

ASI Standards Committee – Minutes – Teleconference

Date: 31 August 2016 (2 hours)

Antitrust Statement:

Attendees are kindly reminded that the ASI is committed to complying with all relevant antitrust and competition laws and regulations and, to that end, has adopted an Antitrust Policy, compliance with which is a condition of continued ASI participation. Failure to abide by these laws can potentially have extremely serious consequences for the ASI and its participants, including heavy fines and, in some jurisdictions, imprisonment for individuals. You are therefore asked to have due regard to this Policy today and indeed in respect of all other ASI activity.

Participants:

Committee Members: Catherine Athenes (Constellium), Bernhard Bauske (WWF), Clarisse Bellod (BMW – alternate for Karl Bath), Frederic Huguet (Rio Tinto Aluminium – alternate for Roland Dubois), Bjoern Kulmann (Ball), Jerome Lucaes (Rusal), Jean-Pierre Mean (Transparency International), Rosa Garcia Pineiro (Alcoa and proxy for Jostein Soreide from Norsk Hydro), Stefan Rohrmus (Schueco), Paul Smith (Coca-Cola Enterprises – alternate for Stephanie Boulos).

ASI Secretariat: Sam Brumale (Chair), Fiona Solomon, Michelle Freesz

Apologies: Deviah Aiama (IUCN), Marie-Josée Artist (VIDS - Association of Village Leaders, Suriname), Karl Barth (BMW), Christophe Boussemart (Nespresso), Stephanie Boulos (Coca-Cola Enterprises), Roland Dubois (Rio Tinto Aluminium), Justin Furness (Council for Aluminium in Building), Annemarie Goedmakers (Chimbo Foundation), Robeliza Halip (Asia Indigenous Peoples Pact), Tom Maddox (Fauna and Flora International), Josef Schoen (Audi), Jostein Soreide (Norsk Hydro).

Invited: None

Documents circulated:

1. Meeting Agenda (including Meeting Action Log)
2. Minutes of previous meeting v1
3. Alternate Form [Word]
4. Proxy form for this meeting [Word]

Meeting objectives:

1. Adopt minutes of the previous meeting.
2. Table and discuss Part B (sections 6&7) on Confirming Eligible Input and Part C (section 8) on CoC Accounting, Documentation and Claim from draft 3a of the Chain of Custody Standard and draft 1a of the Standards Guidance.

Items discussed:

1. Preliminaries

- a. Meeting objectives and meeting process were noted as per the agenda.
- b. Attendance, apologies, proxies and alternates noted.
- c. It was **RESOLVED** to accept the minutes of the previous teleconference Standards Committee meeting on 22 August 2016.
- d. The Standards Committee meetings Action Log was tabled indicating new and open actions. All actions on track or will be covered in the agenda for this meeting.

2. Standards Committee 2016 /2017 Work Plan and Meeting Dates

- a. Nominations from Committee Members for the two Co-Chairs (1 industry and 1 non-industry) have been received. Elections for the Co-chair nominations close on 9 September 2016. The Co-chairs will share responsibility for chairing the Standard Committee Meetings, as set out in the ASI Governance Handbook, noting that the ASI Secretariat will continue to plan and prepare the agenda, supporting documentation, minutes and follow-up actions. Role of the Co-Chairs is to jointly act as:
 - Interface with ASI Secretariat and the ASI Board (where required)
 - Effective conductor of Committee meetings keeping the discussion on track as per the agenda
 - Allow all voices to be heard during the plenary discussion
 - To intervene when the discussion deviates from the meeting objective even if it means that the issue is parked for resolution elsewhere.

Action: Committee Members invited to vote for Co-chair nomination before elections close on 9 September 2016.

3. Chain of Custody Standard – Part B

- a. Part B (sections 6 and 7) and Part C (section 8) from Draft 3a of the Chain of Custody (CoC) Standard and the corresponding section from Draft 1a of the accompanying Guidance was presented and discussed.

The presentation on Provision 6 covered requirements for Post-Casthouse and the discussion included:

- The need for Post Casthouse Entities to be certified against the ASI Performance Standard within 2 years of the launch of the ASI certification System or 2 years of joining ASI whichever is later. Performance Standard Certification will not be a pre-requisite for CoC Certification for Post-Casthouse Entities, unlike for Entities up to and including the Casthouse.
- Requirements for sourcing from an unrelated CoC Entity either directly or indirectly, versus sourcing from a related CoC Entity in which the sourcing Entity has legal interests and thus ownership of a relative proportion of production (but not necessarily control over the Entity's management).

The presentation on Provision 7 covered due diligence requirements when sourcing non-CoC material and for all recyclable material. The requirements align with the risk-based approach of due diligence set out in the OECD Due Diligence Guidance, which in April 2016 was extended as applicable to 'all minerals and metals'. The key points for discussion included:

- Terminology for Recyclable Materials, whilst defined in the glossary as being Pre-consumer and Post-consumer scrap in any form, consideration should be given to see if this term requires modification to avoid potential for confusion with primary aluminium being seen as 'recyclable' in the future.
- Presentation of the due diligence requirements which include a responsible sourcing policy, risk assessment and a complaints mechanism.
 - Discussion included the practicalities of conducting due diligence, particularly in cases where the sphere of influence was limited, for instance when procuring material from traders that have access to multiples sources rather than directly from a supplier, or for smaller businesses. It was noted that supply chain due diligence is increasingly an expectation in minerals supply chains and a range of programs (including RJC) have developed approaches to support the efforts of different types and scales of organisations. Many ASI members would already be doing some kind of supplier due diligence as part of their risk management/responsible sourcing approach, for example to address corruption risks. The discussion covered how OECD Due Diligence Guidance extended to cover 'all minerals and metals' can be used to service the aluminium supply chain.

The CoC Standard Guidance document aims to provide information to assist Entities apply the due diligence criteria, and this can be expanded with additional examples/scenarios including examples of practical and effective due diligence approaches. Further training material (e.g. webinars) will also be developed to support implementation.

- Four criteria in the ASI Performance Standard (1.2 Anti-corruption, 2.4 Responsible Sourcing, 9.1 Human Rights Due Diligence and 9.9 Conflict Affected and high Risk Areas) have been highlighted as a focus of due diligence under the CoC Standard, as these criteria already apply to suppliers/business partners. Whilst ASI Members in the Industrial Users membership class do not have these requirements as applicable under the ASI Performance Standard, the CoC Standard will require members in this class seeking CoC Certification (i.e. Post Casthouse Entities) to consider these risks for suppliers of Recyclable and Non-COC Materials. Production and Transformation members will already be applying these criteria through the application of the Performance Standard. The scope of the due diligence may be expanded by any Entity, to cover for example additional Performance Standard Criteria than those specified, and/or can identify specific risks (e.g. illegal mining, environmental issues, general compliance), which would be expressed through the Entity's Responsible Sourcing Policy.

Action: *An example of a Responsible Sourcing Policy that can be used as a template, to be included in the CoC Standard Guidance.*

Action: *Information about how due diligence is supported for other CoC certification schemes such as the RJC to be circulated to the Committee.*

Action: *Standards Guidance to include practical examples regarding application of due diligence processes including for small business and when sourcing from traders.*

Action: *Provide information about how the reference to the four criteria in the ASI Performance Standard (1.2, 2.4, 9.1 and 9.9) relates to the due diligence process in the CoC Standard.*

The presentation on Provision 8 introduced and explained the mass balance percentage system. The discussion noted:

- A Material Accounting System (which may be standalone or integrated into current business systems) is used to record inputs and outputs of CoC and Non-CoC material by weight or item count. Physical segregation is not required, as mass balance is an administrative segregation by accounting for relative inputs/outputs. The Material Accounting System is part of the Entity's own internal systems, which ASI will not have access to but the independent auditor would review as part of the CoC Audit of an Entity. ASI will require annual reporting of aggregate inputs and outputs from CoC Certified Entities, for Monitoring and Evaluation (M&E) and oversight purposes (to be covered in section 1 of the CoC Standard in a future Committee call).
- An Entity engaged in remelting and/or refining of Recyclable Material is also required to provide additional breakdown of material inputs into post-consumer and eligible pre-consumer amounts. This is to enable necessary calculations and for reporting to ASI on an annual basis.
- A maximum material accounting period of 12 months is permitted with carry forward of a positive balance permitted across a further 12 months. The Entity can choose its own material accounting period, as best suits the business, taking note of the requirement for annual reporting to ASI.
- The importance of ensuring that the output quantity of CoC Material to be designated as 100% CoC Material was noted and the discussion highlighted application of this requirement for business to business claims (made by the supplier of the CoC material) as well as claims about ASI Aluminium in a product for the end consumer. The Mass Balance approach allows for allocation of CoC Material over a period e.g. to a particular product market or customer.

- The CoC content of Eligible pre-consumer scrap is managed in a similar way to input and output quantities of CoC material. Further, the discussion noted the complexity and range of operational processes using CoC and Non-CoC input material as well as reprocessing of internal scrap. An example showing how the mass balance system applies to an entity with a refining, casting and rolling mill with various sources and internal scrap recycling was presented.

Action: Examples of how the mass balance system applies to a range of certification scope scenarios to be added to the CoC Standard Guidance.

4. Working Groups

- a. Working Group membership is being finalised with additional names provided for the respective Working Groups. Meetings to commence launch work plan to commence during September 2016.

Action: Meetings to launch the Working Group activities to be set for September 2016.

5. Assurance Manual Update

- a. To be updated at the 28 September meeting.

6. ASI Auditor Accreditation Update

- a. To be updated at the 28 September meeting.

7. AOB

- a. There was no other business raised.

8. Next teleconference

- a. Wednesday 14 September 2016.
- b. Focus for the next meeting will cover the remainder of Part C from the Chain of Custody Standard (draft 3a) specifically:
 - Sustainability Data in CoC Documents
 - Physical swaps; via warehouses/traders
 - Market Credits System.