

# ASI Standards Committee

## Teleconference Minutes

04 June 2020

# Antitrust Compliance Policy

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*Attendees are kindly reminded that ASI is committed to complying with all relevant antitrust and competition laws and regulations and, to that end, has adopted a Competition Policy, compliance with which is a condition of continued ASI participation.*

*Failure to abide by these laws can have extremely serious consequences for 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 in respect of all other ASI activities.*



# Acknowledgement of Indigenous People

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*ASI acknowledges Indigenous Peoples and their connections to their traditional lands where we and our members operate. We aim to respect cultural heritage, customs and beliefs of all Indigenous people and we pay our respects to elders past, present and emerging.*



# ASI Ways of Working

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*ASI is a multi- stakeholder organisation. Dialogue is at the heart of everything we do. It is critical to ensure that the organisation delivers on its mission. We welcome all participants and value the diversity of backgrounds, views and opinions represented in this meeting. We recognise that we have different opinions; that is the heart of healthy debate and leads to better outcomes. To ensure our meetings are successful, we need to express our views and hear the views of others in a respectful and professional way, protecting the dignity and safety of all participants and enabling full participation from all attendees.*



# Agenda

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	Topic	Lead
1	a. Welcome b. Introduction & Apologies c. Objectives d. Documents Circulated e. Previous Minutes f. Log of Actions g. Progress/Status Update	Chair
2	Supply Chain Applicability and Implementation	ASI
3	Review changes to Standard for Principle 3	ASI
4	Review changes to Standard for Principle 3	ASI
5	a. Agreed upon actions for Committee members b. Agreed upon actions for the Secretariat c. Close	Chair

# 1a,b Welcome, Introduction & Apologies

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a) Welcome

b) **Chair:** Kendyl Salcito (Nomogaia)

**Attendees:** Abu Karimu (Settle Ghana), Alexander Leutwiler (Nespresso), Annemarie Goedmakers (Chimbo), Anthony Schoedel (Arconic), Catherine Athenes (Constellium), Gesa Jauck (Trimet), Guilia Carbone (IUCN), Jostein Soreide (Hydro), Justus Kammuegger (WWF), Louis Biswane (KLIM), Maria Lee (WOCAN), Marcel Pfitzer (Daimler), Michael Frosch (BMW), Nicholas Barla (IPAF), Rosa Garcia Pineiro (Alcoa), Steinunn Steinsson (Nordural), Stefan Rohrmus (Schueco), Tina Bjornestal (Tetrapak).

**ASI:** Cameron Jones, Camile Le Dornat, Kamal Ahmed, Krista West, Marieke van der Mijn.

**Apologies:** Gina Castelain (IPAF), Hugo Rainey (WCS), Jessica Sanderson (Novelis), Samir Whitaker (FFI), Neill Wilkins (IHRB),

**Invitees:** Mark Annandale (University of Sunshine Coast, IPAF Support).

# 1c,d Objectives & Documents Circulated

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## c) Objectives

1. Adopt minutes of the previous meeting
2. Agree to plan to address supply chain applicability and addressing questions about applicability

## d) Documents Circulated

1. ASI SC Teleconference 04Jun20
2. ASI SC Teleconference Minutes 15May20
3. Summary of Post 2017 Launch Log of Suggestions and Changes
4. Revision Workplan Planning Document 25May20
5. Principle 3 TC
6. Principle 4 TC
7. Action Log
8. ASI - SCMemberApptProxyForm 04June20
9. ASI –SCMemberAlternateForm 04Jun20
10. ASI HRWG Teleconference Meeting Minutes 15Apr20
11. ASI GHGWG In-Person Meeting Minutes 23Apr20
12. ASI RMSWG Teleconference Meeting Minutes 06May20
13. ASI CoCWG Teleconferene Minutes v2 28Apr20

# 1e,f Previous Minutes & Log of Actions

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d) Previous meeting minutes draft

*Resolve to accept the minutes of previous teleconference 15 May 2020.*

- Resolved to accept the minutes 15 May 2020.

- Minutes will be published on the ASI website.

e) Log of Meeting Actions open or closed since last meeting

#	Meeting	Subject	Action	Assigned to:	Due Date	Status
162	22Apr20	Criterion 1.1 Guidance	One member agreed to draft some language for the Guidance for Criteria 1.1 on 'maintaining awareness of applicable law'.	Member	15May20	Open



# 1g Progress/Status Update

Revision Workplan Planning Document 30Apr20

Summary of Post 2017 Launch Log of Suggestions and Comments 08May20

- A schedule for reviewing all relevant documents is set out in the workplan circulated. We are slightly behind where we had planned to be and the plan has been adjusted. May need to consider longer/more frequent meetings at our next meeting.
- Goal this meeting is to:
  - Address supply chain applicability of the Standard as we are spending a considerable amount of time discussing this Criteria by Criteria
  - If time permits review Standard changes to Principle 3 and 4
- All items are being closely tracked in the log which is distributed each meeting. Log is the accumulated input and learnings from 2.5 years of implementation with entries by companies, the Secretariat, stakeholders and auditors. It is informed by conversations, oversight, feedback interviews with companies and auditors, learnings of best practices, M&E...essentially every activity of ASI.



# 1g Discussion

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- It was raised that the action log is not necessarily easy to follow at times (with respect to lots of data and text).
- Now that ASI has a large suite of audit reports available, could the outcomes of the audits now be reviewed and determine how the evidence was provided for selected criteria (where current debate is being focused, or risk 'hotspot')? An example was provided on the data provided in last RMSWG which showed a varying approach to recycling strategy (criteria 4.3) development and implementation, as well as the case study discussed recently in the GHGWG regarding misreporting of emissions data by a smelting Entity.
- It was raised that ASI needs to ensure that there is an improvement in consistency across audits to provide assurance that the ASI Standards.
- It was suggested that the Assurance Manual is more applicable to this line of discussion – in that this is related to the implementation of the Standard (via the assurance process (audits, oversight etc.)) as opposed to the criteria and wording development within the Standards.
- It was stated that access to ASI-wide grouped data (via elementAI) on conformance ratings per criterion will be available shortly.

## 2 Supply Chain Applicability and Implementation

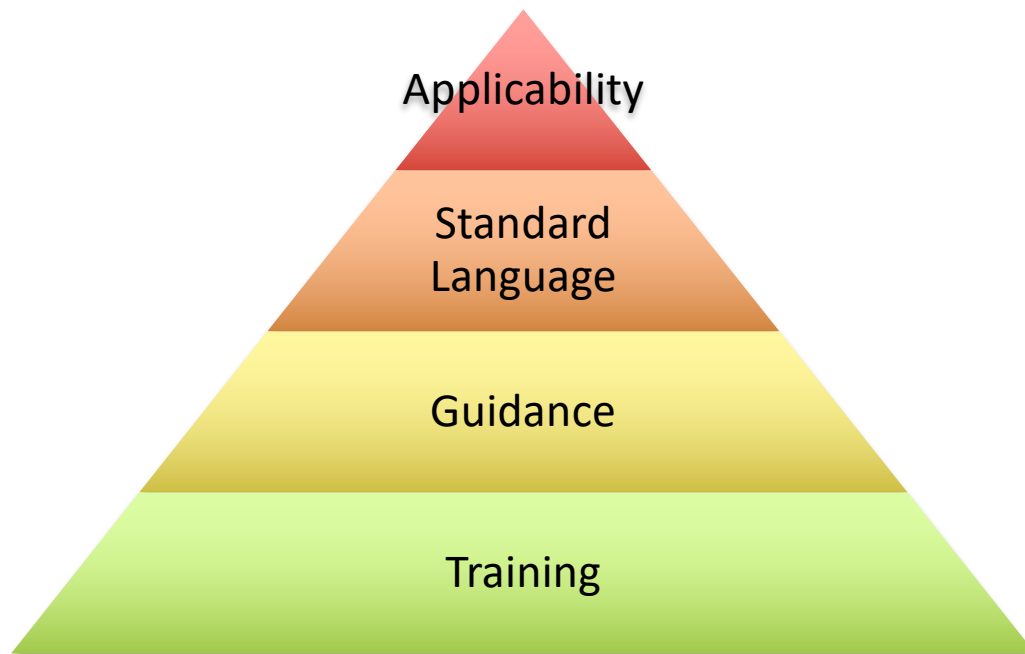
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- ASI is an entire value chain Standard, this is entrenched in our governance through our Constitution. This is a strength of our system as it gives assurance to downstream company of a high level of practices throughout the value chain.
- It also presents a challenge as we strive to write a single Standard that addresses the entirety of a complex supply chain.
- Globally there are Governance, Environmental and Social risk throughout the entire supply chain.



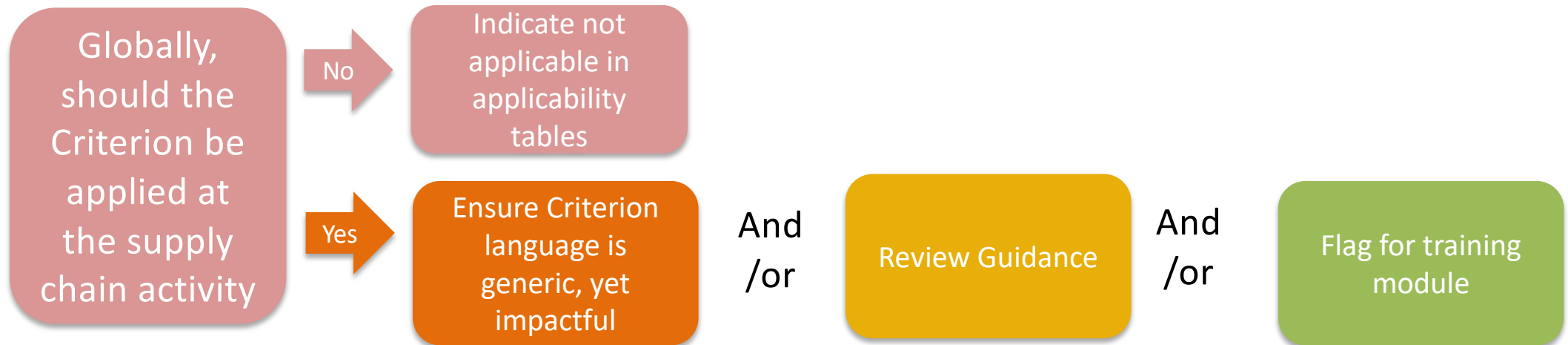
## 2 Supply Chain Applicability and Implementation

When there are questions about supply chain implementation we apply a hierarchy of tools, recognizing that the majority of instances will be addressed through Guidance and Training.



## 2 Supply Chain Applicability and Implementation

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## 2 Supply Chain Applicability and Implementation

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The task for us is to write one Standard that can address this complexity. There are several tools at hand:

- **Criterion applicability** – used to single out those Criterion which really do not apply to a supply chain activity at all
- **Standard language** – Criteria wording needs to be generic enough that it can be applied to the entire supply chain yet specific enough to ensure outcomes
- **Standard Guidance** – can use this effectively to address variability that we see in application of the Standard for by supply chain activity, size, geographic location etc.
- **Training** – can be used to provide specific examples to companies and auditors on supply chain implementation.



## 2 Supply Chain Applicability and Implementation

**Option 1: Propose that we keep the status quo for Criterion Applicability for both Material Conversion and Other Manufacturing.**

- This allows downstream companies flexibility in determining the degree to which they engage in ASI while addressing the concerns that the Standard may be too onerous for downstream companies and disincentivize their participation in certification.



## 2 Supply Chain Applicability and Implementation

### Criterion Applicability Option 1

- With the constitutional change late 2019 and the subsequent interim policy introduced by the Board currently members with Material Conversion Facilities have the choice to certify to either the entire Standard or just Principle 4. The applicability for the yellow boxes follow the current Standard for Material Conversion (Production & Transformation)

Supply chain activity	Applicability of Performance Standard Criteria							
	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8
Bauxite Mining								
Alumina Refining								
Aluminium Smelting								
Aluminium Re-melting/Refining								
<u>Casthouses</u>								
Semi-Fabrication								
Material Conversion								
Other manufacturing or sale of products containing Aluminium								

#### Code:

Criteria shaded **green** are generally applicable to those supply chain activities, where they are within the Certification Scope of the Entity. Criteria shaded **yellow** are optional for the supply chain activities indicated.

## 2 Supply Chain Applicability and Implementation

Option 2: Propose that all certified Material Conversion/other Facilities have to follow the current Criterion applicability guidelines for Material Conversion (Production and Transformation).

- This addresses concerns raised that the ASI system puts the burden on upstream producers while the downstream gets benefits with very little investment.



# 2 Supply Chain Applicability and Implementation

## Criterion Applicability Option 2

Supply chain activity	Applicability of Performance Standard Criteria							
	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8
Bauxite Mining								
Alumina Refining								
Aluminium Smelting								
Aluminium Re-melting/Refining								
Casthouses								
Semi-Fabrication								
Material Conversion /								
Material Conversion (Industrial Users)								
Other manufacturing or sale of products containing Aluminium								

Supply chain activity	Applicability of Performance Standard Criteria							
	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8
Bauxite Mining								
Alumina Refining								
Aluminium Smelting								
Aluminium Re-melting/Refining								
Casthouses								
Semi-Fabrication								
Material Conversion								

### Code:

Criteria shaded green are generally applicable to those supply chain activities, where they are within the Certification Scope of the Entity.

## 2 Discussion: Supply Chain Applicability and Implementation (slide 1 of 3)

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- It was noted that there is an error on the previous slide and that Other Manufacturing should be included in the second table and highlighted green.
- It was noted that the initial rationale for the specific applicability of Material Conversion was related to the use of multiple materials by many downstream users (ie. automotive). It was seen that aluminium production was not their primary business and thus the differentiation in applicability of the Standard for Industrial users at the time.
- It was raised that the applicability of Principle 4 only however could raise the overall level of risk where other potential areas of high risk and reputation (human rights, biodiversity etc.) are present, and not assessed in the audit.
- It was suggested that for many of the Members in the Material Conversion supply chain activities, these Members have other Standards that they have to comply to.
- One member noted that the ASI Performance Standard is considered a 'minor' standard by some downstream Members compared to other Standards that they have to comply with, and the undertaking of auditing of multiple sites would be/is of considerable cost for minimal gain. It was stated that the primary concern is auditing costs associated with the broader applicability of the Standard.

## 2 Discussion: Supply Chain Applicability and Implementation (slide 2 of 3)

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- It was said that there were many specific aluminium related Criteria in the Performance Standard and therefore these were not applicable to some downstream Members, however this was rebutted by a comment to say that the majority of the Criteria are general, and are not aluminium-specific and apply to all businesses regardless of the product produced.
- It was commented that as the metal moves further down the supply chain into conversion, the more generic Criteria apply and less of the aluminium-specific criteria apply, as indicated in the applicability tables in the Guidance.
- It was stated that the option to choose (i.e. Option 1 presented here) was not a benefit to ASI as there is no clear rationale why there is an option.
- It was suggested that perhaps there was an option in between Option 1 and 2 where only some of the Criteria were applied to Material Converters and Other Manufacturing. ASI stated that as requested at the Cambridge meeting, ASI had done a review of the applicability across the entirety of the Standard and that there was no clear line to say that some Criteria should apply and some shouldn't, beyond what is already indicated for semi-fabrication, hence the proposal of Option 2.



## 2 Discussion: Supply Chain Applicability and Implementation (slide 3 of 3)

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- It was noted that especially for downstream producers, cross-recognition would significantly help to reduce the audit burden, and thus costs. ASI responded in stating that a significant amount of work has and is being done on harmonisation to make sure that existing Standards are formally recognised. It was noted that there are 33 Standards identified as relevant for harmonisation in the new benchmarking and harmonisation log. The ASI procedure on benchmarking and harmonisation is available on the website if SC participants wish to seek further information. The ASI Secretariat said they would distribute the log in advance of the next meeting.
- It was suggested that one option to reduce audit costs was to look for greater flexibility in the Assurance Manual around site sampling/level of effort/audit days/# sites etc.
- It was suggested that the current covid-impacted audit processes, could provide learnings that suggest greater flexibility in auditing, especially around remote auditing. ASI provided an overview on how auditors are now being advised under the COVID situation on what criteria can be assessed remotely and which ones need on-site assessment/confirmation.
- It was noted that a lot of audit costs are related to visiting multiple facilities. Options may be available in future with respect to audit flexibility (ie. a more risk-based approach).
- A concern was raised regarding future 'uptake' from new members with respect to the level of effort required for smaller 'material converters' to apply all criteria.

## 2 Discussion: Supply Chain Applicability and Implementation (slide 3 of 3)

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- It was noted that the integrity of the Standard still need to be at the forefront of discussions, and not to put convenience and caveats first – acknowledging the varying level/% of AI in downstream activities.
- It was agreed that a final decision on applicability will be put on hold until further discussion is had around multi-site sampling options, 'level of effort', audit days etc.
  - *ACTION: ASI Secretariat to distribute the Standards Benchmarking and Harmonisation log with the Standards Committee.*
  - *ACTION: ASI Secretariat to review options relating to auditing procedures and 'level of effort', leveraging off the ASI Interim Policy on covid-affected audits and existing guidance in the Assurance Manual and the work of the Human Rights Working Group on risk-based approaches to audit level of effort.*

## 2 Supply Chain Applicability and Implementation

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Standard Language: The Standard identifies what a company must do, the Guidance gives guidance on how it does it. Ask ourselves is this a what or a how.

Example 1: We think a report should be made public.

- ✓ Must go in Standard or else there will be an option to keep the report confidential.

Example 2: We think the report is ok to be shared upon request if the company is very small but should be on the website if the company is larger.

- ✓ This type of guidance goes in the Guidance

## 2 Supply Chain Applicability and Implementation

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**Guidance:** can use this effectively to address variability that we see in application of the Standard by:

- Supply chain activity
- Size
- Geographic location
- Some specific conditions an Entity may face
- Others?

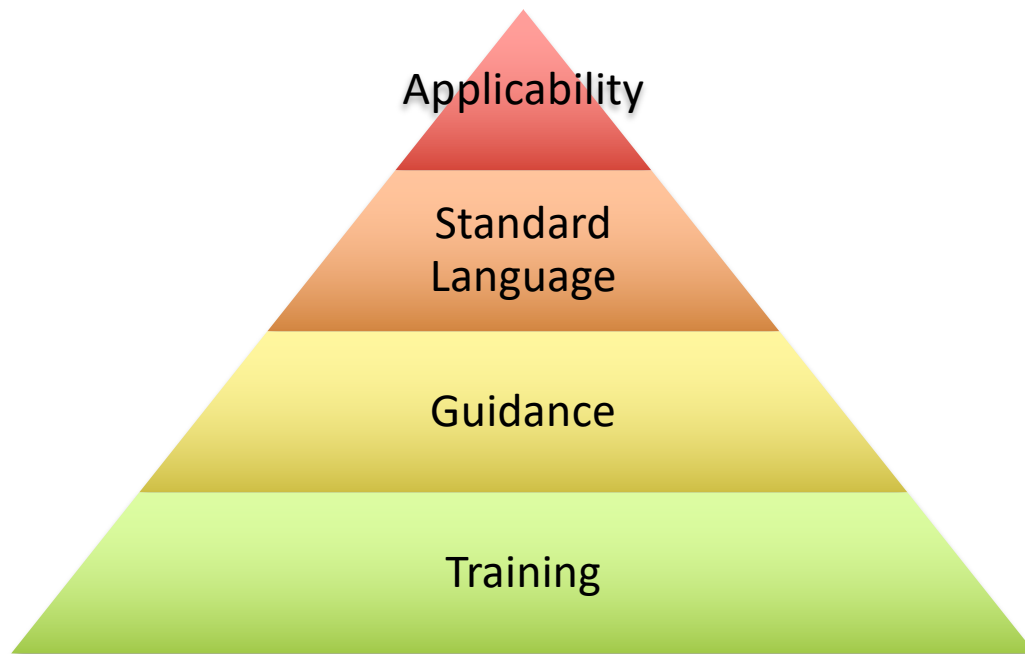
## 2 Supply Chain Applicability and Implementation

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Training: ASI is planning a series of specific training modules on implementation of the Standard throughout the supply chain to roll out in early 2022 along with the new Standard. ASI is conducting a gap analysis between questions raised here and in the WGs and current Guidance and this can be further developed through the Standard Revision to inform the training.

## 2 Supply Chain Applicability and Implementation

Proposal: When there are questions about supply chain implementation we apply a hierarchy of tools, recognizing that the majority of instances will be addressed through Guidance and Training.



Will apply only to a small portion of Criterion.

Must be cognizant here of implementation throughout the supply chain but Criteria-level language is not where the majority of those concerns will be addressed.

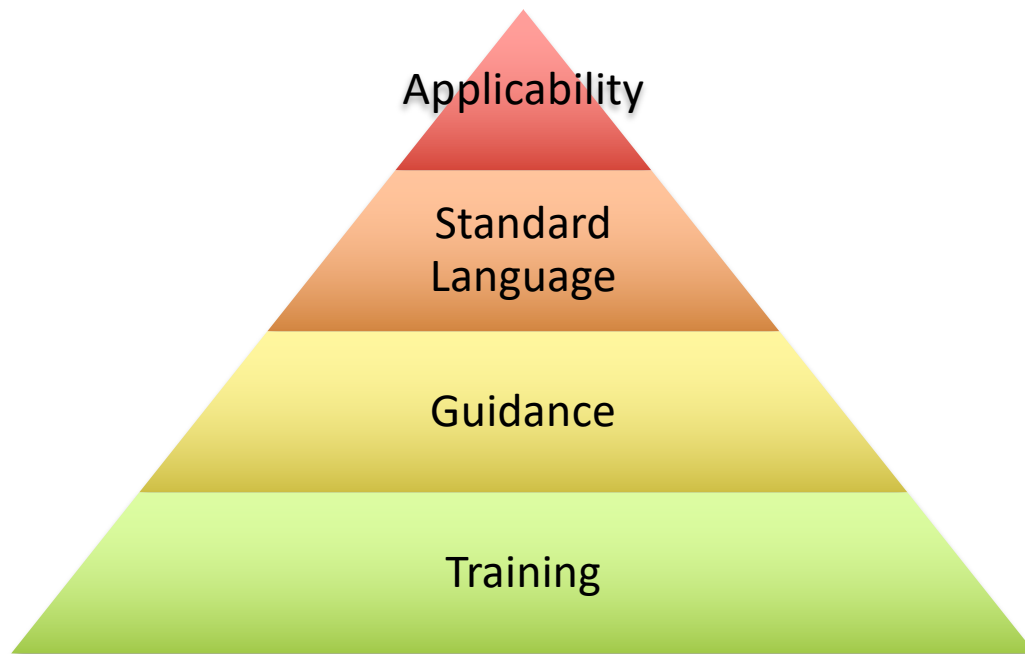
Majority of supply chain activity implementation concerns will be addressed here...

...and here.



## 2 Supply Chain Applicability and Implementation

### Example: Criterion 2.6 Human Rights Impact Assessments



Do all supply chain activities potentially have new projects and major changes that may impact human rights?

**YES, applicability matrix indicates applicability**

Is Criterion flexible in being able to be applicable to the entire supply chain globally yet specific in the details that are universally normatively required? **Yes, look at Guidance**

Are there specifics that we point to in how the Criteria would be implemented at different supply chain activities?

**Yes, lets pull those out and include them in the Guidance and future training. For instance, what is the expectation for an SME, what about an industrial site in an urban context.**

## 2 Discussion: Supply Chain Applicability and Implementation

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- It was put forward as a suggestion as to whether the Guidance needs to be very prescriptive? A worry that it would get too large and be unworkable was raised. Additionally, it was asked if perhaps some of the Guidance could become normative. ASI responded that the Guidance has to remain Guidance and that if something is meant to be normative (a mandatory requirement) it has to be specified in the Criteria in the Standard.
- The Standard is the normative part of the process, the Guidance is just that – guidance.
  - *It was AGREED that there will be no change to the current process regarding prescription in the Standard, and guidance in the Guidance. It was also agreed that the hierarchy presented on the previous slide would be used to make decisions on where changes to the ASI system should be made.*

# 3 Changes to Principle 3

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Excerpt from Principle 3 TC , page 4

## Addition to Criteria 3.3 Payments to Governments (log item 161)

### Payments to Governments

- a. The Entity shall only make, or have made on its behalf, payments to governments on a legal and/or contractual basis.
- b. Entities engaged in Bauxite Mining shall publicly disclose payments to governments building on existing audit and assurance systems.
- c. Entities engaged in Bauxite Mining shall publicly disclose the value and beneficiaries of financial and in-kind political contributions, whether made directly or through an intermediary.

\*addition made to align with ICMM in harmonization process

## 3 Discussion: Changes to Criterion 3.3

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- It was noted that the heading for Criterion 3.3 should be updated to reflect the addition of criterion 3.3 c) “Payments to Governments” – in that the criteria relates to more than just payments to Governments, and also incorporates political contributions etc.
  - *The revision shown in the previous slide for Criterion 3.3 has been ACCEPTED - subject to incorporation of a definition or guidance for what is meant by ‘government’.*

# 4 Changes to Principle 3

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Excerpt from Principle 3 TC, page 5

## Addition to Criteria 3.4 Stakeholder Complaints (log item 229)

### Stakeholder Complaints, Grievances and Requests for Information

- a. The Entity shall implement accessible, transparent, understandable and culturally and gender sensitive, Complaints Resolution Mechanisms, adequate to address stakeholder complaints, grievances and requests for information relating to its operations.
- b. The Complaints Resolution Mechanisms shall be shared with Impacted Populations during Consultations required by this Standard.

\*Note that Impacted Populations terminology has not yet been defined but refers to stakeholders, rightsholders, local community and Indigenous Peoples.

### 3 Discussion: Changes to Criterion 3.4

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- It was noted that for the consultation process, what does the Standard actually mean by this with respect to the new criteria in b)? Is 'Impacted Populations' relevant to an Entity located in an industrial area?
  - It was then stated that a Complaints Resolution Mechanism is largely redundant unless it is communicated (ie. 'shared') effectively with those stakeholders that are directly affected.
  - It was noted that the phrase of "during Consultations required by this Standard" was not clear in terms of 'when'. However it was then noted that this new b) section of the criteria was to provide further clarity and that Consultation would be defined relative to all parts of the Standard that require engagement with Stakeholders.
  - Comment was made that a) is considered the implementation and that b) is the 'sharing'.
  - A minor concern was raised that the criteria may not be understandable for some Entities and that an improvement in the Guidance will be required.
  - There was a discussion around whether workers should be included in this Criterion or in Principle 10 and the outcome was that we would look for options to ensure there was a complaints mechanism for Workers in Principle 10 and if not this Criterion could be re-visited.
- *The revision shown in the previous slide for Criterion 3.4 has been ACCEPTED - subject to the definition on 'Consultations required...', definition for 'Impacted Populations', and a review of workers access to complaints mechanism in Principle 10.*

## 5a,b,c Agreed Upon Actions & Close

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- a. Agree any final post-meeting actions and timeframes by Committee members
  - A member raised a concern regarding conflicting views amongst GHGWG members.. The ASI Secretariat noted that it is a diverse group bringing together a lot of very different perspectives and that progress is being made on what is truly a complex topic.
- a. Agree actions by Secretariat
  - *ACTION: ASI to distribute the Standards Benchmarking and Harmonisation log with the Standards Committee*
  - *ACTION: ASI Secretariat to review options relating to auditing procedures and 'level of effort' leveraging off the ASI Interim Policy on COVID-affected audits + existing guidance in the Assurance Manual.*
- d. Chairs and Secretariat thanks to all participants and close of meeting

Next Meeting – Teleconference June 29th

Thank you