

ASI Standards Committee – Minutes – Teleconference

Date: 12 October 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), Karl Barth (BMW), Bernhard Bauske (WWF), Christophe Boussemart (Nespresso), Roland Dubois (Rio Tinto Aluminium), Annemarie Goedmakers (Committee Co-Chair, Chimbo Foundation), Bjoern Kulmann (Ball), Jerome Lucaes (Rusal), Tom Maddox (Fauna and Flora International), Rosa Garcia Pineiro (Alcoa), Brenda Pulley (Keep America Beautiful), Stefan Rohrmus (Schueco), Josef Schoen (Audi), Jostein Soreide (Committee Co-Chair, Norsk Hydro), Paul Smith (Coca-Cola Enterprises alternate for Stephanie Boulos).

ASI Secretariat: Sam Brumale, Fiona Solomon, Michelle Freesz

Apologies: Marie-Josée Artist (VIDS - Association of Village Leaders, Suriname), Stephanie Boulos (Coca-Cola Enterprises), Justin Furness (Council for Aluminium in Building), Robeliza Halip (Asia Indigenous Peoples Pact), Philip Hunter (Verite), Jean-Pierre Mean (Transparency International).

Invited: None

Documents circulated:

1. Meeting Agenda (including Meeting Action Log)
2. Minutes of previous meeting v1
3. Draft 3c CoC Standard [Word]
4. Draft 1c CoC Standard Guidance [Word]
5. Market Credits Overview, 3 October 2016
6. Summary of Comments and Responses on Committee drafts of CoC Standard (draft 3a) and CoC Standard Guidance (draft 1a)
7. Alternate Form [Word]
8. Proxy form for this meeting [Word]

Meeting objectives:

1. Adopt minutes of the previous meeting.
2. Decide to include or remove the Market Credits System in draft 3c of the CoC Standard (Provision 11) and the corresponding supporting information in draft 1c of the Chain of Custody Standard Guidance (Chapter 11) for the public consultation period (October – December 2016).
3. Agree to open draft 3c of the CoC Standard and draft 1c of the Chain of Custody Standard Guidance for comment for the scheduled public consultation period (October – December 2016).

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 28 September 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. The Committee was informed about the resignation of Deviah Aiyem from Standards Committee – Dev is leaving the Business and Biodiversity Programme for a new role in IUCN as Community Manager related to protected area management. IUCN will nominate a replacement for Dev in due course.
- b. The Committee welcomed two new Civil Society Member of ASI and the Standards Committee:
 - Brenda Pulley, Senior Vice President Recycling, Keep America Beautiful
 - Philip Hunter, Program Director, Verite

3. Chain of Custody Standard

- a. Further to the previous meeting, a paper prepared by the ASI Secretariat recommending the inclusion of the Market Credit System in the draft CoC Standard for the upcoming 60 day public consultation was presented and discussed. The paper presented the rationale for its inclusion and a summary of other CoC schemes with similar CoC models. The discussion noted:
 - The advantages and disadvantages of the proposed Market Credit System with some participants expressing views in favour of keeping and some proposing its removal from the public consultation draft. Some downstream Members expressed the importance of having a Market Credit System until there were sufficiently established and certified CoC links in the supply chain noting that reliance on mass balance alone would take time. Reasons tabled for its removal included unintended introduction of potential risks to the supply chain (greenwashing was noted as a risk), and the potential disincentive for uptake of the CoC Mass Balance System by downstream organisations.
 - Points noted included:
 - Consideration of the ASI Theory of Change, which aims to enhance widespread uptake of ASI standards.
 - Potential risks of a Market Credits System should be specifically identified and controls put in place to address them.
 - Incentives to move towards the Mass Balance model are structured through the ability to make stronger claims under that model. Several downstream members noted that sourcing direct supply of physical ASI aluminium is their goal.
 - If a Market Credits System proved problematic or redundant in future, it can be removed via a revision with, for example, a 1 year notice period.
 - A Market Credits System could be considered an “adjustment” mechanism that could be added if required. However introducing new structures mid-way in a standards cycle is disruptive for participants. Introducing the concept only in the next consultation period would be difficult.
 - The importance of access pathways for downstream members, where supply chains are not fully CoC Certified, was emphasised. This includes reviewing alternative approaches to the Market Credits System to address the potential difficulty downstream entities may face to achieve CoC certification.
 - It was **RESOLVED** to include the Market Credits System in the drafts for public consultation.
 - The Standards Committee will seek further input from stakeholders during the public comment period before it makes a decision regarding whether the final version of the CoC Standard would include the Market Credit System.
 - The communication information accompanying the invitation for public consultation will clearly note that the Market Credits System at this stage is

being considered for inclusion in the CoC Standard as part of a transition approach to support long term uptake of the Mass Balance Model.

- That the public is invited to provide additional commentary about the proposed workings of the Market Credits System, should it be used. Specific survey questions will be included to seek feedback on the issues raised in Committee discussion – for example, risks, benefits, effectiveness of controls, consideration of small business etc.
- That the limitations on claims associated with the Market Credits System versus those that can be made under the Mass Balance System are highlighted.

Action: ASI Secretariat to circulate the supporting communications on this point to the Committee. It is aimed to open the public consultation during the week of the target date of 17 October 2016.

- b. An action arising from the previous meeting was to review the information to be reported to the ASI Secretariat in accordance with criteria 1.7 of the draft CoC Standard. It was agreed to retain information directly relating to the chain of custody flow of material but to remove information relating to sustainability performance. The latter would be included as part of ASI's Monitoring and Evaluation Program to enable evaluation and reporting of the impacts the scheme has in the supply chain that support responsible practices and ASI's Theory of Change principles. This process relates to the ISEAL Impacts Code and a draft Monitoring and Evaluation Plan will be discussed at future Committee meetings. The amendments to criteria 1.7 were accepted.
- c. An action arising from an earlier meeting was to further explain the due diligence provisions in criteria 7, including the relationship between the due diligence policy (7.1) and the four provisions referenced from 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). The linkages with criteria in Performance Standard, already applicable to Production and Transformation members, extends application to Industrial Users through the CoC Standard. The presentation provided justification for the requirements and how these would be applied when sourcing Recyclable and Non-CoC Material. It noted that the risk assessment was applied to direct suppliers and was not a "pass or fail" type approach. Instead, as outlined in references such as the UN Guiding Principles and OECD Due Diligence Guidance, it is about risk identification and mitigation noting that risks under mitigation with suppliers are not translated to "contamination" of material. The presentation and discussion clarified the purpose of the due diligence, the relationship to legislative and stakeholder expectations, and that due diligence processes mature and evolve over time.
- d. A summary of the changes made to the CoC Standard (draft 3a to draft 3c) and the CoC Standard Guidance (draft 1a to draft 1c) resulting from the Committee discussions (since 2 August 2016), bilateral discussions (between ASI Secretariat and SC Members), as well as written submissions, was presented. Changes included:
 - CoC Standard:
 - Removal of 'sustainability' information from reporting requirement (criteria 1.7)
 - Removal of the minimum material input requirements for ASI bauxite, ASI Alumina, ASI Recyclable Scrap Material, ASI Liquid Metal, and ASI Cold Metal
 - Change term "Recyclable Material" to "Recyclable Scrap Material"
 - Capping the cash transactions to US\$10,000 (criterion 4.2b)
 - Need to check certification status and validity of Entity supplying ASI Credits (new criterion 11.3f)
 - CoC Standard Guidance:
 - Reflect changes to the CoC Standard
 - Additional examples to support implementation of provisions relating to:
 - Outsourcing contractors and concept of control

- Due diligence and risks assessment particularly for complex supply chains, dealing with traders, and small business
- Example metal flows including sourcing CoC Material, Non-CoC Material and recycle streams
- Scenario where Post Casthouse entities receive Liquid Metal directly from smelters for use in post casthouse products
- Calculation of average GHG intensity
- Template of a responsible sourcing policy (Appendix A)

Two other proposed changes were presented:

- Removal of item count from the provisions relating to the Mass Balance Percentage System and just keep the weight based unit. It was agreed to remove the item count reference from the CoC draft.
- Inclusion of references to standard methodologies for calculating GHG emissions and intensities. It was agreed to hold inclusion of specific references to GHG calculation methodologies until the GHG Working Group had completed its review of these methodologies.

***Action:** ASI Secretariat to remove reference to the item count from the Mass Balance Percentage System provisions in the draft CoC Standard and the draft CoC Standard Guidance.*

It was **RESOLVED** to release draft 3c of the CoC Standard and draft 1c of the Chain of Custody Standard Guidance for stakeholder comment during the scheduled public consultation period (October – December 2016), subject to the additional change relating to item count in the Mass Balance Percentage System provisions.

It was noted that one Standards Committee Member opposed the release of the draft CoC Standard and draft CoC Standard Guidance in favour of continuing to discuss concerns expressed about the due diligence provisions and the Market Credit System. As noted previously (section 3a of the minutes), alternative approaches to a market credits system should be explored. Further alternative options to the due diligence provisions such as a responsible sourcing policy covering the UN Global Compact pillars should also be assessed. However, it was noted that this member accepted that the ASI Secretariat and the Committee will continue to work through refinement of the CoC Standard and CoC Standard Guidance and will actively review the input of broader stakeholders in this process. Pilots planned for 2017 will also inform the Committee's deliberations.

***Action:** ASI Secretariat to prepare the communication materials for the launch of the public consultation process, noting the conditions relating to the Market Credit System resolution. Communication materials to include news items for the ASI website and the ASI Newsletter(s), as well as a program of webinars and presentations.*

4. Working Groups

- a. To be updated at a future meeting.

5. Assurance Manual Update

- a. To be updated at a future meeting.

6. ASI Auditor Accreditation Update

- a. To be updated at a future meeting.

7. AOB

- a. There was no other business raised.

8. Next teleconference

Wednesday 26 October 2016.