

ASI Standards and Assurance – 2017 Consultation

Dr Fiona Solomon, CEO
Public Webinar – May 2017

Antitrust Compliance Policy

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.



The aluminium value chain



Aluminium Stewardship Initiative (ASI)



Responsible
production

Responsible
sourcing

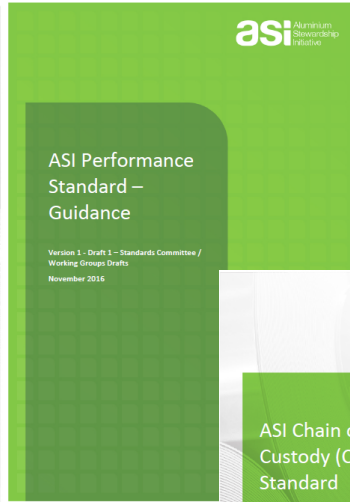
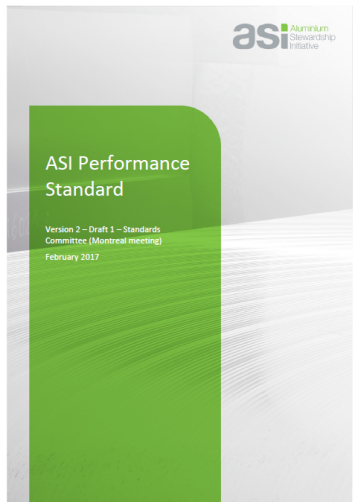
Material
stewardship

ASI is working
with
stakeholders to
develop an

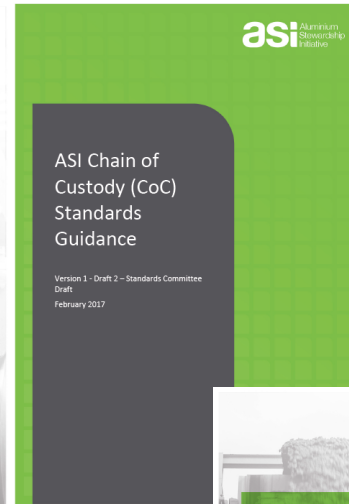
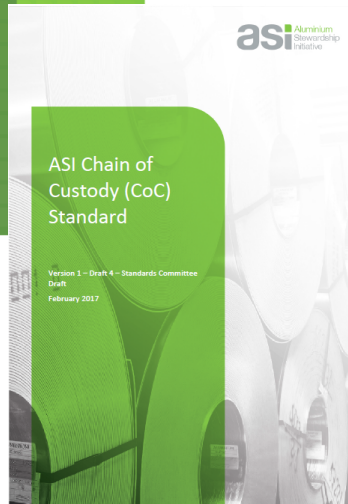
independent
third party
certification
program

for the
aluminium
value chain.

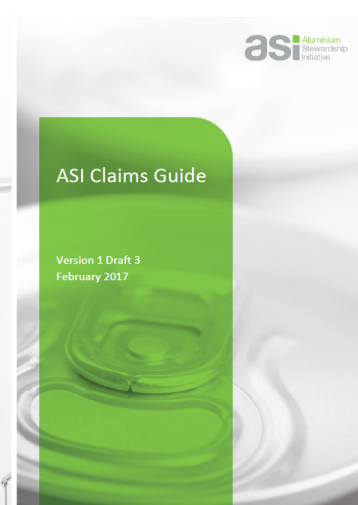
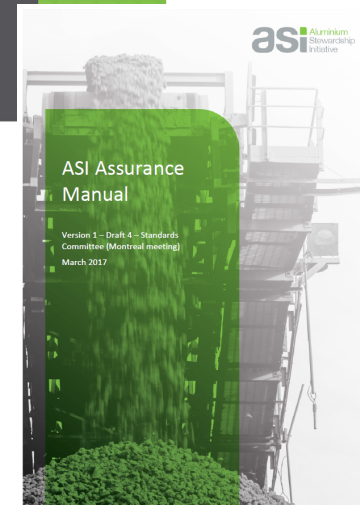
2017 consultation – ASI normative documents



Performance
Standard



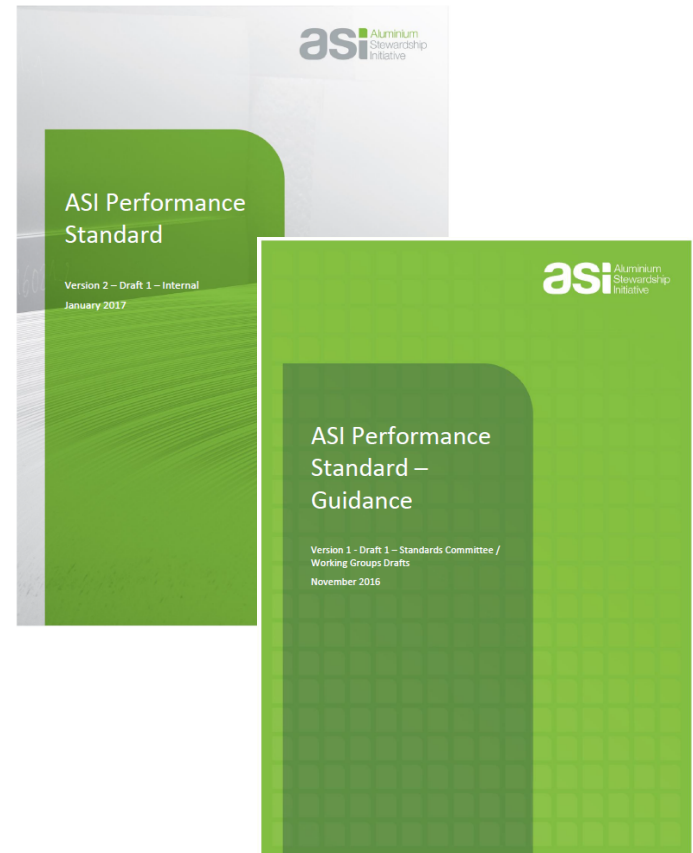
Chain of Custody
Standard



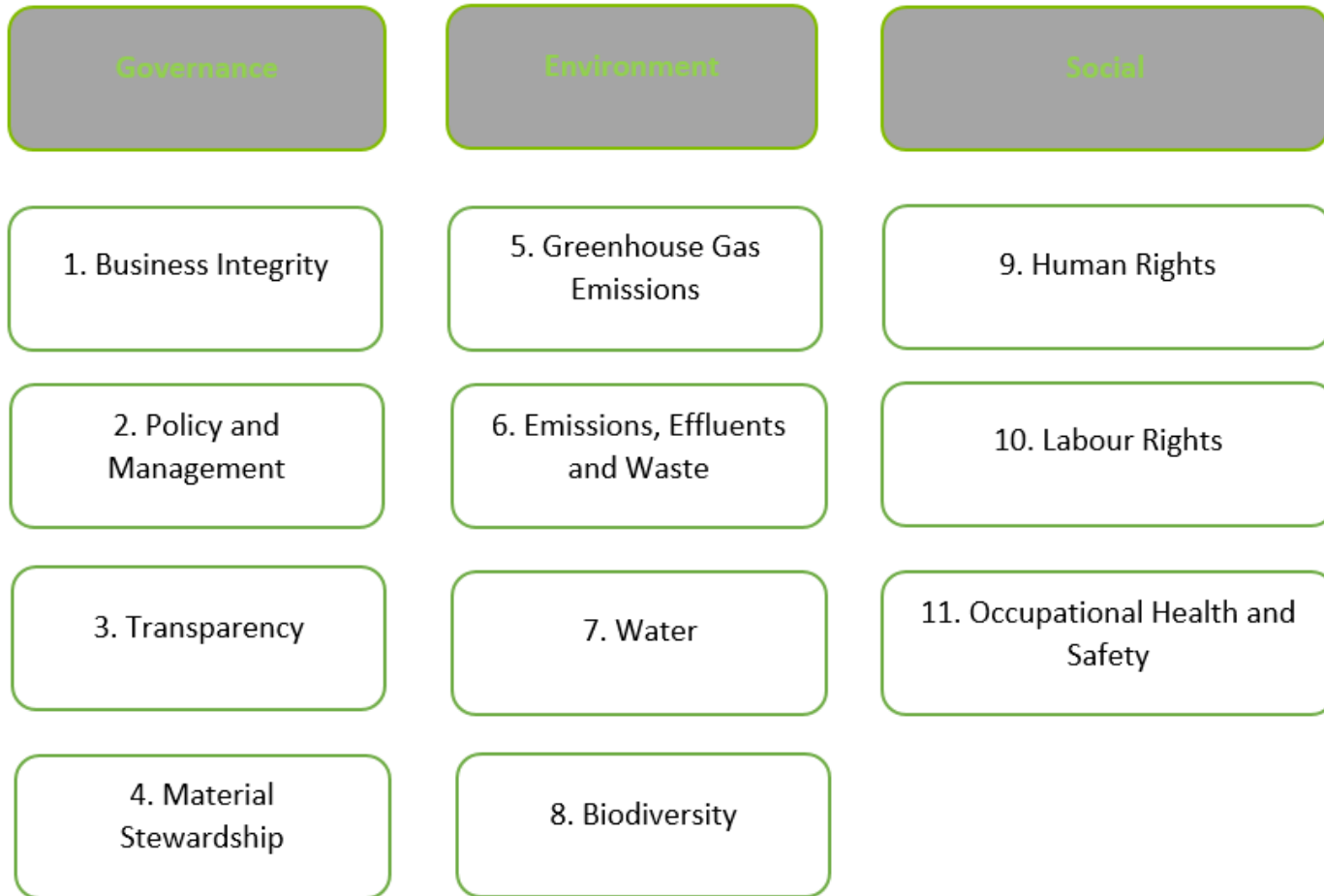
Assurance and
Claims

Performance Standard – Overview

- **Version 2: Minor Revision**
 - 2014: Version 1 published
 - 2017: Draft Version 2 + Guidance now open for consultation
- **Guidance chapters**
 - Aim to support interpretation and implementation
 - One chapter for each principle, plus an introduction chapter.



Performance Standard – Overview



Minor Revision – Principles

Intent: Non-substantive changes that do not involve major changes to the content or performance requirements:

1. Layout to meet ASI Style Guide.
2. Updated introduction reflecting ASI's organisational changes following its incorporation in 2015.
3. Re-structuring of criteria into sub-sections to:
 - **be more readily implementable**
 - **enhance auditability**
 - **express a single expectation**
 - **be simple, clear, concise**
 - meet the credibility principles outlined in the ISEAL Standards Code.
4. Minor clarification of language and intent in some criteria.
5. Development of expanded/additional definitions for key terms.
6. References to the supporting documents and processes ASI has developed since V1 of the Standard was published at the end of 2014.

Performance Standard – general revisions

Change	Notes
Expanded glossary and consistent use of defined terms	Alignment with CoC Standard (draft) and Assurance Manual (draft)
Change from ‘Company’ to ‘Entity’	Common to CoC Standard and approaches to certification scope
Separate criterion into discrete requirements	Introduction of second level requirements e.g.. Criterion 4.1 is now 4.1 a, b, c, to be more readily implementable and auditable
Consistency of language	For example, use of ‘workers’ consistently versus ‘personnel’, ‘employees’ etc, and aligned with glossary definitions
Reference activity directly in the criteria rather than a footnote	For example “Entities <i>engaged in bauxite mining</i> ...”

Performance Standard – general revisions

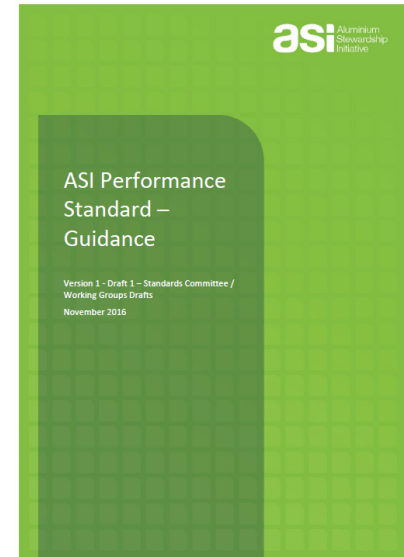
Change	Notes
Alignment with external standards	For example in 9.1 Human Rights Due Diligence, restructured criteria with new introduction so that all UN Guiding Principles references are now grouped together.
Change “Should” to “Shall” or move into guidance	For example in 4 “Any public communication on LCA <i>should</i> include public access” or “ The Entity <i>should</i> systematically contribute to the development of average Life Cycle Inventory (LCI) datasets ...” Change to “shall” if it’s a requirement, or move to guidance.
Removed redundancy	For example requiring conformance with the ASI Performance Standard in criteria 1.1 is redundant as it is a requirement for certification.
Combined similar criteria	For example former 5.3 and 5.4 regarding GHG emissions from existing and new smelters – now 5.3a,b,c

Performance Standard – specific revisions

Change	Notes
Mine Site Rehabilitation	New criteria proposed in V2. Already implicitly covered under criteria on biodiversity management and closure, but needed more visibility for a metals value chain standard.
Material Stewardship	Restructuring of criteria into 4 areas (from 6), and simplifying wording.
‘Area of Influence’ incorporating concept of ‘associated facilities’	New Glossary definition (from IFC Performance Standards), and used as a consistent concept across relevant criteria: <ul style="list-style-type: none">• Water assessment and reporting (7.1)• Biodiversity assessment (8.1)• Cultural heritage (9.5) – where it was already used but is now a defined term
Labour rights	Additional detail in criteria for Freedom of Association/ Collective Bargaining, Child Labour, Forced Labour

Performance Standard – Guidance

- ASI **Standards** set out requirements for what a business must do
- Standards **Guidance** offers suggestions on how
 - Background into the risks or issues the criterion is attempting to manage / improve
 - Explanation of special terms or processes
 - Cross reference to other parts of the ASI Standard or ASI normative documents
 - Reference to other relevant international standards, processes, guidelines, etc.
 - Consideration of the size and maturity of the entity
 - Examples of good practice (performance and systems)
 - Consideration of the materiality for the supply chain segments (where applicable)
- Guidance a **resource** to Members and Auditors



Performance Standard – when you review

- Thoughts on changes from V1 to V2 of the Standard?
- Suggestions for improving the Guidance?
- Questions on interpretation for particular situations?
- Any other issues ASI should consider?

2017 consultation – ASI normative documents

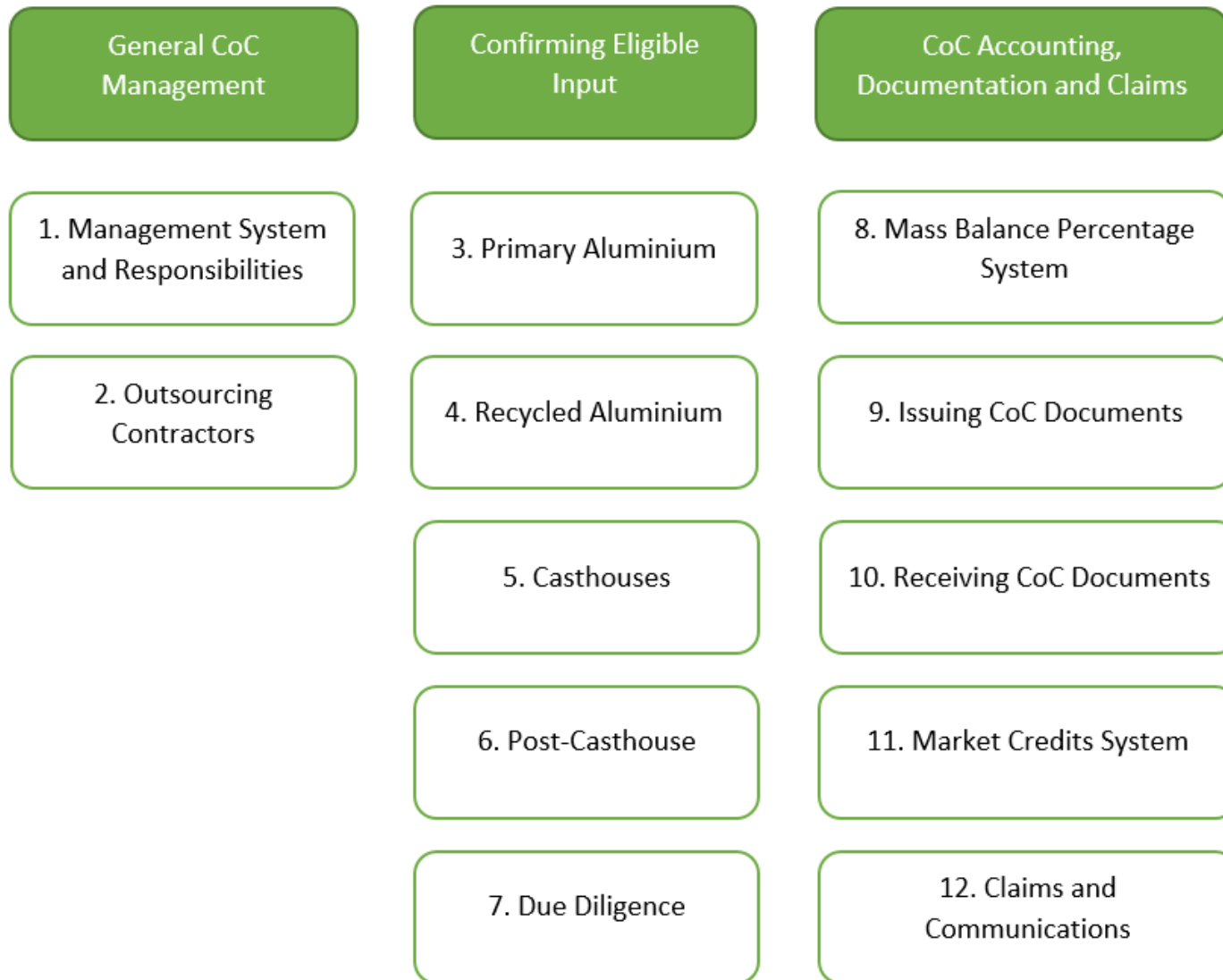


Chain of Custody Standard – Overview

- **Version 1**
 - 2016: Draft 3 + Guidance published for public consultation period
 - 2017: Draft 4 + Guidance now open for consultation
- **Guidance chapters**
 - Aim to support interpretation and implementation
 - One chapter for each section, plus an introduction chapter.



Chain of Custody Standard – Overview

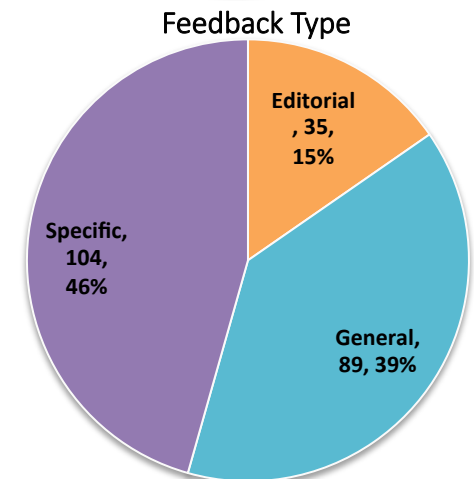
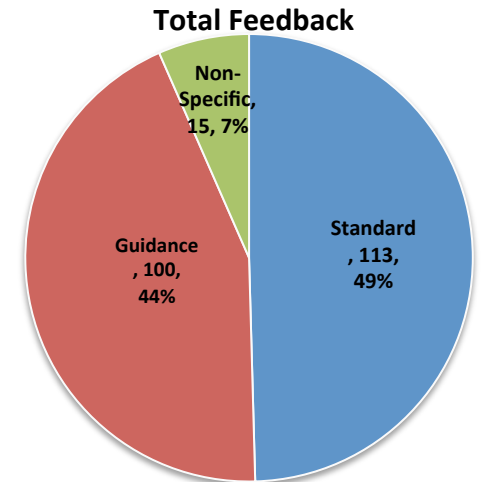


2016 Public Consultation – Feedback

- **Communications were sent to 1000+ subscribers** to ASI's mailing list. These resulted in the following levels of participation:
 - 53 people attended the live webinars providing an overview of the CoC Standard.
 - 27 people viewed the recorded webinar on ASI's YouTube channel.
 - 17 people attended the in-person consultation workshop in London.
- **Written input was received from 31 commenters**, resulting in a total of 227 individual comments on the draft Standard and Guidance.
 - 31 individuals
 - 24 organisations (incl. 17 Members)

Public Consultation - Feedback

- **General** comments (39%) about the layout, introduction and terms used in the documents
- **Editorial** feedback (15%)
- **Specific** comments (46%) about:
 - Market Credits System
 - Due Diligence
 - Outsourcing Contractors
 - Recycling
- **Market Credits** questions, from 12 responses:
 - 8-9 were broadly supportive of including this approach
 - 2-3 were not supportive of including this approach
- **Comments log** published on ASI website in February, and updated in May with ASI responses reflected in Draft 4



CoC Standard – Comments and ASI responses

Summary of comments	ASI responses
Outsourcing contractors: should criteria be more rigid or less rigid	Standards Committee review supported the current criteria wording.
Limit on cash payments: should limit be removed, or made stricter	Standards Committee review supported the current criteria wording.
Eligible scrap: various questions and comments on approach	Standards Committee review supported the current distinction between pre- and post-consumer scrap; and the addition of Guidance allowing estimation of relative amounts in mixed scrap by visual inspection.
Disclosure of GHG emissions: voluntary disclosures in CoC transfers should be mandatory	The proposals to make GHG emissions disclosure mandatory, to require inclusion of scope 3 emissions upstream, and to require continued addition of GHG data by each entity were not supported by the Standards Committee, as the ASI Chain of Custody Standard is not intended to be a carbon footprint standard.

CoC Standard – Market Credits – in context

Four main types of Chain of Custody models

- *Each model has advantages and disadvantages*
 - *There are many variations in practice within each type of model*
 - **‘Identity preservation’**
 - Segregates the certified material from a source through every step of the supply chain eg certified coffee from X farm in Indonesia
 - **‘Bulk commodity’**
 - Segregates certified from non-certified material through every step of supply chain eg non-GMO canola oil
 - **‘Mass balance’**
 - Allows mixing of certified and non-certified material at one or more steps of the supply chain eg ASI Aluminium
 - **‘Book and claim’**
 - Material can move freely through the supply chain, and claims are supported through allocated or traded certificates eg ASI Credits
-
- Physical segregation
- Administrative allocation

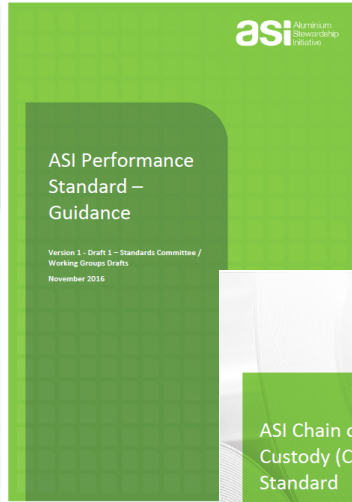
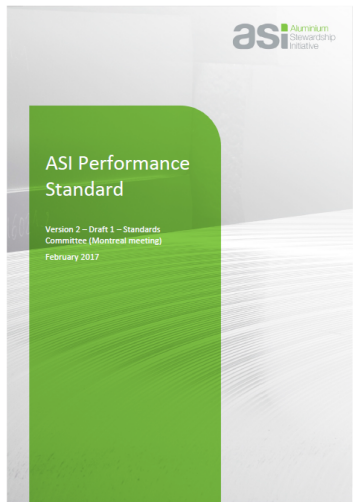
CoC Standard – Comments and ASI responses

Summary of comments	ASI responses
Market Credits system: pros and cons of inclusion in the CoC Standard	<p>The Standards Committee discussed these comments and made the following agreements:</p> <ul style="list-style-type: none">• To keep the Market Credits system in the CoC Standard.• To include wording that purchasers may only buy market credits for a period of five years following their first purchase.• To include additional language in the introduction to the Standard that indicates that ASI intends for the Market Credit system to be a transitional mechanism and that implementation data for the CoC Standard will be reviewed at the next revision.

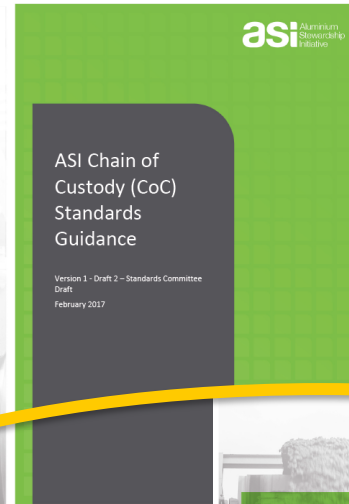
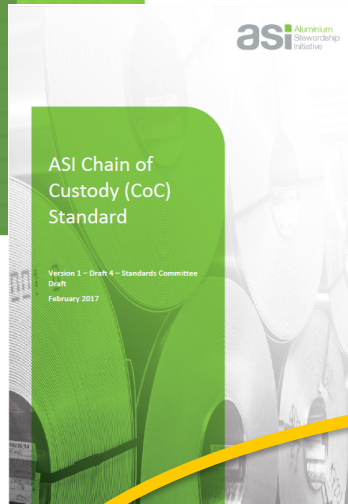
Chain of Custody Standard – when you review

- Thoughts on changes from Draft 3 to 4 of the Standard?
- Suggestions for improving the Guidance?
- Questions on interpretation for particular situations?
- Any other issues ASI should consider?

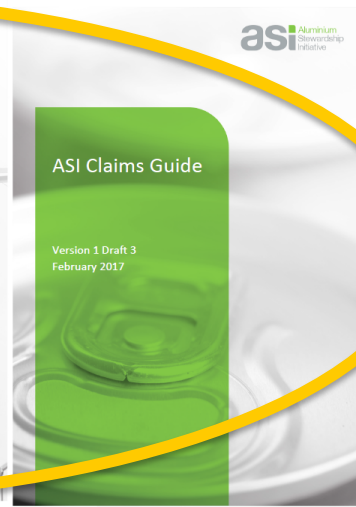
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Performance
Standard



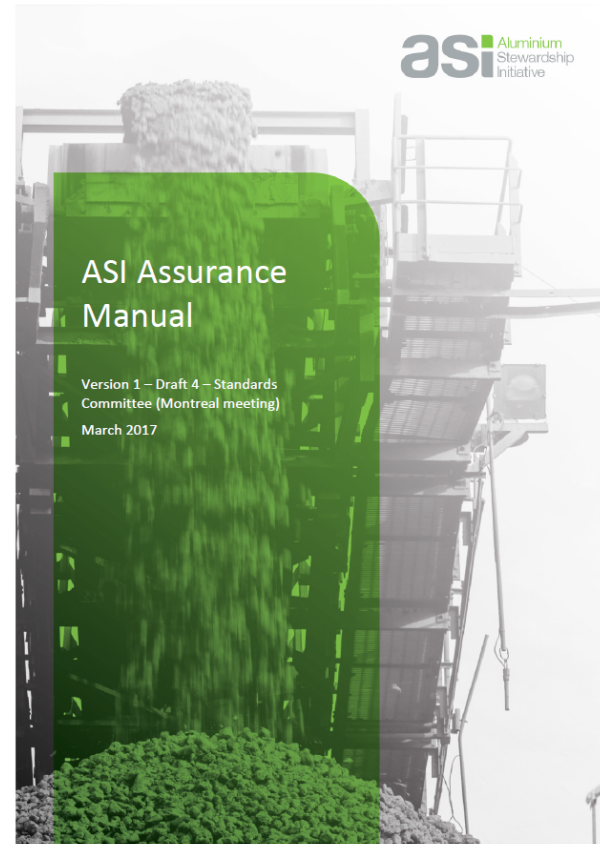
Chain of Custody
Standard



Assurance and
Claims

Assurance Manual

- **Sets out** the principles, procedures and objectives for the assurance model that supports ASI Certification.
- **Covers:**
 - The overall process for achieving ASI Certification
 - How Members perform an initial Self Assessment to prepare for an Audit
 - How Accredited Auditors conduct independent third party Audits to assess Conformance with ASI Standards
 - General principles for conducting effective Self Assessments and Audits.



Assurance Manual – Certification Scope

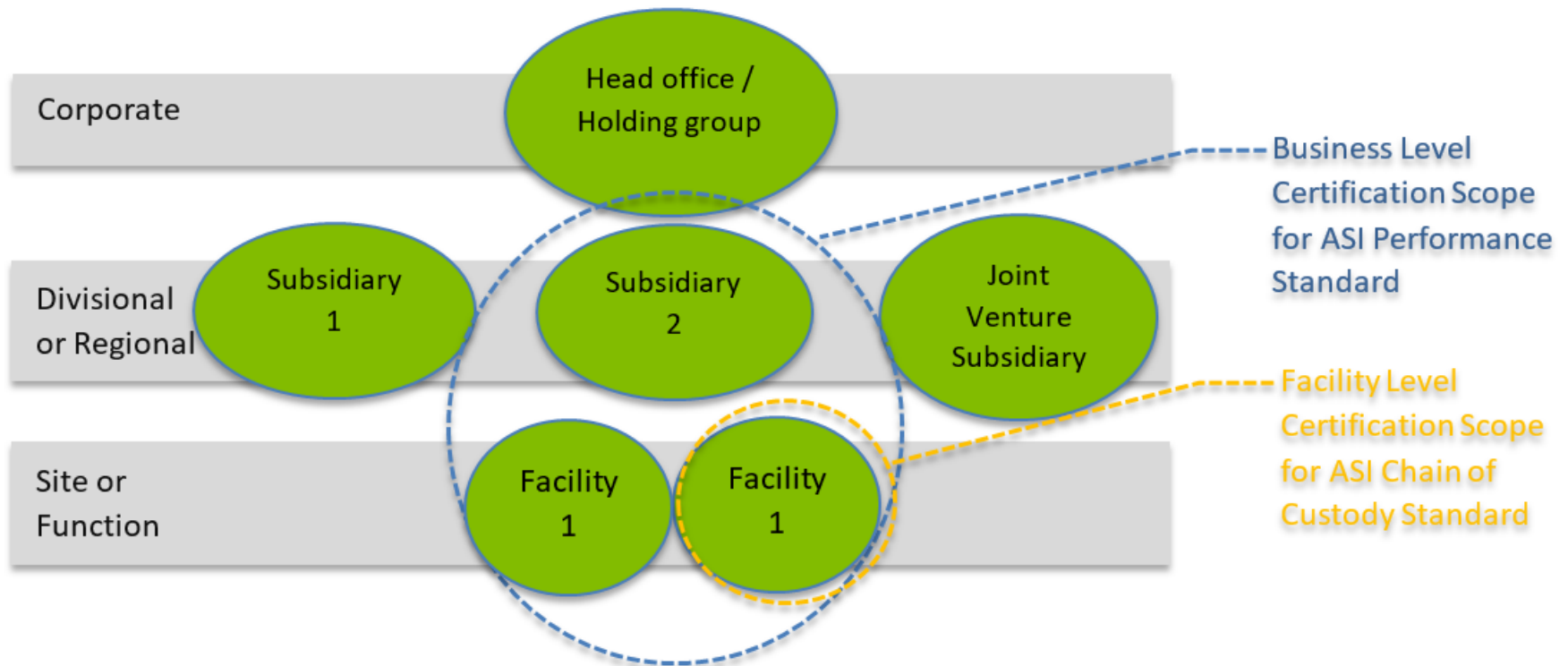
- The **Certification Scope** sets out what parts of a Business, Facilities and/or Product/Program are covered by an ASI Certification. This is sometimes also called the ‘unit of certification’.
- It is very important that the Certification Scope be accurately documented, so that:
 - The Member is clear what falls within the scope of an ASI Audit
 - The Auditor is able to develop an appropriate Audit Plan to determine Conformance with the relevant ASI Standard/s
 - A Member’s Certification Scope is communicated clearly and accurately to stakeholders and business partners.
- The Self Assessment process is when Members set out their Certification Scope/s.

Assurance Manual – Certification Scope

Approach	Certification Scope	Examples	Suitable for
Business Level	A whole Member company, a subsidiary of a Member or a business unit of a Member.	‘GreenAl Ltd’, which runs a smelter and 2 rolling mills. The packaging division of a diversified Member.	Members that are interested in a business-wide certification. If the desired Certification Scope does not cover <u>all</u> relevant parts of the nominated Business, then a Facility Level or Product/Program Level approach must be taken instead.
Facility Level	A single Facility or group of Facilities which are a subset of a Member’s total facilities.	A single mine. Five packaging manufacturing facilities out of a total of 50 operated by a Member.	Members that are interested in certification for only a selection of their Facilities. A minimum of one Facility is required under this type of Certification Scope
Products/ Programs Level	A single identifiable Product/Program or group of Products/ Programs.	Low carbon aluminium. A car platform. A type of packaging. Material stewardship activities.	Members (usually Industrial Users) for whom a Product/ Program focus is more relevant than a Facility focus. A minimum of one Product/ Program as defined by the Member is required under this type of Certification Scope.

Assurance Manual – Certification Scope

Figure 6 – Example of how Certification Scope for the ASI Performance Standard can differ from the Certification Scope for the ASI Chain of Custody Standard



Fact Sheet – Certification Scope and Membership Classes

- Extract from the ASI Assurance Manual (Chapter 4 – Certification Scope)
 - Applicability of individual criteria in ASI Standards as defined by the relevant supply chain activities and membership class.
 - ‘Material Conversion’ stage provides for flexibility in Certification uptake – activity between Semi-Fabrication and further manufacturing / final products.
- Certification requirements:
 - ‘Production and Transformation’ members carrying out Material Conversion have opted to apply the full Performance Standard to these activities, and not just the Material Stewardship criteria.
 - ‘Industrial Users’ members have opted to apply only the Material Stewardship criteria in the ASI Performance Standard to their Material Conversion activities. However if additional supply chain activities (eg Semi-Fabrication) are included in the Entity’s Certification Scope then the associated criteria in the Performance Standard will be applicable to those activities.
- Questions and comments on this approach are welcome during the consultation.

Assurance Manual – Risk-based approach

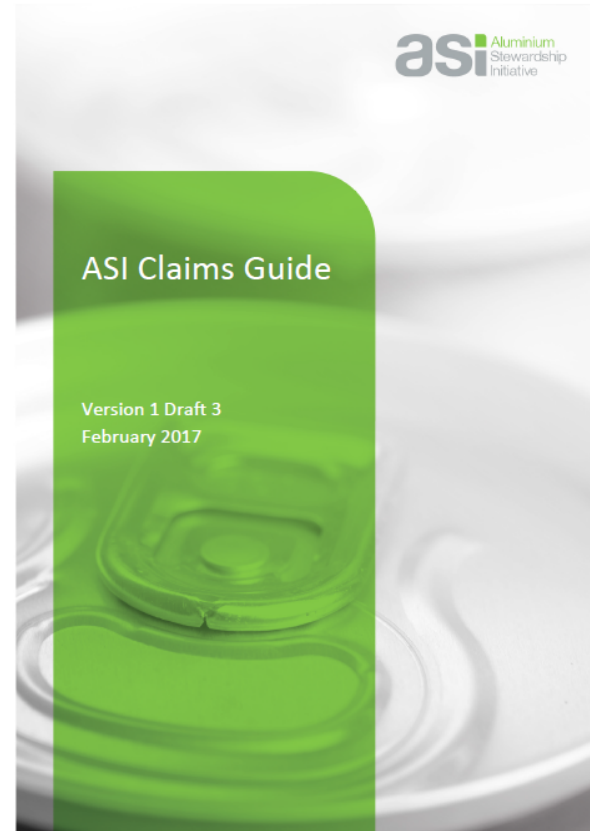
- ASI aims to integrate a **Risk-based approach** in its assurance model:
 - This is innovative – a number of existing standards schemes are exploring or integrating this, but ASI has the opportunity to build it in from the start
 - Proposed model set out in the ASI Assurance Manual and will be actioned through the Assurance Platform
 - Testing in the ASI Pilot Program will be used to refine the approach
- ASI's Risk-based assurance model frames variability across organisations in terms of 'Maturity Ratings' for the Entity's:
 - **Systems**
 - **Risks and**
 - **Performance.**
- Both the Self Assessment and the Audit will provide a process to establish, review and verify Maturity Ratings.
- At the conclusion of an Audit, the Auditor will determine an Overall Maturity Rating – implications for timing and intensity of future Audits.

Pilot Program – Objectives

- ASI Pilot Program scheduled for **July-September 2017**
- **Objectives are:**
 1. Ensure that the ASI Assurance Platform integrates all relevant requirements of, and supporting information for, the ASI standards and assurance model
 2. Test the deployment process across a range of business types and operating locations
 3. Test the workflows and supporting guidance for a range of certification scopes
 4. Provide an opportunity for members to prepare themselves for certification in 2018 through a trial self-assessment, and if desired, the involvement of independent auditors
 5. Identify opportunities for improvement to the Platform, supporting documentation and training programs

ASI Claims Guide – Purpose

- **Sets out** the rules and supporting guidance for the types of claims made under ASI:
 - Claims relating to ASI Membership
 - Claims relating to the ASI Performance Standard
 - Claims relating to the ASI Chain of Custody Standard
 - Use of ASI Logos and QR Code
 - Monitoring, enforcement and complaints



ASI Claims Guide

- **What is a claim:** For the purposes of ASI, a claim or representation ('claims') is documented and consists of one or more of:
 - Use of an ASI logo
 - Use of an ASI Certification number
 - A text claim relating to ASI, which may be inside and/or alongside the logo, or standalone
 - Access to further information to support the claim, such as a website link
- **Applicability:** The Guide must be used by ASI Members when making ASI-related claims, and by any non-members making ASI-related marketing claims.

ASI Claims Guide

In a nutshell: Rules for different types of claims:

- **Membership:**
 - Can be made by all ASI members.
 - Must be consistent with scope of membership.
 - Approvals not generally required.
- **Certification:**
 - Must be consistent with the type and scope of ASI certification that the ASI Member has achieved.
 - Approvals may be required for CoC Claims (but not for CoC Documents or Credits Certificates as set out in the CoC Standard).
- **General marketing claims:**
 - Must be consistent with general requirements and principles to avoid misleading or confusing use.
 - If unsure, contact the Secretariat.

Assurance / Claims – when you review

- Is the process for achieving ASI certification clear?
- Questions on how particular situations would be handled?
- Can you think of other types of potential claims not covered?
- Any other issues ASI should consider?

ASI Standards System – Overview

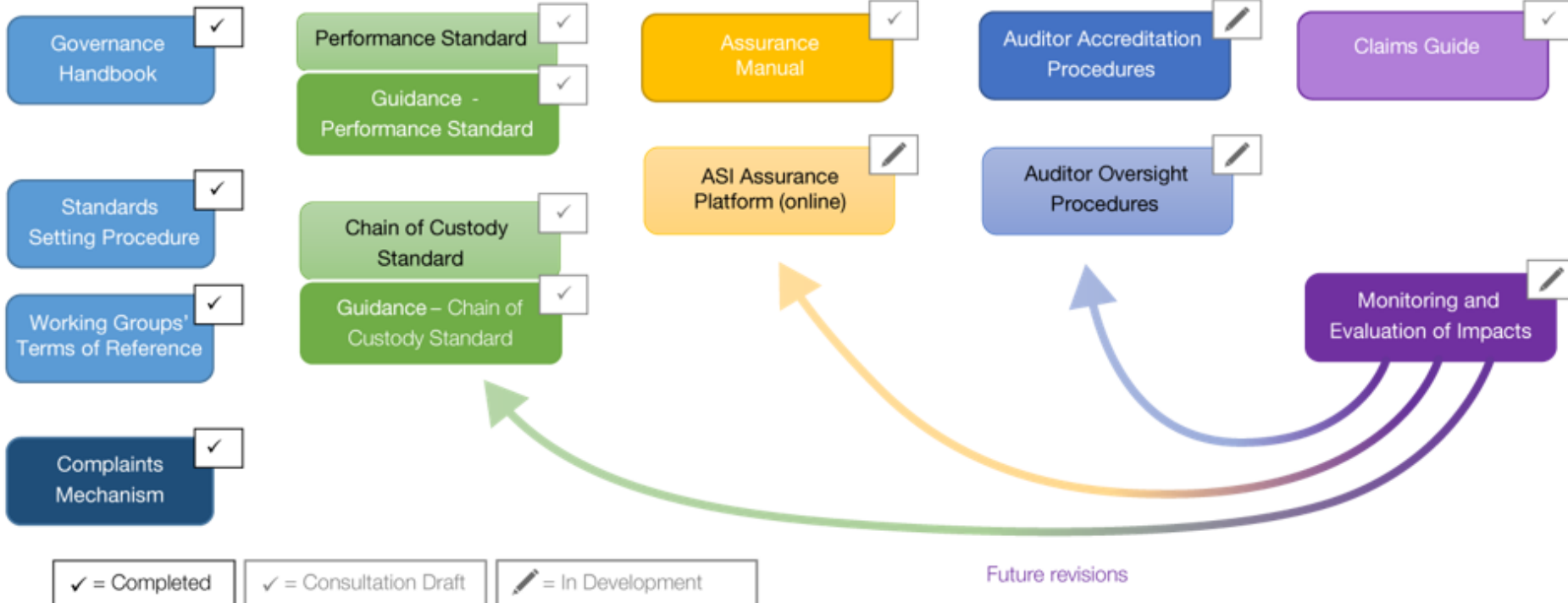
How ASI develops and makes decisions on standards, assurance and M&E

ASI Standards – what are the requirements for participants in the aluminium value chain

Assurance – how compliance is assessed and certification administered

Who carries out audits and are they working properly

What can members claim and is ASI certification having an impact



2017 Public comment period

- May 5 – July 7 2017
- Webinars – live and recorded
- Website – <https://aluminium-stewardship.org/asi-standards/public-consultation-2017/>
- Email – info@aluminium-stewardship.org

We look forward to your input!

Thanks and close