Responsible Steel Stewardship –Phase 2 Design Development Design Principles
Version Final – 15th August 2013

SCHEME OBJECTIVES

DP#1: Scheme Objective – Plain English

What the Scheme is

Certification of an independently audited set of the principles and criteria required to establish the sustainability credentials of a steel product supply chain into the Australian market.

Certification is to be recognized by use of an appropriate label.

What the Scheme will achieve

• A structured, efficient and multi metric method for steel supply chain companies to communicate their company and product credentials to the public and market

• Performance benchmarking, setting of improvement targets and monitoring of progress towards achieving targets

• Member access to resources and networks to assist in improving performance e.g. energy efficiency and profitability

• Differentiation of certified participant companies and their products from others in the market

• Savings in time, effort and money for the participants and their customers when they have to verify their sustainability attributes.

• Acceptance by specifiers and purchasers – seen as a valuable and differentiating requirement in specifying materials and suppliers for projects.

• An integral component of rating tools

• Help certified participants to meet current and future demands for reliably audited sustainability credentials for their products.

> *Rationale*
> - *The above developed by SSF in Phase 1 business case activity and is published on the SSF website, and still appropriate based on ACCSR stakeholder survey results.*

Objective Summary

Responsible Steel Stewardship will be a not-for-profit scheme established to provide consumer confidence in the responsible practices of organisations and their products within the steel supply chain to the Australian market including mining, steelmaking, steel product manufacture, fabrication and coating, use, bi-products and recycling.

Responsible Steel Stewardship will be a mark of audited compliance with a set of standards, and it will differentiate product, provide assurance when selling and purchasing, and advance the cost-effective practices of a responsible steel supply chain

> *Rationale*
> - *This summary based on what is important to stakeholders from ACCSR survey results and guiding Responsible Jewellery statements as an example.*

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DESIGN PHASE (PHASE 2) SCOPE

DP#2 Objectives of the Design Phase (Phase 2)

What the Design Phase is
It is creating the detailed design of the certification scheme. The design phase will develop the Principles and Criteria framework for entities across the supply chain sectors, and construct a process for an off-line pilot to be implemented in the next Phase (Phase 3). The design will be informed by both targeted market research and active involvement of the key stakeholders and members throughout the process

What the Design Phase will achieve
The result will be a blueprint for implementation. It will make clear-.
  • The concepts and principles involved

  • The criteria which will be the basis for certification

  • Costing and budgetary implications

  • Key risks and mitigation required

  • Timeframe and resource needs for implementation & operation

It will identify the 'must have' value proposition of the scheme, for participants, customers, specifiers and other parties of influence.
The blueprint will enable the Forum to make a fully informed decision on progressing to the implementation stage.

What the Design Phase will not achieve
  • An operational scheme

  • A web enabled back office / data base / workflow engine

Rationale
- *Restatement from the SSF website on Phase 2 objectives as previously signed off on by SSF members– no change.*

SCHEME COVERAGE

DP#3 Entity or Product Certification
Responsible Steel shall first certify 'entities' along the steel supply chain, not the products. An entity can be a whole company, a part of a company, or a site and this will be clearly described in the certification.

Once this system is operational with sufficient participation levels, a chain of custody system will then be launched where a product or product group can be certified.

It is the product(s) level that is of most interest in responsible supply chain sourcing and decisions, however the above step approach is required.

Note: Product 'groups' includes multiple sizes, steel grades and similar that fulfil the same function application with immaterial difference in supply chain lifecycle e.g. different sizes and steel grades of steel 'angles'.

Rationale

Developing a certification process that covers products has been found to be a complex process, best embarked upon after an established 'entity' certification process is developed.

Product certification can and should be introduced as a second evolution and thought of as a Chain of Custody approach (refer: Responsible Jewellery Council).

The 'Buyer' and 'Buyer/User' stakeholders with the ACCSR stakeholder survey predominantly desired certification by 'product', whilst when all groups were considered it was 50:50.

DP#4 Initial Pilot Scope

The Phase 2 design stage shall focus on a scheme design across all sectors of the steel supply chain, with a later offline Pilot to validate functionality of certification with the Mining and Steelmaking sector. This pilot anticipated to be live after an implementation phase (Phase 3) during 2014/15.

> *Rationale*
> *In the ACCSR survey the majority of stakeholders were in agreement to have a staged implementation including a pilot.*

DP#5 Final Scheme Scope

Once Phase 3 off-line pilot testing is completed it is the intention to expand the scheme to the full supply chain during Phase 5 in 2015/2016) to cover, manufacturing, fabrication, galvanising, recycling etc. During Phase 2 the Pilot Design considerations shall not inhibit scheme expansion, and in Phase 3 Pilot Work should recognise entity work in the live certification phase (not re-do)

> *Rationale*
> *Agreed as per DP#4*

DP#6 Percentage of Supply Chain included in Chain of Custody Product Certification

A minimum of 80% (by cost) of commodity inputs to a product (or product group) must meet Responsible Steel Stewardship certification criteria for the product (or product group) to receive a certification logo. This approach shall be reviewed further with the Design Phase against Responsible Jewellery and other similar approaches. This percentage will be reviewed after 3 years of chain of custody certification operation.

> *Rationale*
> *To specify higher than 80%, especially at scheme start, increases complexity of tracking and obtaining information on very small suppliers. The basis selection is cost of the commodity as a common metric rather than dealing with the complexity of tonnes, kilolitres, gigajoules etc. ACCSR survey results indicated 80% as the preferred starting level however with a large proportion of 'I don't know' at this stage.*

DP#7 Inclusions in Chain of Custody Supply Chain Certification as Responsibly Sourced

Commodity entities to be included, but not limited to, are

- Iron Ore and Iron Sand
- Coal
- Limestone and Dolomite
- Aluminium (coating)
- Zinc
- Steel Scrap
- Steel in its intermediate forms
- Water
- Natural gas
- Electricity (non-nuclear)
- Renewable energy component

Inclusions are to be guided by stakeholder analysis in Phase 1 and Phase 2 and practicality of measurement.

DP#8 Exclusion in Supply Chain commodities for Certification as Responsibly Sourced

Commodity entities to be excluded, but not limited to, are

- Paint

- Steelmaking alloys

Exclusions are to be guided by stakeholder analysis in Phase 1 and Phase 2 and practicality of measurement, and relative level of impact. Note that item may be re-included at a later date (3 yearly review).

> *Rationale:*
> *At scheme start-up we must decide on inclusions and exclusions, test with stakeholders, document decisions and level on impact, and have a process for later re-review. The above lists will be discussed and finalised by the end of Phase 2 works.*

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SCHEME CRITERIA

DP#9 Minimum Entry Level to Responsible Steel Stewardship Certification

The "Entry bar" level for certification in scheme design is to be set at global good practice' principles and criteria plus demonstration of programs/system for improvement/management in key criteria. It is noted that the level of the criteria will be reviewed every 3 years by Industry and External advisory groups. It is not a certainty that every global entity may meet entry criteria first-time.

> *Rationale:*
> *Potentially use membership of world recognised programs/frameworks in certification criteria within entry level criteria. Must differentiate good from bad practices and must demonstrate supply chain improvement as re-affirmed by the ACCSR stakeholder survey results.*

DP#10 Certified Entity Performance Criteria against Criteria – Consistency with other schemes

The scheme shall seek to utilise current sector based performance based frameworks and standards in their referencing as a requirement.

> *Rationale*
> *Not reinvent wheel, keep simple, low cost, and showcase good existing frameworks but Responsible Steel will link these across a supply chain certification. E.g. GRI, UN Global Compact, Responsible Jewellery, Enduring Value, World Steel Sustainability Measures etc.*

DP#11 Certification Principles and Criteria

The Principles and Criteria selected shall have due regard to the key areas of stakeholder concern from the ACCSR Stakeholder survey in what's important now and in 5 years (e.g. Socio-economic was important to stakeholders), as well as internal SSF member analysis from Phase 1.

> *Rationale*
> *Based on the Stakeholder Survey feedback from Phase 1 and Phase 2. and on other schemes such as GRI, UN Global Compact, Responsible Jewellery, Enduring Value, World Steel Sustainability Measures, etc.*

DP#12 Certification Criteria – Improvement Actions

Scheme certification criteria will be selected such that they can evidence current practice, and evidence a path/program of company self-assessment for further viable improvement.

> *Rationale*
> *Stakeholders feedback desires the supply chain to show improvement that is practical and viable within the context of stakeholder expectations, not status quo, and show leadership and positive outcomes.*

DP#13 Certification Criteria – Relevance and Rigour

Scheme certification criteria will be selected such that;

- Criteria and supporting criteria/evidence required proposed are reviewed for any issues in their scientific integrity or rigour utilising both Australian and international advice.
- The relevance of the criteria and supporting criteria/evidence to the supply chain and stakeholders to be material i.e. not an insignificant area.
- A convened forum on criteria selection agrees in the majority to the criteria selected in accordance with the ISEAL governance principles.

> *Rationale*
> *Stakeholder feedback agrees with SSF that Principles and Criteria and evidence in meeting these Principles shall be developed and agreed within a stakeholder focal forum process.*

SCHEME AUDITING

DP#14 Certification Criteria– Accuracy

Standards and criteria to be selected shall be of a format that allows an accurate picture of compliance or otherwise to be determined by an auditor. Must target impacts and outcomes in criteria selected. Responsible Steel will be formally review Standards and criteria and performance in a 3 year cycle.

> *Rationale*
> *Keep as simple as possible but with integrity that can be readily and transparently demonstrated.*

DP#15 Third party Auditing of Certification Criteria compliance

The governance process developing, supporting and reporting shall demonstrate impartiality in decision-making processes with appropriate documentation evidence and level of audit.

DP#16 Third party Auditing of Certification - Interdependence

Auditors engaged should be able to demonstrate independence from the SSF and those being audited, by specifying that audits must be conducted per Responsible Steel Stewardship auditing guidelines. The external auditors shall be accredited by Responsible Steel.

> *Rationale*
> *For integrity must have auditors conduct and present audits to an auditing standard.*

DP#17 Third party Auditing of Certification - Frequency

Entity compliance with certification requirements will be conducted on a three yearly basis.

> *Rationale*
> *58% of Stakeholders with the ACCSR survey said 2 years was satisfactory whereas 31% selected 5 years. In start-up of the scheme3 - 2 years is more appropriate to show credentials of scheme. Auditing frequency can be open for stakeholder review at a later date.*

DP#18 Confidentiality and Public Reporting of Audits

The detailed findings and information within an audit are to be held confidential between auditor and company, with SSF advised on certification compliance or not (and if not whether non-compliance are listed as major or minor in grading without detail). However a summary report will be posted on SSF website on who's been audited, its process status and completion. A list of entities removed from certification shall be published.

> *Rationale*
> *Need to respect company commercial confidentiality. SSF needs to install an independent auditor process (like exists in governmental systems) to determine if a body complies or not with certification requirements. However the SSF must maintain a process of transparency in who and what products (product groups) are being audited for stakeholders and ISEAL requirements.*

CERTIFICATION CLASSES and USE

DP#19 Certification Classes
It is envisaged that there will be initially one class of certification:
- Entity
  then later once a sufficient base of certified entities established
- Chain of Custody for products

Rationale
To be defined further and tested in design work of stage of Phase 2b.

DP#20 Use of Certification
The granting of Responsible Steel Stewardship Certification shall entitle the recipient to;
- Use of the Responsible Steel Stewardship logo on its certified products
- To use the Responsible Steel Stewardship Logo in its marketing activity
- To be recognised on the SSF website and in appropriate SSF promotional materials, presentations, etc.

Associated benefits also include:
- Gain Points in green rating schemes that recognise stewardship e.g. ISCA 'IS' tool (formerly AGIC).
- Use in-house for Risk mitigation and social licence to operate etc.
- Simple selection of materials and pre-approval of suppliers

Labelling rules shall comply with Australian Standards or otherwise to be determined.

Rationale
Key items of interest to stakeholders from ACCSR survey. To be developed further as part of Phase 2b

STAKEHOLDER ENGAGEMENT & COMMUNICATION

DP#21 Development of Design Engagement
- The Responsible Steel Stewardship stakeholders shall be contacted in regard to the draft design principles for review and comment by ACCSR to feed into works by the SSF on scheme design.
  A select stakeholder forum(s) shall be constructed in regard to reviewing draft certification standards around supply change segments.

Rationale
Key items of interest to stakeholders from ACCSR survey, and to meeting ISEAL requirements in scheme governance for stakeholder engagement.

DP#22 Method of Stakeholder Engagement
The preferred method of stakeholders for communications is email, which SSF will supplement with a Linked –In forum discussions, website based material and the focus groups outlined in other DP's.

Rationale
Email preferred method to stakeholders from ACCSR survey, however Linked In forum not previously available to them.

TRANSPARENCY

DP#23 Balance of interest in Decision-making
Governance structure will be inclusive of representation from across supply chain, and other stakeholders as far as practical. To gain a diverse perspective for a scheme of greater value.

DP#24 Meeting ISEAL
ISEAL Alliance Code Of Good Practice is being followed in the design of the scheme. A clear communications program shall be developed as part of the Phase 2 project deliverables, apart from the scheme design.
Rationale

> *Rationale:*
> *No ISO standard exists to reference; best available international standard is ISEAL.*

DP#25 Documentation
Meetings and Forum minutes and key decisions shall be documented.
Key documentation in summary form shall be published on the SSF website/web-platform unless
  a) It contravenes the confidentiality of comments from a stakeholder
  b) It contain commercial IP in scheme development

> *Rationale:*
> *To meet ISEAL governance requirement for a certification scheme, and transparency requirements from stakeholder feedback.*

DP#26 Barriers and opportunities
The SSF shall periodically update stakeholders on its work to address the potential barriers raised in the ACCSR Stakeholder Survey, and how it is capturing opportunities identified.

> *Rationale:*
> *Stakeholder feedback identified a number of potential issues and barriers that the SSF is mostly aware of from Phase 1 works. It is important to communicate to stakeholders how those potential issues and barriers are to be addressed and when mitigated to give confidence in the scheme.*

DP#27 Truthfulness and Accountability
- The scheme design shall incorporate third party auditing at the criteria level or sub-scheme level where auditor-auditee confidentiality shall be observed with SSF gaining audit report on compliance or otherwise. However any key non-compliance notification status with entities for address shall be considered around level of external communication required for certification system integrity. The scheme design shall pass ISEAL review on governance and engagement processes before scheme approval and implementation

ACCESSIBILITY
DP#28 Parties who can access the scheme
The scheme shall be open to all companies; that it is not trade restrictive or Australia only restrictive. The aim is to set the standard and raise the bar in supply chain responsibility in a global supply market and enable responsible supply chain communication and selection.

> *Rationale:*
> *Scheme was always to be open to anyone that can meet certification requirements. The SSF has been seeking international companies to participate in scheme development.*

TRAINING
DP#29 Training
The scheme design shall facilitate training and access to resources for enterprises seeking assurance and support.

> *Rationale:*
> *It is important to ensure adequate awareness and training. Training will have to be conducted at a small cost to fund resources.*

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SCHEME GOVERNANCE

DP#30 Responsible Steel Stewardship Governance Processes – Third Party Verification

Responsible Steel Stewardship will seek and achieve membership to ISEAL as a third party assurance view on governance processes within a stewardship scheme.

The auditing process will be established using the ISEAL codes of practice.

> *Rationale*
> *The stakeholder engagement processes and development activities to date have sought to align to ISEAL requirements, and SSF is an associate member of ISEAL. SSF can only be a **full** member when a fully operational scheme is in place. If SSF don't comply we lose ISEAL membership.*

SCHEME OPERATIONAL EFFICIENCY

DP#31 Scheme Management Structure

- The Scheme will initially be managed under the auspices of the Australian Steel Institute utilising contracted resources as a low-cost initiation option for the scheme to ensure its viability during that start-up phase (first 3 years). Once this is achieved then scheme management will be shifted towards an independent board model and business model in a staged manner to avoid disruption to the operation of the scheme.
- The scheme shall seek to operate in a not-for-profit mode with all incomes net costs being reinvested into the scheme.
- The scheme shall be designed to minimise costs to parties certifying their products, and to the stakeholder utilising the scheme.

> *Rationale*
> *Responding to Phase 1 and Phase 2 stakeholder surveys, and Phase 1 business case evaluation in terms on lowest cost start-up mode, with low risk.*

DP#32 Linkage with Procurement

The format of the scheme and the certification output shall aim to meet the requirements of stakeholder purchasing decision-making environments

> *Rationale*
> *The stakeholder engagement processes have indicated that the use of Responsible Steel Stewardship Certification has value in procurement practices .*

DP#33 Linkage with Rating Tools

The format of the scheme and the certification output will be designed for easy inclusion in building, infrastructure and other green rating tools.

Note: Responsible Steel already has a marker place in ISCA 'IS' tool, and may be considered for inclusion in the GBCA's GreenStar revision in 2014. (need to take care with wording until get the green light from GBCA)

> *Rationale*
> *Based on where stakeholder think Responsible Steel can add most value to them.*

PLATFORM

DP#34 Web-based Platform for Delivery

Responsible Steel Stewardship to be a web-based platform to manage

- Applications
- Data/info entry for certification
- Auditors list
- On-line review of products and their company certified
- Certification criteria
- Monitoring 3 yearly timing for re-certification – reminders
- Auto-filing in backroom for governance history

> *Rationale*
> *This is the most efficient delivery and documentation control platform in SSF opinion. Further evaluation against other stewardship scheme models to be conducted in Phase 2.*

DP#35 Interim Structure

Anticipate non-paid positions with a steering committee including supply chain representatives, users, academia and NGO's. This may require a budget to allow NGO's to attend.

END