ASI Standards Committee – Minutes – Teleconference

Date: 14 September 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), Clarisse Bellod (BMW – alternate for Karl Barth), Bernhard Bauske (WWF), Christophe Boussemart (Nespresso), Stephanie Boulos (Coca-Cola Enterprises), Roland Dubois (Rio Tinto Aluminium), Jerome Lucaes (Rusal), Tom Maddox (Fauna and Flora International), Rosa Garcia Pineiro (Alcoa and proxy for Bjorn Kulmann from Ball), Josef Schoen (Audi), Thomas Knutzen (Hydro – alternate for Jostein Soreide).
ASI Secretariat: Sam Brumale (Chair), Fiona Solomon, Michelle Freesz

Apologies: Deviah Aiama (IUCN), Marie-Josee Artist (VIDS - Association of Village Leaders, Suriname), Karl Barth (BMW), Justin Furness (Council for Aluminium in Building), Annemarie Goedmakers (Chimbo Foundation), Robeliza Halip (Asia Indigenous Peoples Pact), Bjoern Kulmann (Ball), Jean-Pierre Mean (Transparency International), Stefan Rohrmus (Schueco), 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 C (provision 9, 10, 11 & 12) from draft 3a of the Chain of Custody Standard on Issuing CoC Documentation, Receiving CoC Documentation and Market Credits System (and the corresponding supporting information in draft 1a of the Chain of Custody Standard 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 31 August 2016 with agreed amendments.
   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 result from the Standards Committee Co-chairs vote was announced. The Committee welcomed Annemarie Goedmakers (Chimbo Foundation) and Jostein Soreide (Norsk Hydro) to the Co-chair roles.
3. Chain of Custody Standard
   a. Part C (section 9, 10, 11 and 12) 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 9 covered requirements for Entities issuing Chain of Custody Documentation and the discussion included:

   - The mandatory CoC information to be included on CoC Documents (a template is in Appendix 1 of the CoC Standard) that needs to accompany shipments of CoC Material. The information supports the mass balance system. Entities may choose to integrate CoC information into their usual shipment processes, such as sales invoices or shipping documentation.
   - Additional sustainability data and other information may also be included in CoC Documents at the business’ discretion, but must be accurate and verifiable.
   - The discussion noted that the balance between mandatory and optional sustainability data may be changed over time.
   - It was also noted that sustainability data such as greenhouse gas intensities, should follow standard calculation methodologies and guidance. Such guidance is part of the objectives of the Greenhouse Gas Working Group.
   - Practical measures for dealing with errors identified by the issuing Entity after CoC material is shipped were discussed and are included in the Standard.

   The presentation on Provision 10 covered requirements for Entities receiving Chain of Custody Documentation. The key points for discussion included:

   - Entities that receive CoC Material must check information in the accompanying CoC Document (issued by their suppliers) for completeness, consistency and verification. This includes having active systems in place to check the certification status of the Entity issuing the CoC Certification by consulting the ASI website. The ASI Secretariat will have regular communications on changes to certification status (e.g. new, suspended or expired), however it is important to have systems for regular checks. This is common with other standards programs eg FSC.
   - Practical measures for dealing with errors identified by the receiving Entity such as physical swaps during transit were discussed and are included in the Standard.

   The presentation on Provision 11 introduced and explained the Market Credits System. The discussion noted:

   - The main reason for the inclusion of the Market Credit System in the CoC Standard is to overcome the scenario for post-Casthouse businesses, at least initially, to source ASI Aluminium where the chain of CoC Certified Entities up to and including their direct suppliers, is incomplete, thus limiting their access to the Mass Balance System. The Market Credits System allows ASI Aluminium from a Casthouse, which is not directly transferred to another CoC Certified Entity or Facility as CoC Material, to be allocated to a Post-Casthouse Entity as ‘ASI Credits’. The Post-Casthouse Entity purchasing the ASI Credits must be CoC Certified and the credits are decoupled from the physical material and cannot be allocated back to products or otherwise claimed as ‘ASI Aluminium’. The discussion also noted the importance of communicating and controlling the limitations about claims that a Post-Casthouse Entity purchasing ASI Credits can make.
   - The discussion included validation that the Market Credit System is not an ASI trading platform but rather a market driven process negotiated between only two CoC Certified Entities – one must be the issuing Casthouse and the other must be Post-Casthouse.
   - A template for ASI Credit Certificates is provided in the CoC Standard and the provision specifies the requirements for information to be included with the certificates, requirements for Entities issuing the credits, as well as requirements for Entities purchasing the credits.
Whilst the purpose of the Market Credits System was understood, there was discussion about the risks associated with having a credit system alongside the mass balance system in the CoC Standard. Matters discussed included the potential for unintended introduction of risks to the supply chain and the potential disincentive for uptake of the CoC Mass Balance System by Post-Casthouse organisations. As a result it was agreed that an assessment be conducted to review the features of the Market Credit System as well as the advantages and disadvantages of having both the Market Credit System and the Mass Balance System in the CoC Standard. The assessment would cover potential risks, due diligence requirements, anti-trust implications, the ideal time to introduce the Market Credit System in the ASI CoC Standard (i.e. at inception or after the Mass Balance System has had time to be implemented), and if included in draft 3 of the CoC Standard, how this might be managed during the consultation period, if at a later date it is decided to be omitted from the final version.

**Action:** Assess the features, benefits and risks associated with inclusion of the Market Credits System in the CoC Standard.

The presentation on Provision 12 introduced and explained the claims and communication about CoC Material not covered by the CoC Documents or ASI Credits Certificates. The discussion noted that all claims needed to be in accordance with the ASI Claims Guide which is being drafted. In addition, claims needed to be supported with verifiable evidence and be communicated by personnel that had received appropriate training.

b. Feedback regarding advice sought from the ASI Legal Committee regarding the minimum 20% material input specified in the CoC Standard for the following criteria, was provided:
   - 3.2c: “Sourcing at least 20% ASI Bauxite” for alumina refining
   - 3.3c: “Sourcing at least 20% ASI Alumina” for smelting operations
   - 4.1d: “Sourcing at least 20% Eligible Scrap” for remelting/refining operations
   - 5.1c: “Sourcing at least 20% CoC Material” (Liquid and/or Cold) for Casthouse operations

The feedback noted that the 20% input requirement may not meet competition principles of being: objective (since the proposed level is arbitrary), proportionate (since would affect organisations differently, depending on size and degree of vertical integration) and non-discriminatory (could be seen to place limits on freedom to develop non-CoC products). Removing this requirement from these criteria would reduce the risk of competition law challenges. It was therefore, agreed to support the recommendation of the legal committee and remove these criteria from the draft CoC Standard.

4. **Working Groups**
   a. Working Group membership has been finalised although there may be some additions or changes necessary once the work activities commence. Meeting requests for the initial meetings have been circulated to the respective participants. Outcomes of these Working Group meetings will be reported back during the next Committee 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**
   b. Focus for the next meeting will cover Part A from the Chain of Custody Standard (draft 3a) specifically:
      - Management System and Responsibilities
      - Outsourcing Contractors.