

ASI and Chain of Custody (CoC)

7 Common Questions

September 2018

ASI Antitrust Compliance Policy

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.

Note: Note the ASI CoC Standard does not require ASI Members or Entities to source their materials only from other ASI Members, or at all. The individual sourcing and supplier decisions of each business are made according to their own judgments and in their sole discretion.

See the ASI Anti-Trust Compliance Policy on the [ASI website](#).



ASI and Chain of Custody: 7 Common Questions

1. Why ASI has a CoC Standard
2. Why ASI uses a Mass Balance model
3. How this can work for a multi-site company
4. How ASI defines Eligible Scrap
5. How ASI Credits work
6. How Due Diligence is relevant
7. Is ASI Aluminium available yet?



1. Why ASI has a CoC Standard

- Is it because there's something 'special' about the atoms in ASI Aluminium?
 - No!
- Because it creates a market driver for companies in the aluminium value chain to implement the ASI Performance Standard
 - ASI aims to see sustainability and human rights principles increasingly embedded in supply chains.
 - CoC enables a link between verified performance and product claims.
 - Product claims are a tangible way for suppliers and customers to collectively drive uptake of better practices.

Some general drivers and benefits for CoC

- Values and operations
 - Reducing risk
 - Supplier selection and relationships
 - Reputational benefits
- Stakeholder expectations
 - Demands for more information about sourcing
- Regulation
 - Supply chain due diligence requirements
- Global alignment
 - Standardisation of expectations, processes and systems



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2. Why ASI uses a Mass Balance model

- ‘Production segregation’ CoC models are cost and resource intensive
- Using these models for the global aluminium value chain:
 - would make it impossible to create any scale of uptake, and this would undermine its use as a driver for sustainability.
- On the contrary, a ‘Mass Balance’ model:
 - Enables chain of custody programs to scale up to still achieve impact but with less costs and barriers to participation.
 - At the level of a company, is based on a material accounting system
 - Allows Certified and uncertified products to be mixed, with controls that mass certified in = mass certified out.
 - Puts the focus on connecting supply chain practices, not atoms.

How it works

- Material accounting for a defined CoC certification scope occurs in a ‘black box’
- Over the material accounting period, the mass of CoC material inputs must be greater than or equal to the CoC material outputs within the ‘black box’
- There can be mixing of CoC and non-CoC material at any stage within the ‘black box’
- CoC Material inputs can be allocated within the ‘black box’ without consideration of the physical distribution of the material



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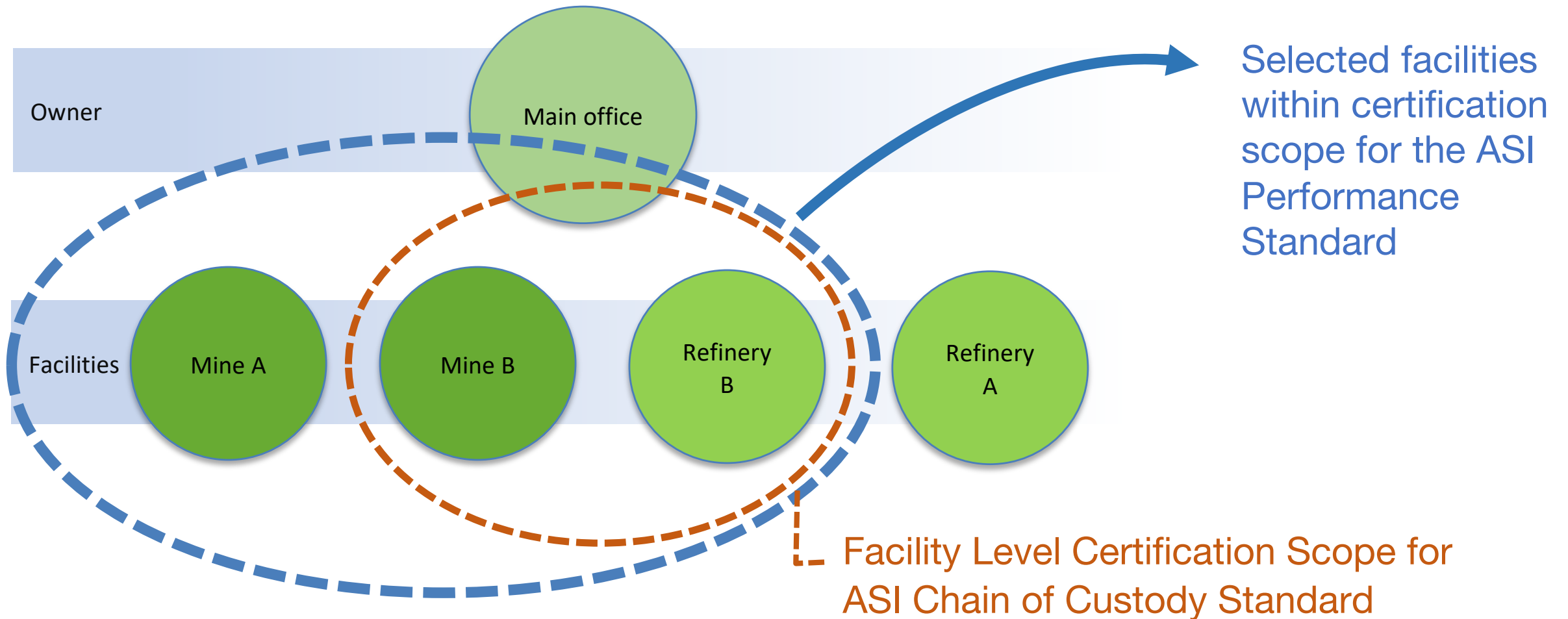
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3. How this can work for multi-site companies

- The ‘black box’ of the Certification Scope could be one site or multiple sites
 - Logically it’s the same – mixing is allowed in both cases.
 - For both, there is a decoupling of the material accounting of overall inputs/outputs from the actual physical flows.
- Multi-site companies can create a combined CoC Certification Scope covering a number of entities/sites they control, such as:
 - Mine, refiner, smelter, casthouse
 - Refiner/remelter (recycling), casthouse, rolling
 - Semi-fabrication, production manufacturing etc.
- Because the ASI Performance Standard must be applied to all sites that are in the CoC Certification Scope, this promotes good practices.

CoC Certification Scope



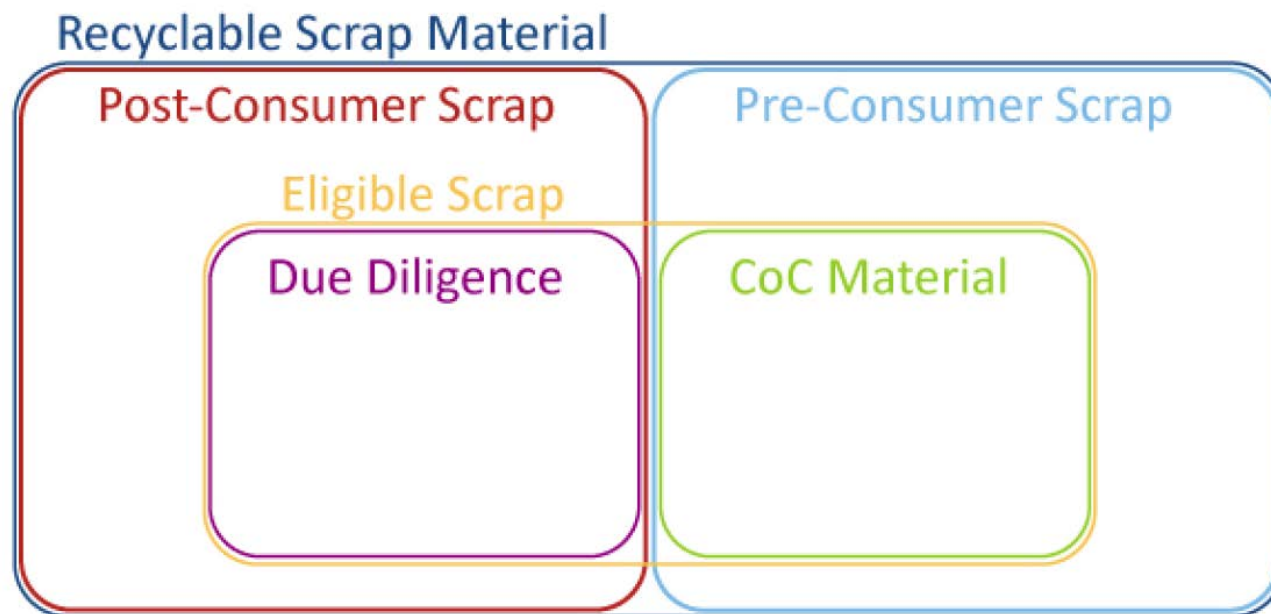
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4. How ASI defines Eligible Scrap

- Recyclable Scrap Material that is eligible to be CoC:
 - All post-consumer waste (subject to due diligence)
 - Aluminium recovered from dross and treated dross residues
 - CoC Scrap (i.e. scrap from material that was already CoC)



Rationale for approach to Scrap

- Pre-consumer scrap is already recycled to a great extent – it usually clean and/or sorted. The CoC standard aims to provide incentives to increase collection of the more ‘difficult’ scrap, which is *post-consumer scrap*.
- If all scrap was automatically ‘in’, there would be little incentive to implement the Performance Standard in primary production – mining, refining, smelting. The potential demand for ASI Aluminium could be easily and quickly filled by recycling of aluminium that may have been produced under unknown conditions a short time prior to it being recycled.
- There were also some concerns about the potential unintended consequences of creating a new CoC demand for pre-consumer scrap which may then become artificially generated, thus undermining process efficiencies.

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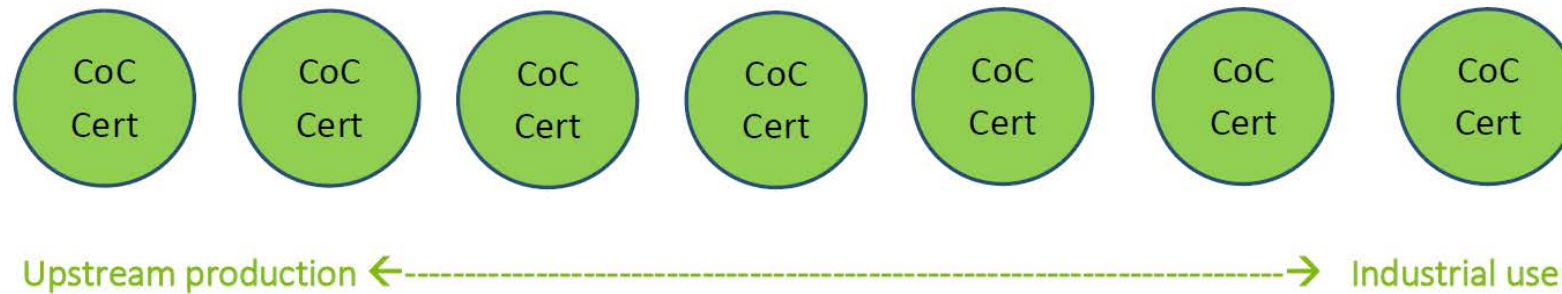
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5. How ASI Credits work

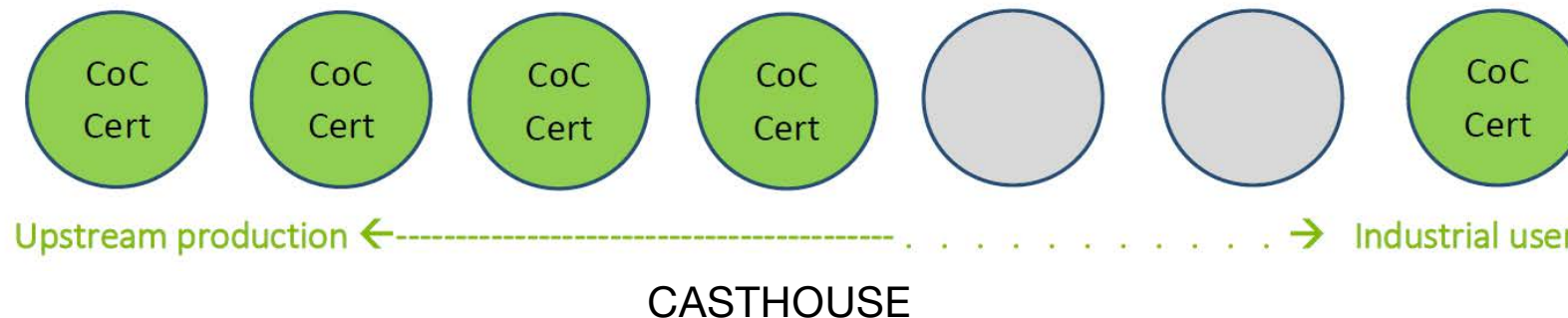
Mass Balance

- Under the Mass Balance System, every step of the supply chain must be CoC Certified as per the CoC Standard
- If there is a break in the chain of CoC Certified Entities then the CoC status of the material ends and cannot reach the last Entity



Market Credit

- Under the Market Credit System, credits can be passed from a Casthouse to any downstream facility (Post-Casthouse)
- If there is a break in the chain of CoC Certified Entities Post-Casthouse, then the CoC status of the material may continue in the form of 'ASI Credits' and can reach the Entity that seeks it



Rationale for establishing ASI Credits option

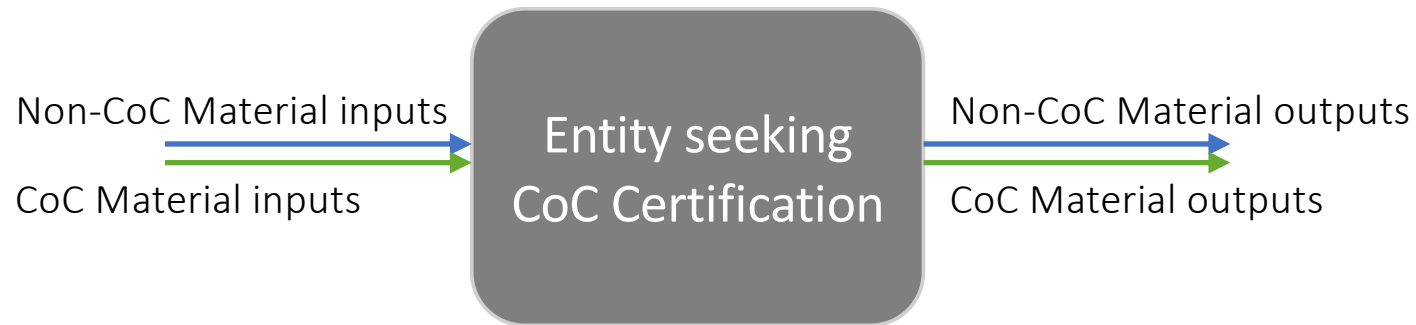
- Available to Post-Casthouse entities that cannot create an unbroken chain of CoC Certified entities between Casthouse Products and themselves.
 - Links a specific quantity of output CoC Material from the Casthouse and allows this to be allocated as ASI Credits to a downstream company via a certificate.
 - Credits/certificates are allocated once and cannot be re-traded.
 - Provide an accessible and cost-effective avenue for downstream companies to begin responsible sourcing programs.
- Helps stimulate and recognise upstream efforts to produce and supply CoC Material.

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6. How Due Diligence is relevant



- Supply chain due diligence for minerals and metals is becoming an important expectation from stakeholders, and increasingly subject to regulation.
- Due diligence is applied towards sources of non-CoC material inputs
- Only applies to aluminium (does not need to apply to other alloying elements)

Key areas for Due Diligence

- Due diligence comprises the following, with a focus on aluminium supply chain risks:
 - A policy
 - Risk assessment and mitigation
 - A complaints mechanism
- Key risk areas for ASI's CoC due diligence are linked to the following criteria in the ASI Performance Standard:
 - Anti-corruption
 - Responsible Sourcing
 - Human Rights Due Diligence
 - Conflict Affected and High Risk Areas

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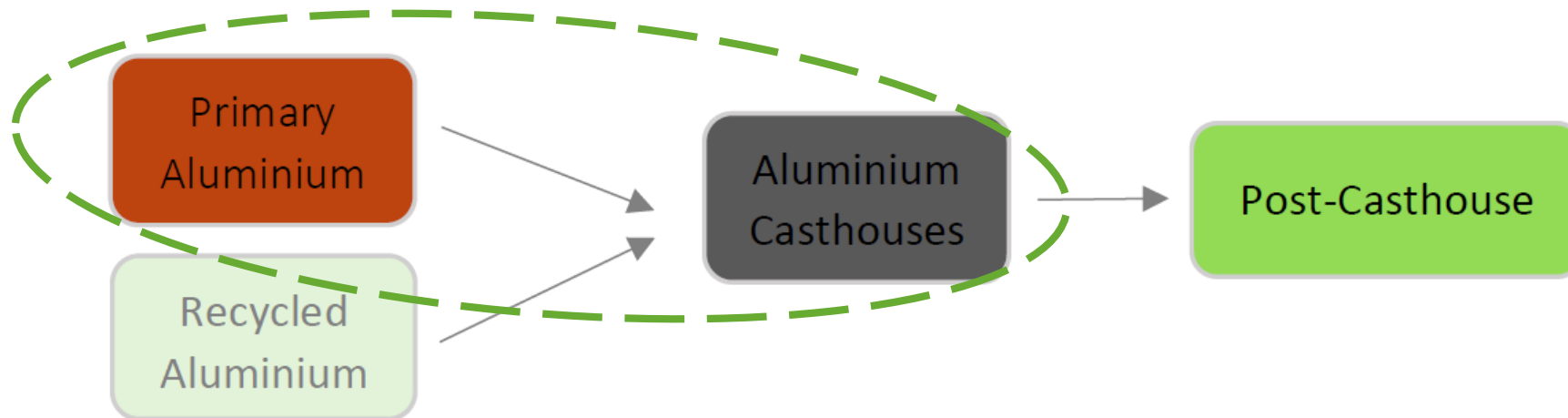
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7. Is ASI Aluminium available yet

Yes!

- The first ASI CoC Certification for primary aluminium was issued in July 2018.
- More Certifications are expected in the coming months, expanding coverage.



Note: ASI plays no role in pricing or commercial interactions for ASI Aluminium.

Can I get CoC Certified before I have supply?

- During the early years of CoC audits, it is not always possible for companies to have CoC Material already available before they are Certified.
- So auditors will want to see that the company demonstrates that they have the necessary systems in place for when they do:
 - a material accounting system to track CoC inputs and outputs
 - ability to reliably generate and/or record CoC Documents, etc.
- The auditors would then later verify these systems in operation at the surveillance audit.



More information on the ASI CoC Standard

- ASI Chain of Custody Standard and Guidance
 - <https://aluminium-stewardship.org/asi-standards/chain-of-custody-standard/>
- educationAI – offers a range of recorded webinars
 - <https://aluminium-stewardship.org/educational-asi-learning-centre/>

More information
info@aluminium-stewardship.org

ASI Website
www.aluminium-stewardship.org

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