6.10: Worker wellbeing**

The site promotes worker wellbeing through offers to reconcile work and private life, support the health of workers and advance their qualifications.

**Guidance:**

**Measures to promote worker well-being:** Worker use of these measures must be optional rather than mandatory. The below measures might serve as examples. Note that sites are not expected to implement all of the listed measures. What the site offers to workers should be scaled to its size and context:

- Kindergartens at the workplace or agreements with nurseries to care for their children at regionally common or reduced fees;
- Site canteen, restaurant cheques or other catering programmes, provided that the use of these offers do not lower worker remuneration;
- Free or reduced cost transport to workplace;
- Site-organised and paid-for cultural, sports or recreational activities for workers and their families;
- Grants, loans or subsidies for education and training offered to workers and their families at regionally common or reduced terms;
- Insurance or health programmes for workers and their families at regionally common or reduced rates;
- Care programmes in case of severe family illness or accident, including life insurance policies at regionally common or reduced rates;
- Worker pension plans at regionally common or reduced rates.

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**Principle 7. Human Rights**

**Criterion 7.1: Human rights due diligence**

The site acts diligently to avoid infringing on the rights of others and to address adverse human rights impacts.

No further guidance

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**Criterion 7.2: Security practice**

The site does not support public or private security providers engaged in illegal practices and works to ensure that security providers respect human rights.

**Guidance:**

**Security personnel:** Where security personnel are limited to reception, a site’s procedure may involve assessing the potential for human rights-related issues to occur, and ensuring there is training and monitoring appropriate to the level of risk identified. If there is no risk, no action would be required other than this assessment.

**Security arrangements and procedures:** Sites may consult the Voluntary Principles on Security and Human Rights for guidance on security practices. While these have been developed for the extractives sector, they are relevant for other sectors as well. Practical guidance on how to implement the Voluntary Principles has been developed by ICMM, ICRC, IFC and IPIECA.
Principle 8. Stakeholder Engagement and Communication

Criterion 8.1: Stakeholder engagement

The site provides stakeholders with the means and opportunities to engage effectively on issues that matter to them.

Guidance:

The International Finance Corporation's (IFC) Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets can help companies plan and design their stakeholder engagement work. Guidance Note 1 on the IFC Performance Standards on Environmental and Social Sustainability provides guidance on stakeholder engagement as well.

Another useful resource is the AA1000 AccountAbility Stakeholder Engagement Standard. It is a global standard that supports organisations in assessing, designing, implementing and communicating an integrated approach to stakeholder engagement.

Sites should pay particular attention to marginalised groups when planning and implementing their stakeholder engagement work. Depending on the site's context, marginalised groups may be indigenous peoples, minorities, women, etc. IFC Guidance Note 7 provides useful advice on how to engage with indigenous peoples.

Stakeholder engagement plan: The purpose of a stakeholder engagement plan is to describe a site's strategy and programme for engaging with stakeholders (adapted from IFC). Stakeholder engagement may be conducted by different departments of the site who can be the owners of their topic-specific engagement processes. As such, the stakeholder engagement plan does not have to be an integrated stand-alone document. What is important though is that stakeholder engagement happens in a coordinated fashion across departments to ensure that it is not
counterproductive. The plan should contain indicators to measure the quality of stakeholder engagement and the impact of engagement. Examples for indicators include the number of meetings or engagement points with stakeholders, or the number of grievances raised and resolved. Further examples can be found in IFC Guidance Note 1, Annex C.

**Criterion 8.2: Grievances and remediation of adverse impacts**

The site offers a grievance mechanism to address concerns and engages in remediation where it has caused or contributed to adverse impacts.

**Guidance:**

Sites have many environmental and social impacts and so concerns and potential grievances by stakeholders are to be expected. How a site responds to them or is perceived to be responding can have significant implications for business performance and for stakeholders. The site’s grievance mechanism should be scaled to fit its level of risks and adverse impacts. It should flow from the site’s broader stakeholder engagement process and business integrity principles and integrate the various elements of engagement. Having a good stakeholder engagement process in place can help prevent grievances from arising or from escalating to a level that can harm the site’s performance.

Sites should consult the United Nations Guiding Principles on Business and Human Rights for the design of a grievance mechanism. Legitimate processes for remediation should be in line with the UN Guiding Principles. The following guidelines might also be useful for sites: ISO 10002:2018 Quality management - Customer satisfaction -- Guidelines for complaints handling in organizations.

**Criterion 8.3: Communicating to the public**

The site communicates on material social and environmental issues in a consistent and balanced manner, using methods that are appropriate to its stakeholders.

**Guidance:**

Note that some Principles of the ResponsibleSteel Standard contain specific reporting Requirements that are in addition to the generic Requirements outlines above. Sites should consult recognised reporting frameworks provided by the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and others to understand what and how to communicate.

Recommended topics for reporting: The following is a list of topics that sites should consider covering in their public reporting.

In relation to Principle 1 and 2:

- Code of ethical conduct or similar
- Corruption incidents and how they were addressed
- The site’s political engagement activities;
- The total monetary value of political contributions made directly and indirectly, as well as recipients and beneficiaries of contributions;
- The site’s main social, environmental and governance risks and adverse impacts, associated key performance indicators and the site’s performance in relation to these;
- Status of implementing the site’s responsible sourcing commitment;
- Non-compliance incidents and how they were addressed;
- Competence management activities.
In relation to Principle 4:

- Where relevant, planned or ongoing closure and decommissioning activities;
- Progress or lack thereof in implementing any closure and decommissioning plans.

In relation to Principle 5:

- Incidents of work-related injury, illness or death;
- OH&S objectives and targets;
- Performance in relation to OH&S leading and lagging indicators.

In relation to Principle 6:

- Incidents related to child labour, forced or compulsory labour or human trafficking and how they were addressed;
- Incidents of discrimination and how they were addressed.

In relation to Principle 7:

- Adverse human rights impacts and how they were addressed;
- Incidents in relation to non-state armed groups.

In relation to Principle 8:

- Activities related to the implementation of the stakeholder engagement plan;
- Number and types of received grievances, the proportion of grievances that have been resolved to the complainant’s satisfaction;
- Remedy processes the site is engaged in, including the nature of the complaints, the channels used to address them and the forms of remedy provided.

In relation to Principle 9:

- Measures to support community well-being;
- Outcomes of any FPIC processes;
- Where relevant, displacement and resettlement activities and provided compensation, as well as the results of completion audits of any Resettlement Action Plan and/or Livelihood Restoration Plan;
- Where relevant, impacts on cultural heritage and how they were addressed.

In relation to Principle 10:

- Principle 10 contains specific reporting Requirements that sites have to meet.

In relation to Principle 11:

- NOx, SOx, ducted dust and any other emissions with adverse impacts;
- Spills and leakage incidents and actions taken to mitigate and remedy them;
- Actions taken to reduce emissions;
- Progress or lack thereof in achieving emission reduction targets.

In relation to Principle 12:

- Impacts of the site's water use;
- Quality of water discharge volumes by discharge point;
- Progress or lack thereof in achieving water-related targets.

In relation to Principle 13:

Where they occur in the site's area of influence:
• Protected and community-conserved areas;
• Ramsar sites;
• Species on the IUCN Red List of Threatened Species (categorised as vulnerable, endangered or critically endangered);
• Key Biodiversity Areas;
• Natural and critical habitat, modified habitat with significant biodiversity value;
• Outcomes of activities to manage the site’s biodiversity and ecosystem services impacts;
• Results of biodiversity monitoring.
• Species on the IUCN Red List of Threatened Species (categorised as vulnerable, endangered or critically endangered);
• Key Biodiversity Areas;
• Natural and critical habitat, modified habitat with significant biodiversity value;
• Outcomes of activities to manage the site’s biodiversity and ecosystem services impacts;
• Results of biodiversity monitoring.

Principle 9. Local Communities

Criterion 9.1: Commitment to local communities

The site is committed to respecting the health and safety, and the legal and customary rights and interests of local communities and supports their social and economic wellbeing.

Guidance:

Note that Requirements 8.1.2. and 8.1.3 of Principle 8 (understanding the interests and concerns of stakeholders and identifying engagement methods) should inform how sites address Criterion 9.1.

Marginalised community members: People can be marginalised in many ways, with marginalisation embracing factors such as material deprivation, inadequate housing, low educational levels, high unemployment, poor health as well as discrimination and prejudice (Adapted from European Commission Briefing ‘Cohesion policy and marginalised communities’).

Plan for maintaining or improving community well-being: The plan is expected to be proportionate to the specific context. In communities that are highly developed and affluent, the plan might be less comprehensive or might be bound to specific events such as changes in production or permit processes.

Examples of measures (9.1.2.a.) are:

• Local procurement, local business and local employment creation and support, as well as local capacity building and skills development;
• Financial or in-kind contributions, time or human resources support to local social service institutions (e.g. hospitals, schools, vocational centres) or to social, cultural, sports or environmental projects and activities;
• Help in building community capacity to oversee and sustain projects or initiatives with the aim of making them self-sustaining.

Measures to maintain or improve the social and economic well-being of local communities should focus on enabling communities in the long-term rather than creating dependency on financial contributions by the site.
Resources for implementation: Note that these might be come from the site and from other parties such as the (local) government. The resources might be financial and other kinds of resources such as human resources, material, etc.

**Criterion 9.2: Free, Prior and Informed Consent (FPIC)**

Where the site considers activities that might affect the rights of indigenous peoples, the site obtains the peoples’ free and informed consent before carrying out such activities.

**Guidance:**

The Criterion on Free, Prior and Informed Consent applies to indigenous peoples, whether they are formally recognised as such or self-declared.

**Free, prior, informed:**

- Free implies that there is no coercion, intimidation or manipulation.
- Prior implies that consent is to be sought sufficiently in advance of any authorisation or commencement of activities and respect is shown to time requirements of indigenous consultation/consensus processes.
- Informed implies that information is provided that covers a range of aspects, including the nature, size, pace, reversibility and scope of any proposed project or activity; the purpose of the project as well as its duration; locality and areas affected; a preliminary assessment of the likely economic, social, cultural and environmental adverse impact, including potential risks; personnel likely to be involved in the execution of the project; and procedures the project may entail. This process may include the option of withholding consent. Consultation and participation are crucial components of a consent process.

(Adopted from Office of the United Nations High Commissioner for Human Rights)

The site achieves FPIC prior to the approval of new activities or changes to existing activities: Given the diversity of situations and contexts there is no simple or universal way of carrying out an FPIC process. A lot of guidance has been developed on FPIC that may help sites apply the FPIC concept. For example, the FAO Manual 'Free Prior and Informed Consent. An indigenous peoples’ right and a good practice for local communities'. Not all indigenous communities might want to attach an FPIC 'label' to the process and to the agreement they reach with a site. Where this is the case, it is still crucial that the process and agreements were undertaken and reached in a free, prior and informed manner as described above. Note that FPIC does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree.

Where FPIC was not obtained in the past, sites must demonstrate that they are operating in a manner that seeks to achieve the objectives of this Criterion. For example, sites may demonstrate that they have the free and informed consent of indigenous peoples for current operations by providing evidence of signed or otherwise verified agreements, or, in the absence of agreements, demonstrate that they have a process in place to respond to past and present concerns by indigenous peoples and to remedy and/or compensate for past impacts on indigenous peoples’ rights and interests. In alignment with this Criterion, such processes should have been agreed to by indigenous peoples and evidence should be provided that agreements are being fully implemented by the site.

This Criterion is not intended to reduce the primary responsibility of a State to consult with indigenous peoples in order to obtain their FPIC and protect their rights. However, in the absence of national laws, or in the exercise of their right to self-determination, some indigenous peoples may wish to engage with a site without State involvement.

Where national FPIC laws exist, the site shall abide by those laws. Where a State has established a legislative framework that requires or enables agreements between companies and indigenous communities, it may not be necessary for a site to run a parallel FPIC process based on this Criterion. It would, however, be necessary for a site to demonstrate to ResponsibleSteel auditors that the process whereby the agreement was reached conformed with the ResponsibleSteel FPIC requirements and met the general intent of the FPIC Criterion.
**Criterion 9.3: Cultural heritage**

The site respects and safeguards cultural heritage within its area of influence.

**Guidance:**

'Cultural heritage' should be understood as defined by the Environmental and Social Performance Standards of the International Finance Corporation (IFC).

A site must have a procedure in place to regularly identify potential cultural heritage sites that could be within their area of influence. In cases where there are no cultural heritage sites within the area of influence of the site, the procedure to deal with cultural heritage sites does not need to be developed. In such a case, the rest of Criterion 9.3, including 9.3.1.a to c, 9.3.2, 9.3.3, 9.3.4 and 9.3.5 would be not applicable.

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**Criterion 9.4: Displacement and resettlement**

The site strives to avoid the need for displacement or resettlement but, where unavoidable, minimises its scope and the resulting adverse impacts.

**Guidance:**

Existing sites will usually not lead to physical displacement, so this Criterion may only be partially relevant or may not be relevant at all. Note that Principle 4 covers site Closure and Decommissioning, which may be related to economic displacement covered here under Principle 9.

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**Principle 10. Climate Change and Greenhouse Gas Emissions**

**Criterion 10.1: Corporate commitment to achieve the goals of the Paris Agreement**

The site’s corporate owner has defined and is implementing a long- and medium-term strategy to reduce its greenhouse gas (GHG) emissions to levels that are compatible with achieving the goals of the Paris Agreement, with an aspiration to achieve net-zero GHG emissions through work with policymakers and others.

**Guidance:**

(10.1.1) An emissions reduction pathway for the steel industry that is compatible with the goals of the Paris Agreement is one which limits the global average temperature to well below 2°C above pre-industrial levels and supports efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

(10.1.1) Long-term in this context means a time horizon of 15 to 35 years.

(10.1.2) Medium-term in this context means a time horizon between 5 and 15 years from the present time.

(10.1.1, 10.1.2) Medium- or long-term refers to the time measured from the start of the relevant implementation period. For example, a ten-year (medium-term) target set seven years ago is still valid even if it has only three years
still to run. However, if a medium-term target expires during the period of validity of a certificate, this would create a non-conformity with the requirement of the standard unless it is replaced by an updated medium-term target.

(10.1.2) A technically justified and publicly accessible 2050 net zero emissions target supported by a medium- and long-term transition pathway for the company would be sufficient to meet the requirements of 10.1.2. A science-based target (SBT) validated by the SBTi (Science Based Targets initiative) would be sufficient to meet the medium-term requirements of 10.1.2. Other quantitative, scientifically justified targets (or sets of targets, for example for separate processes) may also be recognised, as long as the ambition, quality and coverage of the target is comparable.

(10.1.3) Specific actions may also include investments at the corporate or site levels, R&D, building of pilot facilities to develop, test and scale up new technologies, proposition to seek funding through ‘green bonds’, general commitments to upgrade sites over a period of time, supply chain collaborations, etc.

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**Criterion 10.2: Corporate Climate-Related Financial Disclosure**

The site’s corporate owner is implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

**Guidance:**

Implementation in accordance with applicable TCFD guidance requires that the corporate owner makes the recommended disclosures associated with the four core recommendations. For detailed guidance see:

- This 2021 “Annex” provides both general and sector-specific guidance on implementing the Task Force’s disclosure recommendations. It updates and supersedes the 2017 version of Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures. Updates reflect the evolution of disclosure practices, approaches, and user needs.

The ResponsibleSteel period of certification is three years. Corporations which have not implemented the TCFD recommendations within three years of the date on which their first site achieved certification would not be issued with any further certificates until the TCFD recommendations have been implemented. The failure would also jeopardise the maintenance of any certificates previously issued to the corporate owner.

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**Criterion 10.3: Determination of GHG emissions for the purpose of site-level GHG emissions reduction targets and planning**

The site measures and records key aspects of its GHG emissions in accordance with a recognised international or regional standard.

**Guidance:**

(10.3.1) 10.3.1 refers to the direct (Scope 1) GHG emissions of the site (see glossary)

(10.3.1) ResponsibleSteel currently recognises the following international or regional standards for this purpose:
The GHG Protocol and EN 19694 (parts as applicable) for measurement of GHG emissions by steelmaking and other sites.

• ISO 14404 (parts as applicable) for the measurement of CO2 emissions by steelmaking sites, as applicable.

(10.3.2) 10.3.2 refers to the energy indirect (Scope 2) GHG emissions of the site (see glossary)

(10.3.3) 10.3.3 refers to the upstream indirect (Scope 3) GHG emissions of the site (see glossary)

(10.3.3) The system to assess upstream emissions should include a screening of imported materials to identify those that may be associated with significant GHG emissions such as mined materials or hydrogen where relevant.

(10.3.3) The site must provide an explanation of the basis for the calculation, including a listing of the input materials that have been included and excluded from the calculation, and the use of primary data, emission factors or other secondary data where used.

(10.3.3) As a minimum, the site must consider the GHG emissions associated with the materials listed in Annex 4 of this Standard where used (from ISO 14404-1:2013 Table 2 and ISO 14404-2:2013 Table 2) and other materials that may be associated with significant GHG emissions. A material’s GHG emissions are not considered to be significant if there is evidence that they are likely to constitute less than 5% of the total GHG emissions associated with all of the materials imported to the site from outside the site boundary.

(10.3.3) The estimate may make use of emission factors such as those referenced in ISO14404 or from other secondary sources where no other reliable data are available. Where such secondary data or emission factors are used, these data must be referenced in the public report specified in 10.7.1 below. More resources should be committed to estimating the more significant sources of emissions, for example through the collection of primary emissions data from suppliers.

(10.3.3 & 10.3.4) In cases where direct reduced iron (DRI), granulated pig iron (GPI), hot briquetted iron (HBI), pig iron or steel (other than scrap metal itself) is imported to the site from upstream sites, the associated GHG emissions must be accounted for using primary data specific to the input material’s site of production if this is available. If primary data is not available the default upstream emission factors for the category of input material as specified on the ResponsibleSteel website (see Annex 5, Table A1 of this standard for provisional values) may be used. The site must ensure that GHG emissions associated with imported iron or steel are clearly and explicitly included in the calculations of GHG emissions.

(10.3.4) The site-level GHG emissions intensity should include at least scope 1 and scope 2 emissions, and as far as possible upstream scope 3 emissions. No carbon offsets should be included, although credits for the use of co-products are permitted (and the co-product allocation method should be clearly stated, e.g. slag credits determined by economic allocation).

Criterion 10.4: Determination of site-level GHG emissions for the purpose of reporting GHG emissions intensity when producing crude steel

In order to market or sell its steel products, co-products or by-products as ‘ResponsibleSteel certified’ the site measures and records key aspects of its GHG emissions in accordance with the specifications of this Criterion, in addition to the requirements of Criterion 10.3.

Guidance:

Conformity with the requirements of Criterion 10.4 is mandatory for all sites that wish to market or sell products as ResponsibleSteel certified. Conformity is voluntary for other ResponsibleSteel certified sites.

The requirements of Criterion 10.4 differ in some respects from the requirements of other regional or international standards recognised by ResponsibleSteel in relation to Criterion 10.3. Where definitions or requirements specified in this Criterion conflict with the specifications of other international or regional standards adopted by the site, the definitions or requirements specified in this Criterion take precedence for the purposes of calculating the GHG emissions.
emissions intensity for products that are to be marketed or sold as ResponsibleSteel certified (see Criterion 10.6 and Criterion 10.7).

Sites that plan to market or sell products as ResponsibleSteel certified in the future are recommended to align their systems for the determination and reporting of GHG emissions with the requirements of this Criterion as soon as possible.

Where companies or sites report GHG emissions results determined using different methodologies they should provide an accompanying explanation for any resulting differences in the reported figures.

(10.4.1.a) The GHGs listed in 10.4.1.a are as specified in the GHG Protocol (revised edition, 2015). The potential influence of all the listed GHGs must be considered. If an initial review shows that the potential influence of a particular GHG is not material (less than 0.5% of the direct (Scope 1) GHG emissions (CO2e) for the site or less than 5% of the total embodied GHG emissions for a source of upstream indirect (Scope 3) GHG emissions then it is not required to include further consideration of that GHG in the determination of the site’s GHG emissions. The 100-year time horizon is used for consistency with most other GHG measurement methodologies and data. The potential to move to 20-year time horizons will be kept under review.

The GWP factors for the major greenhouse gases as specified in the most recent IPCC Assessment Report 6 (Table 7.SM.7) for 20-year and 100-year time horizons are as follows:

<table>
<thead>
<tr>
<th>species</th>
<th>GWP-20</th>
<th>GWP-100</th>
</tr>
</thead>
<tbody>
<tr>
<td>carbon dioxide (CO₂)</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>methane (CH₄)</td>
<td>81.2</td>
<td>27.9</td>
</tr>
<tr>
<td>nitrous oxide (N₂O)</td>
<td>273</td>
<td>273</td>
</tr>
</tbody>
</table>

GWP factors for other GHGs are listed in the IPCC Assessment Report 6 Table 7.SM.7.

(10.4.1.c) ISO 14064-3:2019 Greenhouse gases – Part 3: Specification with guidance for the verification and validation of greenhouse gas statements defines two possible levels of assurance: verification at a ‘reasonable level of assurance’, and verification at a ‘limited level of assurance’. Verification must be provided at least at the ‘limited level of assurance’. Under 10.7.1 the site is required to report the level of assurance provided.

GHG accounting rules should be applied consistently with the aim to provide a true picture of the total annual GHG emissions for the production of steel. For example, emissions for material such as sinter produced on site might be allocated to steel production at the time the sinter is produced, or at the time the sinter is used for the production of steel. Whichever approach is adopted it must be applied consistently over time.

(10.4.2.b) Downstream indirect (Scope 3) GHG emissions outside the site boundary do not need to be considered, with the exception of emissions associated with the disposal of waste (see 10.4.6.e).

(10.4.2.b, 10.4.2.c) The end point of the scope boundary for the determination of the product carbon footprint for steel products, co-products and by-products exported from the site may be different to the end point of the scope boundary for the determination of the site’s ResponsibleSteel crude steel GHG emissions intensity performance. GHG emissions associated with the further processing of crude steel after first casting should be accounted for and recognised in the determination of the product’s product carbon footprint.

(10.4.3) The requirements of Criteria 10.4.6 and 10.4.7 apply to the determination of direct (Scope 1) GHG emissions. These requirements will differ in some respects from those of the regional or international standard adopted by the site for other purposes. In all cases, the requirements of Criterion 10.4.6 or 10.4.7 as applicable take precedence, for the purpose of determining the ResponsibleSteel crude steel GHG emissions intensity performance for the site, and for the purpose of determining the allocation of the site’s total GHG emissions to products, co-products and by-products, respectively.

(10.4.3.a) The direct (Scope 1) GHG emissions associated with the use of charcoal, bio-coal, bio-coke, other biological sources of carbon, used plastic, used tyres and waste/ reclaimed wood etc for iron- or steelmaking must be counted in full, as for all direct (Scope 1) GHG emissions.
GHG offsets are not recognised for the purpose of determining the site’s GHG emissions intensity, in relation to its direct (Scope 1), energy indirect (Scope 2) or upstream indirect (Scope 3) GHG emissions. Likewise, carbon sequestration associated with land-use (e.g. forest management) whether on- or off-site, is not recognised for the purpose of determination of the site’s crude steel GHG emissions intensity. Carbon sequestration associated with biomass production is considered in 10.4.5.c, below. ResponsibleSteel recognises that the role of offsets will need to be considered in relation to definitions and standards for ‘net zero’ steel, and will consult with its membership and other stakeholders on these issues as required.

The exclusion of Imported electricity generated from the use of the site’s process gases energy and used upstream of the production of crude steel is excluded ensures that the utilisation of process gas energy for power generation is recognised even if the energy is generated off site and is re-imported. See 10.4.7.d.i for further details on the GHG accounting of process gas used for power generation.

The embodied GHG values referenced by ResponsibleSteel differ from the ‘upstream emission factors (Scope 1, Scope 3)’ referenced in the worldsteel CO2 Data Collection methodology in that the ResponsibleSteel embodied GHG values include consideration of GHGs other than CO2, and also include consideration of the GHG emissions associated with the extraction and transportation of the input materials. The embodied GHG value also differs from the ‘direct emission factors’ referred to in ISO 14404. Direct emission factors are an estimate of the CO2 or CO2e emitted to the atmosphere when an input material containing carbon is used for the production of steel. In contrast, the embodied GHG value is an estimate of the upstream ‘cradle to gate’ GHG emissions associated with the production of the input material prior to its use.

A default value equivalent to the ResponsibleSteel level 1 performance threshold value for the primary production of steel from iron ore without multiplication by the conservative factor of 1.2 (currently equal to 186 2.8 tonnes CO2 e/ tonne crude steel) shall be used as a replacement value for the determination of the upstream indirect (Scope 3) GHG emissions for all non-ferrous metal and ferro-alloy additives, as specified in Table A1. If primary data shows that the upstream embodied GHG value for a non-ferrous metal or ferro-alloy is higher than the replacement value, the replacement value shall still be used. If primary data shows that the upstream embodied GHG value for a non-ferrous metal or ferro-alloy is lower than the replacement value, the lower value may be used. See Guidance to 10.6.4.c for an explanation.

The requirements of 10.4.5.b in relation to the use of ‘replacement’ values for the determination of the upstream indirect (Scope 3) GHG emissions for all non-ferrous metal and ferro-alloy additives are earmarked for review during the 12-month test phase.

Except as specified above in the case of non-ferrous metals and ferro-alloys, when the steelmaker has received primary data from a supplier for the embodied GHG value for the supplied input material the steelmaker must use these data for the determination of its upstream indirect (Scope 3) GHG emissions and may not use the default embodied GHG value for the material even if the default value is lower.

If a steelmaker has primary data provided by some but not all suppliers, primary data must be used for the proportion of the material for which primary data is available, and default embodied GHG values must be used for the proportion of the material for which primary data is not available.

For the different categories of upstream indirect (Scope 3) GHG emissions see: Corporate Value Chain (Scope 3) Accounting and Reporting Standard: Supplement to the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol, 2011. The eight categories of upstream indirect (Scope 3) emissions are: 1. Purchased goods and services; 2. Capital goods; 3. Fuel- and energy-related activities (not included in direct (Scope 1) or energy indirect (Scope 2) GHG emissions); 4. Upstream transportation and distribution; 5. Waste generated in operations; 6. Business travel; 7. Employee commuting; 8. Upstream leased assets. For steelmakers the key categories for indirect (Scope 3) GHG emissions considered in this standard are categories 1, 3, 4 and 5. For mining companies they are categories 1, 3 and 7.
ResponsibleSteel-recognised international standards to support the determination of the embodied GHG values for input materials are currently:

- PAS 2050:2011 Specification for the assessment of the life cycle greenhouse gas emissions of goods and services

Supply specific primary data may be an average value for the embodied GHG of the specified material supplied by the company, or may be more specific. More specific data should be used where this is available.

Data provided by a third party (e.g. company- or site-specific data listed on a third party database) may be used if it meets the requirements listed in 10.4.5.c and is explicitly confirmed by the company that produces the relevant material.

**Mined materials**

For mined materials the supplier’s estimate of its own upstream indirect (Scope 3) GHG emissions for the material must include consideration of GHG Protocol Scope 3 categories 1, 3 and 7:

1. Purchased goods and services
2. Fuel- and energy-related activities (not included in direct (Scope 1) or energy indirect (Scope 2) GHG emissions
3. Employee commuting.

NOTE: Category 7 includes the emissions associated with ‘fly-in fly-out’ working at mine sites.

Where a supplier of mined materials has previously determined the direct (Scope 1) and energy indirect (Scope 2) GHG emissions of the supplied input materials in accordance with a ResponsibleSteel recognised international standard, but has not yet included their upstream indirect (Scope 3) GHG emissions, an estimate of their upstream indirect (Scope 3) GHG emissions must be included in the total reported emissions. The estimate may be provisional.

Primary data may be provided as an average for the specified material for the supplying company, or it may be specific to the mine or a group of mines of origin, including, for example, mines within a defined geographical area such as a country.

ResponsibleSteel recommends that suppliers of mined materials/ metals follow the recommendations of Santero and Hendry (2016) in relation to the partition of GHG emissions between different product streams or categories (Santero, N and Hendry, J. Harmonization of LCA methodologies for the metal and mining industry, The International Journal of Life Cycle Assessment (2016) 21: 1543 – 1553). Independently verified data which applies another allocation methodology would be considered acceptable.

In the case of mine sites that are owned and/or operated by the steelmaker, the specifications for the determination of emissions associated with the extraction and transportation of input materials apply on the same basis as if the input materials were supplied by a third party.

**Natural gas, LNG**

Primary data for the supply of natural gas may be specific to the supplying company, to a country from which the gas is sourced, or to a more granular level where such data is available.

**Charcoal and other input materials of biological origin**

The default upstream embodied GHG value for input materials from biological sources (including the GHG emissions related to land use, management, harvesting and processing of materials) is zero (see Annex 5, Table A1). These input materials may be assigned a negative upstream embodied GHG value (i.e. recognising the carbon
sequestered during biological growth) only if the supplier provides primary data for the GHG emissions for the supplied material determined in accordance with either:

- PAS 2050:2011 Specification for the assessment of the life cycle greenhouse gas emissions of goods and services

The determination must include explicit accounting for the GHG emissions associated with land use change and forest/agricultural management for at least 20 years prior to harvest, as well as the GHG emissions associated with harvesting and further processing and transportation of the input material.

(10.4.5.c) Scrap and post-consumer reclaimed material

The use of primary data is not applicable in the case of scrap and post-consumer reclaimed material, for which the default embodied GHG value of zero always applies.

(10.4.5.c, d) It is the responsibility of the purchaser to ensure that an estimate for the GHG emissions associated with transportation of the input material up to the point of delivery has been provided in accordance with the point of delivery specified in the purchase contract (e.g. free on rail at mine gate, free on board, or including carriage, insurance and freight). The purchaser is responsible for determining any additional estimated GHG emissions associated with further carriage of the material by the purchaser.

Estimates should consider the transportation distance, mass of material and the mode of transportation (road, rail, ship) and the related carrier type. Emissions may be estimated using LCA software such as GaBi by Sphera. In the case of scrap and other recycled or reclaimed materials the GHG emissions associated with transportation should be estimated from the commercial collection point to the ResponsibleSteel certified site gate.

(10.4.6) The site must follow the requirements specified in 10.4.6 for the determination of the ResponsibleSteel crude steel GHG emissions intensity performance for the site. Different GHG accounting rules may be applicable to the determination of the product carbon footprint for products manufactured at the site, in conformity with the specific standard the site has selected for this purpose under Requirement 10.6.4.

(10.4.6.a) Examples of carbon embedded in final products include the carbon in carbon steels, and carbon embedded in slag.

(10.4.6.b) The allocation of GHG emissions refers to the partition of GHG emissions between a range of products, co-products on or by-products. GHG emission credits for the capture and utilisation or storage of process gases are considered separately in 10.4.7.

(10.4.6.c) The deduction of GHG emissions for the export of intermediate products must be determined on the basis of the proportion of exported intermediate product by mass and is not related to the value of the intermediate product.

(10.4.7) Process gases that are captured and subsequently utilised either on- or off-site, for example for the generation of electricity, as inputs for further production, for carbon capture and long-term storage, or for other uses are accounted for as described in this section of the Standard. The accounting for the GHG emissions associated with process gases from the production of steel follows the general approach of the worldsteel CO2 Data Collection methodology (worldsteel CO2 Data Collection, User Guide, version 10, 24 February 2021). In general terms:

- Process gases that are emitted to the atmosphere are accounted for as direct (Scope 1) emissions under 10.4.3.
- The GHG emissions that would have resulted from the release of the process gas to the atmosphere if the process gases were not captured is determined and used as a baseline (referred to as ‘Scope 1.1’ emissions in the worldsteel CO2 methodology)
- The baseline level of emissions is then reduced by assigning a ‘credit’ that recognises the system level reduction of GHG emissions from the utilisation or storage of these gases.
The intent is to incentivise actions and investments that reduce system level GHG emissions through their recognition in the ResponsibleSteel crude steel GHG emissions intensity performance measure. In the case of credits for energy generation, and credits for carbon capture and utilisation, the value of the credits will decrease over time as the global grid intensity and GHG emissions intensity for alternative production methods decreases.

(10.4.7.a) The following direct emission factors, as stipulated in ISO, be utilised for the calculation of process gas emissions.

<table>
<thead>
<tr>
<th>Emission source</th>
<th>Direct emission factor (t CO2e/kNm³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coke oven gas</td>
<td>0.836</td>
</tr>
<tr>
<td>Blast furnace gas</td>
<td>0.891</td>
</tr>
<tr>
<td>Basic oxygen furnace gas</td>
<td>1.512</td>
</tr>
</tbody>
</table>

(10.4.7.d.i) Credit for the use of process gas energy for power generation:

- Where electricity is generated on-site and used upstream of the production of crude steel this results in a reduction of the quantity of imported energy, and a consequent reduction in the site’s upstream indirect (Scope 2) GHG emissions. Where electricity is generated from the use of the site’s process gases off-site and is re-imported, the upstream indirect (Scope 2) emissions for this imported energy is excluded from the determination of the site’s upstream indirect (Scope 2) GHG emissions under 10.4.4.a.
- The most up-to-date worldsteel default value must be used. As of June 2022 the worldsteel default value is that 9.8 GJ of process gas generates 1 MWh of power, equivalent to a 37% conversion efficiency.
- The GHG emissions credit associated with the production of crude steel must use the most recent global grid intensity as estimated by the IEA. The most recent global grid intensity value in January 2022 is the value for 2021, which is 458 gCO2/kWh. (https://www.iea.org/reports/electricity-market-report-january-2022 https://www.iea.org/reports/tracking-power-2021). The most recent global grid intensity value in March 2022 is the value for 2020, which is 458 gCO2/kWh.

(10.4.7.e) the internal re-use or recycling of process gases may have further advantages in terms of efficiency improvements (e.g. in relation to reduced reductant requirements), but these are considered to be sufficiently accounted for through general reductions in direct (Scope 1), indirect (Scope 2) and/or upstream indirect (Scope 3) GHG emissions, and are not considered separately.

(10.4.7.f) Examples of co-products that may be manufactured from captured process gases include: building materials such as concrete or carbonate aggregates; chemical intermediates such as methanol, formic acid or syngas; fuels such as aviation fuels, fuel ethanol or methane; food additives; polymers; carbon fibres; and other products.

(10.4.7.f.ii and iii) The site may select what it considers to be the most appropriate international standard for the purpose of determining the product carbon footprint as referred to in 10.4.7.f.ii and iii. The ResponsibleSteel standard does not specify which international standard is likely to be the most appropriate, but specifies that the report on the determination must be published and so be subject to public scrutiny.

(10.4.7.g) Carbon capture and storage refers to the capture of constituents of process gases for permanent storage (for example in geological formations).

(10.4.7.g.i) Upstream indirect (Scope 3) emissions associated with the CCS project (including emissions associated with capital goods) are not included in the crude steel GHG emissions intensity determination.
**Criterion 10.5: Site-level GHG emissions reduction targets and planning**

The site has a medium-term GHG emissions reduction target and plan that is aligned with achieving the corporate owner’s corporate-level GHG emissions target(s).

**Guidance:**

(10.5.1) Each site must have a target. The site-level target or target for the defined portfolio of sites must itself be below the average trajectory required to achieve the corporate owner’s overall corporate level target, OR, if this is not the case, the corporate owner must show that its whole portfolio of sites meets the requirements of 10.5.1 to 10.5.5, and so demonstrate that in combination its sites are on track to achieve its corporate level target.

(10.5.1) The site-level target is not required to include consideration of upstream indirect (Scope 3) GHG emissions, or measures for the reduction of the site’s upstream indirect (Scope 3) GHG emissions. However, sites which are planning in future to meet the requirements to market or sell their steel as ResponsibleSteel certified are recommended to consider measures for the reduction of their upstream indirect (Scope 3) GHG emissions at the earliest opportunity as the upstream indirect (Scope 3) GHG emissions will be included in the determination of the crude steel GHG emissions intensity performance for the site under the requirements of Criterion 10.4.

(10.5.1) The defined portfolio of sites must be from within the same Strategic Business Unit. The certificate applicant must be able to demonstrate that the sites within the defined portfolio are managed as a Strategic Business Unit. See the definition of Strategic Business Unit in the mandatory ResponsibleSteel Glossary.

(10.5.2) This requirement could be met, for example, through targets for: the purchase of electricity from low or zero carbon sources, renewable energy certificates, power purchase agreements, virtual power purchase agreements, or green tariffs paid in relation to the site’s sourcing of electricity. GHG reductions achieved through the use of biofuels that do not meet recognised sustainability standards shall not be recognised as contributing to the achievement of the net GHG reduction targets associated with the use of imported electricity. Recognised sustainability standards for biofuels are currently limited to the voluntary schemes recognised as meeting the sustainability criteria of the European Union’s Renewable Energy Directive (EU) 2018/2001 (see list of approved Voluntary Schemes: https://energy.ec.europa.eu/topics/renewable-energy/biofuels/voluntary-schemes_en#approved-voluntary-schemes-and-national-certification-schemes).

(10.5.2) Where a site introduces a new technology that has a major impact on reducing its direct emissions but results in an increase in the amount of imported electricity, the baseline for reducing net emissions for the imported electricity is set when the new technology is introduced.

(10.5.2) GHG emissions associated with imported electricity are considered significant if they represent more than 10% of the site’s total (direct and indirect) GHG emissions.

(10.5.2) Where imported electricity is generated from the use of the site’s own co- or by-products (e.g., process gases) whose GHG emissions have already been accounted for under 10.5.1, the GHG emissions for this imported electricity are considered to be zero for the purpose of calculating net GHG emissions under 10.5.2.

(10.5.2) Low carbon energy procurement must be consistent with a specified, recognised international or national standard or regulation and must be publicly reported (see 10.7.1.b). Examples of recognised standards include:

- The quality criteria set in the GHG Protocol Scope 2 guidance
- The RE100 credible claims guidance.

The medium-term plan should cover activities planned for the following 5 to 15 years, in accordance with the site’s financial and operational planning cycle. Longer term planning is also compatible with this guidance, so long as the time-specific milestones provide for effective monitoring in the medium term.
The content of the site’s plans is considered to be commercially confidential and shall not be disclosed by ResponsibleSteel or any auditors acting to verify compliance with the requirements of the ResponsibleSteel standard. The specified medium- to long-term targets and progress towards their achievement would, however, be reported.

The site’s decarbonisation plans should include reference to planned blast furnace relining, where relevant.

The medium-term target is reported to the ResponsibleSteel Secretariat under Requirement 10.7.1.d for publication on the ResponsibleSteel website.

Each site must have a target for the use of imported electricity (see 10.5.2). However, the target can be reported publicly as an average of the defined portfolio of sites.

**Criterion 10.6: Requirements to market or sell products as ResponsibleSteel certified**

The site may only market or sell steel products, co-products or by-products as ResponsibleSteel certified when the following requirements are met.

Note: this Criterion is only applicable to sites that produce crude steel and that wish to market or sell their steel products, co-products or by-products as ResponsibleSteel certified.

**Guidance:**

(10.6.1.a) For the purpose of determining the ResponsibleSteel GHG emissions intensity for crude steel, crude steel production is measured at the point that continuous casting or ingot casting has been completed, and prior to any further processing such as roughing or hot rolling. ‘Tonnage’ means ‘saleable tonnage’ (see glossary: Crude steel).

(10.6.1.a) For the purpose of determining the ResponsibleSteel GHG emissions intensity for crude steel, the quantity of scrap used in the annual production of crude steel includes end of life (EOL) scrap, manufacturing scrap and home scrap, but excludes internal scrap (see glossary). Crude steel that is rejected for quality reasons before the point at which the crude steel saleable tonnage is determined and which is returned to the steelmaking process is considered to be internal scrap. Metal waste that is generated after the point of measurement of crude steel saleable tonnage, and which is returned to the steelmaking process is considered to be home scrap.

(10.6.1.b). Site-specific data must be for a specified year of operation and be representative of current production. The year of operation may be defined as a calendar year, or in relation to a reporting year for the site. The completed year immediately prior to the audit shall be used as the default period, but if an earlier year is used this shall be reported and justified.

**Notes on ResponsibleSteel’s Decarbonisation Progress Levels:**

The specification of the ResponsibleSteel Decarbonisation Progress Level 1 has been subject to extensive discussions with the ResponsibleSteel membership and other stakeholders since 2018. The final specification is based on the scope boundaries and GHG accounting rules specified in Criterion 10.4. It has been determined taking account of: existing publicly accessible estimations on GHG emissions for steel production; site-specific data made available to ResponsibleSteel by its steelmaker member organisations, following both the worldsteel CO2 data methodology and the worldsteel LCI methodology; site-specific data for approximately 300 steelmaking sites around the world modelled by the consultancy organisation CRU; and the crude steel GHG emissions intensity reference values determined by IEA for steel production using pulverised coal injection (PCI) and electric arc furnace (EAF) technologies in the IEA report ‘Achieving Net Zero Heavy Industry Sectors in G7 Members’ (May 2022).

Finally, the threshold for the ResponsibleSteel ‘near zero’ Decarbonisation Progress Level 4 has been aligned with the IEA’s proposed threshold for ‘near zero emission production’ of steel, and the intermediate Decarbonisation Progress Levels 2 and 3 have been aligned with the proposed IEA performance ranges.
Review and revision of ResponsibleSteel Decarbonisation Progress Levels

The specified Progress Levels will be reviewed on a five-yearly basis and may be revised with the specific objective “to achieve the fastest global transition to a near zero steel sector”. The review will be carried out by ResponsibleSteel with the support of a working group of ResponsibleSteel members comprising equal numbers of business and civil society members, in accordance with a process to be agreed and overseen by the ResponsibleSteel board of directors.

The review will include consideration of:

i. Projections at the time for the sectoral transition required to achieve the goals of the Paris Agreement;

ii. Available data on the progress of the steel sector worldwide in reducing GHG emissions intensity for the production of crude steel;

iii. Projections for further reductions based on progress in the commercialization of new technologies, and public commitments by steelmakers worldwide;

iv. The status of demand side commitments to purchase/support ‘low GHG’/‘near zero’/‘net zero’ steel, including consideration of public procurement commitments, private sector commitments, finance sector commitments and relevant policies in relation to trade, carbon pricing, etc.

Revised Decarbonisation Progress Levels, if agreed, will be applicable after a 2-year transition.

Sites producing high alloy and stainless steels

The Decarbonisation Progress Levels in 10.6.3.b and 10.6.3.c have been specified excluding sites specialising in the production of high alloy and stainless steels, and excluding the contribution of upstream indirect (Scope 3) GHG emissions associated with the use of non-ferrous metal and ferro-alloys. The Progress Levels and thresholds are therefore based on global performance for steel production excluding the GHG emissions associated with the use of non-ferrous metals in steelmaking.

Technical specifications and Decarbonisation Progress Levels applicable to the ResponsibleSteel certification of high alloy steels and stainless steels are subject to ongoing discussion with stakeholders. They will be developed following the ResponsibleSteel Standard Development Procedures and will be submitted for member approval once finalised.

Pending finalisation of technical specifications and Decarbonisation Progress Levels applicable to the ResponsibleSteel certification of high alloy and stainless steels a replacement value for the upstream indirect (Scope 3) GHG emissions for non-ferrous metals and ferro-alloy input materials shall be used for the determination of the upstream indirect (Scope 3) GHG emissions for the crude steel produced at the site. The replacement value is equivalent to the ResponsibleSteel default embodied GHG value for ‘Cold iron, generic’, as specified in Table A1. This is intended to have the effect of removing variability in the measurement of the GHG emissions intensity determination of a site related to variations in its use of non-ferrous metals and ferro-alloy input materials.

Sites producing stainless and high alloy steels may apply for certification using the current Decarbonisation Progress Levels. If a site meets the specified Progress Level it may market and sell steels products that are produced at the site and that contain less than 8% alloy content as ResponsibleSteel Certified steel products, in accordance with ResponsibleSteel claims guidance (forthcoming).

However, sites are not permitted to market or sell steel products that are made from steel that contains more than 8% alloy content as ResponsibleSteel certified until the technical specifications and Decarbonisation Progress Levels for high alloy and stainless steels have been finalised and approved.

Sites that produce both high alloy or stainless steels and lower alloy steels in different production lines, or through batch processing, and that are able to determine the GHG emissions intensities separately for crude steel production lines or batches, will in future be permitted to market steels with less than 8% alloy content as ResponsibleSteel certified in accordance with the Decarbonisation Progress Level achieved for the production line or batch, subject to the development of guidance by ResponsibleSteel on the application of this approach.
This approach is intended to allow sites that are producing a range of different steels to take part in the programme at the earliest opportunity. It ensures that high alloy steels are not marketed as ResponsibleSteel certified when a major part of their GHG emissions profile, associated with their use of non-ferrous metals and ferro-alloys, has not been subject to any evaluation or comparison. And finally, it ensures that high alloy steels produced at sites that specialise in producing high alloy steels only are not unfairly disadvantaged in comparison to similar steels produced at sites that produce high alloy steels together with lower alloy steels.

Guidance:

(10.6.4) The requirement allows for co-products to be sold as ResponsibleSteel certified if the site wishes. The standard requires that the product carbon footprint is determined and declared if the product/co-product is to be marketed or sold as ResponsibleSteel certified. It is not a requirement when this is not the case.

NOTE: the determination and disclosure of the product carbon footprint is intended to ensure that GHG emissions associated with the processing of crude steel after its production are accounted for, and to provide customers with a full picture of the carbon footprint for the steel products they buy or specify.

A number of standards, methodologies and tools may be used to support the determination and reporting of the product carbon footprint, either as a unique attribute, or as one part of a broader assessment that considers other environmental aspects in addition to GHG emissions (for example as one aspect of an Environmental Product Declaration [EPD] or Life Cycle Analysis [LCA]). These include:

Standards that focus specifically on the product carbon footprint:

- The GHG Protocol Product Life Cycle Accounting and Reporting Standard
- PAS 2050:2011 Specification for the assessment of the life cycle greenhouse gas emissions of goods and services

Standards that cover a broader range of environmental aspects:

- EN 15804:2012 + A2:2019, Sustainability of construction works – Environmental product declarations - Core rules for the product category of construction products
- ISO 14025:2010 Environmental labels and declarations. Type III environmental declarations. Principles and procedures
- ISO 20915:2018, Life cycle inventory calculation methodology for steel products
- ISO 21930:2017 Sustainability in buildings and civil engineering works – Core rules for environmental product declarations of products and services.

Additional supporting tools and methodologies:

- EUROFER Methodology Report: Life Cycle Inventory on Stainless Steel Production in the EU, 2019
- The European Union Product Environmental Footprint (PEF) methodology (currently in transition phase of development)
- The CARES EPD Tool, for application to construction products
- The International Stainless Steel Federation (ISSF) Life Cycle Inventory / Analysis of Stainless Steel

(10.6.4) The rules of the applicable international or regional standard apply in relation to 10.6.4. ResponsibleSteel requirements (and in particular the requirements of Criterion 10.4) apply in relation to the determination of the ResponsibleSteel crude steel GHG emissions intensity performance for the site. The respective GHG accounting
rules applied by the site for the determination of the product carbon footprint may differ to those applied for the
determination of the ResponsibleSteel crude steel GHG emissions intensity performance for the site. Sites and
auditors must be mindful of such differences when preparing or verifying GHG emissions data for the different
purposes of the determination of the product carbon footprint for specific product categories or for the
determination of the ResponsibleSteel crude steel GHG emissions intensity performance for the site.

**Criterion 10.7: GHG emissions disclosure and reporting**

Key measures of the site’s GHG emissions performance are publicly disclosed.

**Guidance:**

(10.7.2) **Mandatory Guidance.** The certification body must provide the information listed in 10.7.2.a) and b) for
each site to the ResponsibleSteel Secretariat for review together with the public summary of its certification report,
before a certification decision is taken.

If a certificate is issued the ResponsibleSteel Secretariat will publish the information listed under 10.7.2.a for the
site, unless the site has specified that it wishes to disclose its crude steel GHG emissions intensity performance as a
weighted average for a group of sites. The ResponsibleSteel crude steel GHG emissions intensity performance level
for a group of sites may be published as a weighted average of the crude steel production volume (saleable tonnes)
for each member of the group where:

All the sites within the group are managed within the same strategic business unit and produce the same type of
steel (carbon and low alloy steels (<8% alloys and other elements); stainless steels (>10.5% chromium); or high alloy
steels (>=8% alloys and <10.5% chromium)), and

Each site within the group must be successfully audited against the core site certification requirements and must
achieve the Progress Level requirements for the responsible sourcing of input materials and climate change
and GHG emissions, at least to Progress Level 1 where levels are specified.

(10.7.2.b.v) The steelmaker must be able to demonstrate that the sites within the group are managed as a strategic
business unit (see glossary), meet customer orders through a collective production schedule and do not market
their own products as separate entities.

(10.7.2.b) Sites within a group may use different steelmaking technologies, including for example EAF and BF/BOF
sites within one group of sites reporting an averaged GHG emissions intensity for its crude steel production.

(10.7.2.b) When a site has chosen to report its ResponsibleSteel GHG emissions intensity performance and
performance level to ResponsibleSteel as an average across a group of sites it may not report or claim a different
site-specific ResponsibleSteel GHG emissions performance or Progress Level in any circumstances for other
purposes. If this were to occur and be brought to the attention of ResponsibleSteel the site would be taken out of
the group and the group average would be recalculated accordingly.

**Publication of data by ResponsibleSteel**

On the issue of a certificate the ResponsibleSteel Secretariat will add information about the crude steel GHG
emissions intensity performance for each site to the table of certified sites published on the ResponsibleSteel
website. In the case of sites that choose to report their crude steel GHG emissions intensity performance publicly
for individual sites, the table will list the site-specific information specified in 10.7.2.a i) to viii) for the site. In the
case of sites that have requested to report their crude steel GHG emissions intensity performance as an average
across a group of sites, the table will list the average of the site-specific information specified in 10.7.2.a iii),and iv)
weighted according to the quantity of crude steel (saleable tonnes) produced at each site in the group, together
with the ResponsibleSteel Decarbonisation Progress Level (1, 2, 3 or 4) that has been achieved for the group of sites
as a whole, based on the weighted average.

In the case of sites that choose to report their crude steel GHG emissions intensity performance as an average
across a group of sites, this will be clearly stated in the table with the relevant information for the site as specified
in 10.7.2.b.i – iii. The individual site-specific information specified in 10.7.2.a iii) and v) will be held by ResponsibleSteel as confidential information.

(10.7.3) See Glossary for definition of ‘public/ publication’:

Public/ publication: This means that information is either accessible by the public (e.g. through information published on the site’s website or through information published on a regulatory website) or that information could be accessed through legal public means (e.g. through information requests to regulators).

In the case of the product carbon footprint the information should be readily accessible via the certificate holder’s website.

(10.7.3) The declaration of the product carbon footprint (cradle to gate emissions) for the product must be communicated clearly and be clearly distinguished from the consideration of GHG emissions related to further product life cycle considerations taking place beyond the production site gate, for example in relation to emissions associated with the product’s use and/or end of life disposal, and/or potential benefits associated with its reuse, recovery, or recyclability.

(10.7.3) The declaration of the product carbon footprint of the product will follow the rules for disclosure and reporting as specified in the applicable international or regional standard(s) referenced in 10.6.4. The rules for averaging emissions across product categories or sites will also be as required by the applicable international or regional standard(s) and are independent of the rules for determining and reporting the GHG emissions intensity for crude steel production as specified in 10.7.2.

Updating disclosed GHG data

(10.7.1, 10.7.2, 10.7.3) The information specified in 10.7.1, 10.7.2 and 10.7.3 must be reviewed by the certification body at the time of the site’s surveillance visit and if the information has been revised (including any changes to the emissions intensity achieved at specific sites, and/or changes to the sites that are to be included in the group average) the certification body must submit the updated information to the ResponsibleSteel Secretariat which will update the table of public information as applicable.
Principle 11. Noise, Emissions, Effluents and Waste

**Criterion 11.1: Noise and vibration**
The site implements plans to prevent and reduce adverse impacts from noise and vibration on communities or the environment.

**Guidance:**
For Criterion 11.1 sites are expected to go beyond minimum legal requirements.

**Baseline (11.1.2):** This refers to a baseline under business as usual circumstances.

**Potential opportunities to prevent or reduce noise and vibration:** Sites are expected to identify opportunities and define targets beyond regulatory requirements. Opportunities may include technological adjustments or investments, changes of practice, or other approaches. Sites should identify and consider relevant guidance such as the European Union Best Available Techniques (BAT) conclusions for iron and steel production or the IFC Environmental, Health, and Safety (EHS) Guidelines, General EHS Guidelines, Environmental, Noise Management. Note that the IFC guidelines address noise beyond the property boundary of facilities.

**Interpretation on 11.1:**
ResponsibleSteel understands that vibration related to steel sites and their operations might not pose an issue to communities. Sites are expected to document how they have considered potential adverse impacts of machinery-related and groundborne vibration on communities. Assuming no adverse impacts have been identified or have been raised as issues by stakeholders or regulators, sites might be able to justify why they provide a minimal response to requirements 11.1.1. to 11.1.6 in relation to vibration.

Sites are expected to address the potential health and safety impacts of machine vibration on workers though. Ultimately, auditors must be satisfied that the intent of Criterion 11.1 in relation to vibration is met.

**Applicability to office and other administrative buildings:** The Criteria in the Noise, Emissions, Effluents and Waste Principle are not applicable to office and other administrative buildings of a site since their impacts related to the Criteria in this Principle can be considered non-material.

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**Criterion 11.2: Emissions to air**
The site implements plans to prevent and reduce emissions to air that have adverse impacts on communities or the environment.

**Guidance:**
For Criterion 11.2 sites are expected to go beyond legal minimum requirements.

**Adverse emissions to air:** This refers to the emissions identified in the European Union's (EU) Air Quality Standards as being known to have adverse impacts. Sites are required to measure and monitor these emissions where they occur as a result of the site’s activities. Note that only the listed pollutants must be monitored. The concentrations given in the table are not applicable since they apply to ambient air.

Note that monitoring adverse emissions to air from fugitive and diffuse sources is acknowledged to be challenging. The effort that would have to be put into an effective monitoring system is considered to outweigh the benefits of
monitoring. For this reason, ResponsibleSteel does not require sites to monitor fugitive and diffuse adverse emissions. However, sites must demonstrate real effort in preventing and reducing these emissions as they affect local communities and are often not covered well by permits.

**Diffuse and fugitive emissions:** These occur, for example, in the handling of materials, storage, conveying, charging, coking, pushing, quenching and grinding. They also include drifts from piles, slag heaps and other surfaces, turbulence caused by traffic, emissions from roofs and openings in building. Diffuse and fugitive emissions can be solid, liquid or gaseous and are caused, in particular, by leaks of open processes, displacement losses and diffusion and evaporation processes.

Reduction of diffuse and fugitive emissions can be achieved through structural and operational measures such as the enclosing of selected plant components, covering stockpiles, installing windbreaks or the regular cleaning of driveways.

Emissions of dust (including PM10 and PM 2.5) can be prevented by, for example:

- Minimising charging emissions (e.g. smokeless charging or sequential charging)
- Sealing of openings
- Minimising leakage
- De-dusting
- Fabric filters
- Electrostatic precipitator
- General good maintenance

**Criterion 11.3: Spills and leaks**

The site works to effectively prevent, detect, mitigate and remedy spills and leaks that cause harm to communities or the environment.

**Guidance:**

**Spill:** Accidental release of a hazardous substance that can affect human health, land, vegetation, water bodies, and ground water (adopted from Global Reporting Initiative (GRI) Standards Glossary, 2016)

**Leakage:** Process in which material is lost through holes or defects.

**Criterion 11.4: Waste, by-product and production residue management**

The site applies the waste management hierarchy to reduce the impact of its waste and residues and takes account of full life cycle impacts to find the waste management option with the lowest environmental impact.

**Guidance:**

**Hazardous and non-hazardous waste:** These may be differentiated using national legislation, the European Union’s 'List of Waste' or the US EPA Resource Conservation and Recovery Act (RCRA) Regulations. For hazardous waste transported by or on behalf of the site, the 'Basel Convention' shall be used.

**Characterise accruing waste and production residue:** Characterisation should include the source, quantity, hazardous/non-hazardous, production rate, composition, separation, treatment, storage, transport mode and route, destination and method of disposal.

**Measures for improved waste and production residue management:** This includes technical measures, operational, production and management controls.
Principle 12. Water Stewardship

Risks associated with off-site movement and transportation of waste and production residues: These may stem from routes taken, proximity to populated areas, use of sealed containers, regulation regarding transportation of hazardous materials.

Cyanide: In blast furnaces, small amounts of cyanides are produced. The oxides, carbonates and silicates of the alkali metals contained in the coke and the acid additives are reduced and evaporated in the blast furnace. Sodium and potassium vapour react with nitrogen from the injected air and carbon from the coke to form sodium cyanide and potassium cyanide. Where relevant, the site should take account of the International Cyanide Management Code or other relevant best practice to manage cyanide. The International Cyanide Management Code focuses on the safe management of cyanide that is produced, transported and used for the recovery of gold and silver, and on mill tailings and leach solutions. However, the standards of practice described in the Code are applicable to other sectors as well.

Criterion 12.1: Water-related context
The site understands the current and future water-related needs and dynamics in its area of influence.

Guidance:
Understanding shared water challenges and risk: The following tools might be useful for sites:

- 'Aqueduct' of the World Resources Institute
- WWF's 'Water Risk Filter'
- 'India Water Tool' developed and maintained by a coalition of companies and organisations

An introductory webinar organised by the World Business Council for Sustainable Development (WBCSD) explains what these tools offer and how they differ. A report on these tools is scheduled for publication in late 2019 and will be available at https://waterriskfilter.panda.org/en/Explore/WaterRiskReports.

NOTE: The Alliance for Water Stewardship's standard and guidance are recommended resources for sites to become familiar with and apply the concept of water stewardship.

Criterion 12.2: Water balance and emissions
The site measures the flow of water in and out of its site and the quality of its water withdrawals and discharges.

Guidance:
Credible methodologies or prevailing water quality standards: Examples are the AWS International Water Stewardship Standard, Version 2.0, or the United States Environmental Protection Agency (US EPA) National Recommended Water Quality Criteria.
**Criterion 12.3: Water-related adverse impact**
The site evaluates its water-related adverse impacts on the local environment and communities.

**Guidance:**
Water-related impacts: The standard of the Water Stewardship Alliance (AWS) and its guidance is a recommended source to consult on water-related impacts.

**Criterion 12.4: Managing water issues**
The site addresses water-related challenges and adverse impacts in its area of influence.

**No further guidance**

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**Principle 13. Biodiversity**

**Criterion 13.1: Biodiversity commitment and management**
The site is committed to protecting biodiversity and applies the mitigation hierarchy to manage its biodiversity risks and adverse impacts.

**Guidance:**

13.1.2: Note that the ResponsibleSteel Standard applies to existing sites. This means that sites that were in existence at the time the ResponsibleSteel Standard was approved (05 November 2019) cannot initiate activities or plan associated facilities in or immediately adjacent to areas listed under 13.1.2.

A comprehensive collection of terms and definitions related to biodiversity can be found on https://biodiversitya-z.org/.

The following websites and databases may be helpful for sites:

- The IUCN Red List of Threatened Species
- World Database of Key Biodiversity Areas
- World Heritage List
- Protected Planet (for protected areas)
- The IBAT Alliance hosts databases on the IUCN Red List of Threatened Species, Key Biodiversity Areas and Protected Areas, which may assist sites with their biodiversity risk and adverse impact assessment.

**IUCN categories I-VI:** Where countries do not assign management categories to their protected areas, the site does not initiate activities or plan infrastructure that is incompatible with the value for which the respective protected area was designated.

The **biodiversity risks and impacts assessment** should consider:

- Input received from consultation with stakeholders such as authorities, conservation organisations, research institutions, and local communities;
- Threats to biodiversity, including habitat loss, degradation and fragmentation, invasive alien species, overexploitation, hydrological changes, nutrient loading, and pollution;
- Direct and indirect impacts on the landscape or seascape where the site operates;
The importance of ecosystem services to the well-being of communities living in the site's area of influence. 'Guidance for Assessing and Managing Biodiversity Impacts and Risks' has been developed by the Inter-American Development Bank. While it was drafted for countries in Latin America and the Caribbean, the principles and actions outlined in the guidance are applicable elsewhere.

**Biodiversity management plan:** There is no standard template for a biodiversity management plan because the issues it needs to address are determined by the location, the biodiversity values at the site, and the nature of the site's operations. However, a possible structure might be:

- Biodiversity context
- Prioritisation of biodiversity features and components
- Objectives and targets
- Actions
- Implementation
- Monitoring and surveillance
- Budgets and timelines
- Reporting

Guidance on how to develop such a plan is offered by the World Business Council for Sustainable Development's (WBCSD) Biodiversity Management Plan (BMP). The guidance was developed for the cement sector but is relevant for others sectors as well.

**Offset best practice:** One example is the IUCN Policy on Biodiversity Offsets.
Annex 6 (informative): ResponsibleSteel
Standard Terms of Reference

1. Objective

1.1 The objective of the ResponsibleSteel Standard is to support the responsible sourcing and production of steel, as a tool for the achievement of ResponsibleSteel’s vision: to maximise steel’s contribution to a sustainable society.

2. Change Mechanism

2.1 In order to achieve this objective, the ResponsibleSteel Standard shall:

a. Define the fundamental elements that characterise the responsible sourcing and production of steel, to the satisfaction of downstream customers, users and civil society supporters;

b. Define levels of performance in the implementation of these fundamental elements of ResponsibleSteel, that:

   ii) Encourage the broad participation of steelmakers in both developed and developing countries in the ResponsibleSteel programme;

   iii) Merit the recognition and endorsement of the programme’s civil society supporters;

   iv) Maximise steel’s contribution to a sustainable society through the responsible sourcing of its raw materials and management of the impacts of its production.

3. Scope of Application and Issues

3.1 ResponsibleSteel Standard shall be applicable globally and to all types of steel production, including Basic Oxygen Furnace (BOF) steelmaking and Electric Arc Furnace (EAF) steelmaking.

3.2 The ResponsibleSteel Standard shall include Requirements that address the sourcing (and where relevant aspects of processing) of raw materials that are used for the production of steel and which have significant social and/or environmental impacts. Such raw materials include mined materials, refined metals for alloys and coatings, and pre- and post-consumer scrap metal for recycling.

3.3 The ResponsibleSteel Standard shall include consideration of the indirect emissions of greenhouse gases associated with energy generation (scope 2) as well as other (scope 3) indirect emissions of steelmaking.

3.4 The ResponsibleSteel Standard shall include Requirements that address the key societal, social and environmental issues associated with the production of steel and the sourcing of its raw materials, including: Business Integrity; Climate Change and Greenhouse Gas Emissions; Emissions, Effluent Waste; Water Stewardship; Biodiversity and Ecosystem Services; Human Rights; Local Communities and Indigenous Peoples; Labour Rights; Occupational Health and Safety; Legacy Issues.
4. Recognition of Other Sustainability Programmes

4.1 Where the ResponsibleSteel Standard’s objectives can be achieved most effectively through the recognition of performance Requirements defined and verified by other sustainability programmes in accordance with ResponsibleSteel’s Requirements, this shall be the preferred approach.

4.2 This approach shall be applied, in the first instance, to the recognition of programmes covering the responsible sourcing of raw materials.

5. Content and Structure

5.1 The ResponsibleSteel Standard shall include introductory sections describing its objectives, its scope of application, and providing a general description of the mechanisms for its verification and of the claims that may be made by businesses that are verified as complying with the Standard’s Requirements, and by their customers.

5.2 The ResponsibleSteel Standard may provide for different levels and/or types of claims to be made depending on the level of performance that is achieved, and may be divided into separate parts to reflect this.

5.3 The ResponsibleSteel Standard shall include the date on which it is ratified, and in the case of an updated version any transition period that may apply before the updated version comes into effect.

5.4 The ResponsibleSteel Standard may include sections that are applicable to specific categories of users, if this is necessary to ensure that the Standard can be applied to all categories of users within its scope of application.

5.5 The ResponsibleSteel Standard shall include Requirements for the collection and/or collation of the long-term data necessary for ResponsibleSteel to monitor the efficacy of the ResponsibleSteel Standard in achieving its objectives.

5.6 The Requirements of the ResponsibleSteel Standard:
   a. Shall be drafted so that conformity can be assessed for any applicant within the scope of the ResponsibleSteel Standard without the need for subsequent modification or adaptation;
   b. Shall be drafted to minimise ambiguity in interpretation;
   c. May be expressed in terms of process, management or performance Requirements;
   d. Shall not be intended to favour any specific technology or patented item.

6. Glossary of Key Terms

6.1 The ResponsibleSteel Standard shall include or reference a glossary of key terms required to guide its consistent interpretation and implementation.
Annex 7 (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.

A relatively new tool that has the potential to greatly support supply chain visibility efforts is called ‘Kapital’. Their datasets are aimed at providing clarity of world trade, allowing businesses to optimise supply chains, form strategic partnerships, boost profits and minimise risks. Kapital’s ‘Hayek Dataset’ contains masses of world trade data that is cleaned, standardised and enriched, before Kapital’s algorithms process and converge it into a single database. The ‘Mises Dataset’ details transactions from each intermediary node of a product’s global supply chain. It is produced using advanced machine learning algorithms to fill gaps in existing world trade records.

**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](https://www.delve.com) provide a summary analysis of the artisanal and small-scale mining sector for a specific country;
- The [CSR Risk Check](https://www.mvonenederland.nl) 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](https://ec.europa.eu/trade/)
- 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](https://www.oecd-ilibrary.org/agriculture/oecd-fao-guidance-for-responsible-agricultural-supply-chains_9789264300866-en) (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 3 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](https://www.transparency.org)
- **EPI** = [Environmental Performance Index](https://www.milkeninstitute.org)
- **HFI** = [Human Freedom Index](https://www.freedomhouse.org)
- **WGI** = [World Governance Index](https://www.govindex.org)

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;
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:

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Definite</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Marginal</th>
<th>Insignificant</th>
<th>Marginal</th>
<th>Moderate</th>
<th>Critical</th>
<th>Catastrophic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likely</td>
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<td>Seldom</td>
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</table>

- Are maintained and kept up to date.
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.
Annex 8 (informative): Further information on initiatives relevant for scrap

The Bureau of International Recycling (BIR) has published a series of tools and guidance which align to ISO standard requirements and incorporate international regulatory requirements relating to the recycling industry, such as end-of-waste procedures complementary to the Council of the European Union’s Regulation (EU) No 333/2011, OECD core performance elements for environmentally sound management and the 2009 Chinese Regulations Governing the Inspection, Quarantine and Supervision of Imported Solid Scrap Usable as Raw Materials.

Other relevant standards and tools include, but are not limited to:

- Institute of Scrap Recycling Industries (ISRI) [RIOS standard for the recycling industry](http://example.com/rios)
- [R2 – Electronics waste recycling standard](http://example.com/r2)
- [ISO/AWI 59014: Secondary materials — Principles, sustainability and traceability requirements](http://example.com/59014) (under development)
- [SA 8000](http://example.com/8000) for social accountability certification
- [Bureau of International Recycling, Tools for Quality Management](http://example.com/bir_quality)
- [Bureau of International Recycling, Tools for Environmentally Sound Management](http://example.com/bir_environment)
- [Bureau of International Recycling, Tools for Occupational Health and Safety Management](http://example.com/bir_occupational)
Annex 9 (informative): Risk factors and assessment of scrap supplies

Risk Assessment: On ongoing, proactive and reactive process through which corporate owners and site management assess their and their supply chains’ management practices and performance in respect of human and worker rights, degradation of the environment and impact on corruption and conflict.

The information below is not a comprehensive description of how to conduct a risk assessment nor is it a complete list of sources and relevant information. It is selected guidance relevant to a scrap supply chain risk assessment that should be supplemented by other sources and approaches. As well as extensive guidance provided by the OECD for due diligence, there are many other sources which may be useful as well as proprietary tools and services which can assist in or provide a risk assessment.

Scrap risk factors: Risks relating to scrap input material can vary significantly. A risk assessment should consider the following factors:

- The country of origin: Meaning when the scrap first becomes scrap after its previous use. This recognises that regulation and enforcement of regulation varies between countries and that known risks are prevalent in certain countries.
- The supplier: Existing knowledge of a supplier can influence risk assessment as can the size and type of supplier, recognising that risks may relate to the supply chain stage. For example, risks from poor worker conditions and human rights infringements during shipping may be considered for traders and shipping, while health and safety and environmental pollution risks may be more apparent at scrap aggregation and processing sites.
- The type of material: Pre-consumer scrap may present less ESG risks than post-consumer scrap and the ability to generate evidence may vary depending on the type of scrap.
- The value and format of transactions: Cash purchases are legitimate and acceptable practices. However, they present a greater risk of money laundering and corruption and are more common in certain geographies.
- Unusual circumstances: For example, unusual trading patterns, changes to typical supplier activity, new sources, unavailability of statutory trading documentation may raise risk.
- Established risk profiling information: Some references are provided in the risk assessment guidance below and there are many other sources of information that may be relevant to your scrap supply chain.

For scrap, ResponsibleSteel is initially focusing on the direct suppliers and the countries of origin for suppliers further upstream.

For ESG risk assessments of direct suppliers, the following proprietary services may be used to support supply chain risk assessment at company and sometimes site-levels: Assent Supply Chain Sustainability Platform, Ecovadis, ELEVATE Responsible Sourcing Assessment (ERSA), Responsible Minerals Initiatives (RMI) - Risk Readiness Assessment (RRA), Sedex Supplier Risk Assessment Tool (Radar, which also provides for site assessments), Sourcemap, Track Record Global, to name a few. Other services are available and it should be noted that the Material Insights platform will soon feature a scrap profile.
Where a company has an existing approach to risk assessment for its scrap supply chain, or uses such a proprietary service, it should be based on the following characteristics:

- it covers human and workers’ rights, degradation of the environment, impact on corruption and conflict;
- it draws on legitimate risk evaluation indices and sources;
- it has been developed with input from different external stakeholders;
- its results are independently verified;
- it is maintained and kept up to date.

For country-based ESG risk assessments, the following information may be used, extracted from the August 2020 report ‘Responsible Sourcing of Scrap Metal as a Raw Material for Steel Making’, which was drafted by Track Record Global for ResponsibleSteel. The full report is available to ResponsibleSteel members on request. It can be used to provide an indication of ESG issues in individual countries. It can be further combined with internationally recognised, country-based indices of risk, as detailed below.

<table>
<thead>
<tr>
<th>Country</th>
<th>Shipbreaking activity</th>
<th>Processing activity</th>
<th>Metal theft</th>
<th>Money laundering</th>
<th>Material Quality</th>
<th>Regulatory strength</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
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<td>South Africa</td>
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<td>Brazil</td>
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<td>Mexico</td>
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<td>Argentina</td>
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<td>Pakistan</td>
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<td>Bangladesh</td>
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<td><strong>Europe</strong></td>
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</tbody>
</table>
In addition, for country of origin-related risk assessments, the following indices and thresholds can be used:

<table>
<thead>
<tr>
<th>Country</th>
<th>CPI score &gt; 50</th>
<th>EPI score &gt; 60</th>
<th>HFI score &gt; 7</th>
<th>WGI aggregate score &gt; 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>X</td>
<td>X</td>
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<td>Turkey</td>
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<td>Australia</td>
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<td>New Zealand</td>
<td>X</td>
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</tbody>
</table>

Legend

X moderate concern
X serious concern
X critical concern

Regarding the World Governance Index (WGI):

To get an aggregate WGI score for a particular country, go to the WGI website, select 'Country Data' view, then select 'multiple indicators' from the dropdown indicator menu and check all indicators, enter the year and country.
Whichever risk is highest should be adopted as the risk assessment for that country. Details of the risk profile can inform the scrap ESG performance improvement strategy.
General guidance on carrying out risk assessments and due diligence:

The commentary to the UN Guiding Principles on Business and Human Rights (item 17) acknowledges that carrying out due diligence on every individual relationship may be impossible in some circumstances. In such cases: “...business enterprises should identify general areas where the risk of adverse human rights impacts is most significant, whether due to certain suppliers’ or clients’ operating context, the particular operations, products or services involved, or other relevant considerations, and prioritise these for human rights due diligence”. For scrap supply, this can be informed by risk factors provided in this guidance.

Key choke points in supply chains are key points of transformation that include relatively few actors that handle or process the material and have higher visibility and control over upstream stages. In the scrap supply chain these are likely to be the initial scrap consolidation, collection, shredding, grading and sorting activities that happen at a local or regional level within countries before the scrap is sold onto domestic and international markets. Typically, these processes occur at businesses operating a physical scrap yard and may be linked to transport hubs, ports and shipments. Risk assessments may seek to focus on these choke points and activities.

Small or medium-sized enterprises with many business relationships may face resource constraints in carrying out effective risk assessments. They should look to existing resources such as public information on risks in certain supply chains. They should also work with their industry associations to obtain technical assistance as appropriate.

Traders are often a chokepoint where risk assessment information can be restricted. The examples below offer some guidance on opportunities for the risk assessment/due diligence of particular trading types. (Edited from Source: Box 21, p32 of the Commodity Trading Sector Guidance on Implementing the UN Guiding Principles: High level scenarios: The Swiss Government and the Institute for Human Rights and Business, 2018)

1. **Commodity Futures Exchanges:** In cases when a seller and a buyer are matched by a commodity futures exchange, the parties involved are typically unable to undertake prior due diligence on the other party, including supply chain due diligence. Enterprises could, as part of their policy commitment to the ResponsibleSteel Scrap Principles, individually and collectively encourage exchanges to include assessment of ESG risks as part of contract specifications. Exchange deliveries are typically treated as low risk (with respect to performance), but these should be treated as higher risk for human rights, labour conditions and environmental due diligence.

2. **Commodity Brokers:** In cases when a seller and a buyer are matched by a commodity broker, that broker will typically be given a “permitted counterparties” list by its client that includes all the parties with whom that client is prepared to be matched. That list will contain only the names of companies that passed the client’s Know Your Counterparty/Customer processes and had credit limits put in place in respect of it. Commercially reasonable due diligence for inclusion on a permitted counterparties list can include human rights, ethical practices, labour conditions and environmental due diligence provisions.

3. **Seller/Buyer Relationships:** In cases when a seller and a buyer form a relationship outside a market (exchange, trading platform or network of brokers) due diligence will depend in part on what is achievable prior to the first transaction. Clauses should be included in contract terms that permit a termination of the contract in the event that a code of conduct is found to have been breached. This may allow time for a buyer to conduct more due diligence between the time of entering into the
contract and the time of performance of the contract. Where the relationship is to be continued over time, it is usual to conduct more comprehensive due diligence, for example reviewing or requesting (if not publicly available) code of conduct or policies, Health, Safety, Security, Environment (HSSE) records, sustainability reports (if applicable) and additional checks on the company and its management from different systems and sources a company has access to, including resources on the ground.

4. Spot Supply Contracts: In cases when a seller and a buyer enter into a spot supply contract where the commodities are already in transit (for example on board a vessel) then it is likely that the seller will give no opportunity for due diligence other than to supply required documents (quality and quantity certificates, origin certificate, etc). Enterprises should treat these types of purchases as high risk as it is difficult to verify the accuracy of the certificates or to conduct further due diligence. New digital technologies are being developed in an effort to address these concerns. Industry-wide action will be required to address these high risk practices.

For further detail on potential risk assessment documentation regarding environmental impact of relevance to traders, please see: Follow-up to the Indonesian-Swiss country-led initiative to improve the effectiveness of the Basel Convention. Framework for the environmentally sound management of hazardous wastes and other wastes, June 2013.

Additional information in relation to reducing risks related to scrap procured from higher risk sources, including from developing countries can be found in ISO/IWA 19:2017(E) Guidance principles for the sustainable management of secondary metals.

For further information on expectations of due diligence in conflict-affected and high risk areas see: OECD 2016. OECD Due Diligence Guidance For Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition.
Annex 10 (informative): Background to Criteria 3.2 and 3.4

Background to Criterion 3.2: Know your upstream supply chains

We acknowledge that it is a big challenge to know 100% of supply chain links and to know these at all times. Especially when input material is purchased on spot markets, via brokers or traders, it might not always be possible to find out the identity of more distant suppliers. However, if supply chain links are not known, steel companies will not be able to understand the ESG risks and impacts associated with these materials to guide their sourcing decisions. For this reason, ResponsibleSteel’s vision is that, eventually, 100% of supply chain links are known. This will take time, but tightening regulations, pressure from downstream customers, investors, civil society and other stakeholders, as well as technological advances will help achieve this. While ResponsibleSteel’s requirements currently do not specify that 100% of supply chain links must be known, our intention is that the next iteration of our requirements will do so and this will form the basis of member and stakeholder consultation when the time comes.

Note that ResponsibleSteel will consider developing a platform or adopting an existing platform for collecting and safely sharing supplier information among ResponsibleSteel certified entities to help keep administrative burden low for both steel companies and suppliers of input materials. Whether such a platform is a feasible option for ResponsibleSteel will be discussed with our members.

Background to Criterion 3.4: Strengthen and account for responsible sourcing

Criterion 3.4 is divided into 4 Progress Levels. For Progress Level 1, it requires that a large share of input material used at the steel site comes from suppliers that are committed to a recognised input material programme. For Progress Levels 2, 3 and 4, suppliers must have achieved a pre-determined ESG performance level under a recognised programme, with the required performance increasing from one Progress Level to the next. To prove that the required input material share is achieved under Progress Levels 2 to 4, an unbroken Chain of Custody has to be in place, starting with the sites of origin and ending with the respective steel site.

We refer to this as ‘upstream Chain of Custody’. In the context of ResponsibleSteel, upstream Chain of Custody means that input material from different suppliers can be blended and mixed throughout the supply chain, but that the share of input material from sites of origin and upstream processing that are part of a recognised input material programme is recorded at each supply chain stage and that related information is transferred from one stage to the next. Suppliers may sell this share as ‘CoC Input Material’. The Chain of Custody model we aim to establish will monitor the movement of input material through the supply chain, but it will not make it possible to trace individual shipments or individual components in a steel product back to the place where the raw material was extracted or harvested.

Full traceability would require that ‘CoC Input Material’ is kept separate from other input material on-site at steel companies and at their suppliers. Since the steel sector relies on many different materials from many different suppliers, this is deemed too complex to achieve. In essence, our Chain of Custody will not create a link between the physical input material and the associated paper trail. This means that even if the delivery note of the supplier or other relevant documentation states ‘CoC Input Material’, the actual
provided input material might not originate from a mine or forest management unit that participates in a recognised input material programme. The purpose of a Chain of Custody is to create trust that the share of input material that is claimed to be from responsible suppliers does indeed come from suppliers with decent ESG performance. If correctly implemented, our proposed Chain of Custody model will do that, but readers should be aware of the disconnect between the physical input material and the associated paper trail.

The Chain of Custody model we want to implement is referred to as ‘mass balance’. It is widely used in other sectors and this short video illustrates how mass balance works (provided by the Rainforest Alliance).

‘CoC Input Material’ can only be sold in supply chains with an unbroken Chain of Custody. Where extraction sites or upstream processing sites do not meet the required ESG performance under that programme, the Chain of Custody is broken and suppliers cannot sell the respective input material as ‘CoC Input Material’. The same applies if direct and indirect suppliers do not record ‘CoC Input Material’ or do not transfer related information to their customers.

Responsible sourcing is a shared supply chain effort and an intact Chain of Custody can only be realised if steel companies and their supply chains work together. Initially, we will not require that suppliers become certified to a full-fledged Chain of Custody Standard. Instead, the requirements we have outlined below in levels 2 to 4 are the starting point to establishing a robust Chain of Custody system in steel supply chains. This approach recognises the current immaturity in the steel sector in applying Chain of Custody standards. Going forward, however, we will expect that supply chain partners achieve Chain of Custody certification to protect ResponsibleSteel and its members from risk of false claims related to responsible sourcing. To this end, we will seek to recognise Chain of Custody Standards that already exist or are under development, such as those of the Aluminium Stewardship Initiative (ASI), the Forest Stewardship Council (FSC) or the Initiative for Responsible Mining Assurance (IRMA). The requirements outlined in this document are thought to be a suitable stepping stone to alignment with these Chain of Custody Standards. We will also work with any recognised input material programme to make sure that their systems enable the establishment and maintenance of an unbroken Chain of Custody.

In light of the above and to prepare for a full Chain of Custody system, steel companies will have to ask their direct and indirect input material suppliers - whether they are traders, brokers, processing or sites of origin - to contribute to establishing a Chain of Custody. Some modification to the accounting systems of suppliers and steel companies will be needed to record incoming and outgoing ‘CoC Input Material’, to mark relevant shipments as ‘CoC Input Material’ and to determine the share of ‘CoC Input Material’ compared to the overall quantity of received input material. It should be noted that Chain of Custody certification is common practice in other sectors such as forestry, fisheries and agriculture and should become standard practice in steel supply chains too.

Note that the Chain of Custody requirements initially do not apply to scrap.
### Annex 11 (informative): General considerations in relation to responsible sourcing

| Responsible sourcing is a journey | • Origin of input material is often not known, meaning the ESG performance of suppliers is often not known  
• Only a fraction of suppliers can currently provide independent evidence of performance across the full spectrum of ESG issues |
| --- | --- |
| It is complex | • Steel company influence on indirect suppliers is often low  
• There are many materials and many suppliers, and mixing and blending of material throughout supply chains is a reality  
• We are dealing with supply networks rather than supply chains |
| One of many challenges | • The 12 Principles for ‘Core Site certification’ with their 370 requirements must be met by steel sites as a prerequisite to Progress Level certification. |
| Keep it manageable | • Focus on materials that are most closely associated with steel production and processing  
• Build on existing and recognised programmes for verifying supplier ESG performance  
• Potentially develop an online platform for managing supplier engagement |
| Make it relevant | • Different requirements for extracted materials and for scrap to reflect the structural differences of the sectors  
• Requirements will be reviewed at least every 5 years, meaning they can be adjusted if they are not found to be effective or achievable |
| Be transparent and truthful | • Communicate clearly what our responsible sourcing requirements entail and what participating steel sites have achieved to build trust with stakeholders and to avoid raising false expectations  
• The claims that certified entities can make, i.e. the messages they are allowed to use to communicate their certification, have to be proportionate to what has been achieved |