Steel procurer Supply Chain scorecard - Methodology

1. Overview

The aim of this scorecard is to assess the steel supply chains of major companies operating in Finland. Steel production accounts for 7% of global man-made emissions and steel demand is expected to rise by 30% by 2050[1]. The decarbonisation of steel manufacturing is therefore crucial for limiting global warming below 1.5°C.

Unlocking demand is crucial in order to incentivise investment in and production of fossil free and environmentally sustainable steel at scale. Companies can do so by influencing their supply chain through supplier engagement, procurement policies and choices and product and service design. In addition to supply chain levers, companies need to report the environmental impacts of their supply chain, set ambitious and science-based targets and publish progress towards their targets.

Scope 3 emissions often represent the largest portion of companies' GHG inventories, but companies tend to focus on their own operations when implementing their climate plans. However, it's crucial to reduce GHG and toxic emissions throughout the supply chain, while at the same time reducing damaging impacts on human health, biodiversity and resource depletion and ecosystem resilience. In addition, a sustainable supply chain ensures justice for Indigenous people, workers and local and conflict-affected communities.

This scorecard assesses companies' progress towards a fossil-free and environmentally sustainable steel supply chain. It also analyses the general environmental and climate performance of supply chains to provide a baseline score for comparison.

The following parts of the methodology are written by Pensions & Investment Research Consultants (PIRC), unless otherwise mentioned. PIRC is Europe's largest independent corporate governance and shareholder advisory consultancy with over 25 years' experience in providing research services to institutional investors on governance and other ESG issues. PIRC developed the scorecard methodology and scorecard indicators at the request of Lead the Charge network.

This is the second year that the scorecard has been produced. Following feedback and to develop and strengthen its design there have been a few small amendments. These amendments are integrated into this document and reference is made where there have been changes.

2. Scorecard Design and Structure

Friends of the Earth Finland (FoEF) presents the scoreboard in two parts:

1. A summary scorecard consisting of a bar chart and a more detailed table with points for each indicator group, to be published on the website and used as a campaign tool; and

[1] Net-Zero Industry Tracker 2022 Edition | Weforum

2. A downloadable format with the full set of indicators and more detailed scoring assessment for partners and consumers seeking more background on how scores were derived.

The Friends of the Earth Finland's scoreboard is divided into the following themes:

Fossil-free and Environmentally Sustainable supply chains (climate and environment):

- Fossil-Free and Environmentally Sustainable Supply Chains (General)
- Fossil-Free and Environmentally Sustainable Steel

The "general" indicator measures commonalities across the other indicator themes[2], and is used to provide a baseline score.

The grouping of the indicators under the Climate and Environment themes is derived from the SBTi report *Value Change in the Value Chain: Best Practices in Scope 3 Greenhouse Gas Management,* namely:

- Disclosure
- Target setting and progress
- Use of supply chain levers

Note: Although the SBTi report is exclusively focused on GHG emissions, their approach to how companies can achieve change in their supply chain is relevant to other environmental impacts. For this reason, we are adopting their structure to include "other significant air emissions", water management, biodiversity and resource depletion, among others.

The full set of indicators is provided in appendix 1.

As provided in appendix 2, scoring has been weighted towards "implementation" indicators over "commitment" and "disclosure" indicators.

2.1. Exclusions and future developments

The scorecard is in its second year. Although there have been some minor amendments, this year's methodology remains consistent with last year's, not least to enable meaningful assessment of year-on-year progress. The methodology thus continues to be centred on the most salient environmental issues in the steel supply chain, where there has been existing engagement, research and/or focus. Nevertheless, the ambition is for the scope of the scorecard to be extended in future iterations to include other material environmental and human rights related considerations.

This means that, in the 2024 edition of the Scoreboard, land use, resource depletion and biodiversity are included as emergent supply chain indicators but are not considered in isolation. We have addressed these issues by developing indicators that encourage reductions in the use of primary materials and increased use of secondary materials. Where possible, we have also looked for third-party certification models for materials

[2] In Version 2, we only have one indicator theme (steel) in addition to the general indicator theme.

that include more than GHG emissions and also take into account environmental and human rights metrics (e.g. ResponsibleSteel certification and IRMA).

FoEF aims to extend the scope of the scorecard to include Human Rights & Responsible Sourcing in subsequent iterations.

3. Indicator Development

When originally designing the scorecard methodology, PIRC conducted a review of existing benchmarking initiatives, reporting standards and best practice supply chain initiatives to develop the indicators.

We also reviewed current legislative requirements in two of the largest EV markets: the European Union and the United States. It was our assumption that while not all car manufacturers were headquartered in either of these locations, if they wanted to sell into these markets, they would either be required to comply with local regulation and legislation *or* be competing against companies with higher standards.

Where possible, climate indicators were aligned with advice from:

- Science Based Targets Initiative (SBTi)
- Task Force on Climate-Related Financial Disclosures (TCFD)
- Carbon Disclosure Project (CDP)
- International Energy Agency (IEA)
- Global Reporting Initiative (GRI)
- Industry specific indicators or targets, as discussed below.

Environmental indicators were aligned with the following:

- Global Reporting Initiative
- CEO Water Mandate
- CDP Water Survey
- EU Taxonomy
- UK Government's Environmental Reporting Guidelines[3]

4. Updates and Amendments for the 2024 edition

This is the second iteration of the Scoreboard. To improve and strengthen the scorecard while also seeking to ensure consistency between years, a small number of minor amendments have been made. These changes are outlined throughout the rest of the methodology document but for ease of reference are brought together here. For an exhaustive record of updates and amendments please refer to text highlighted in red within appendix 1.

Climate and Environment

[3] Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance

- Definitions of “low—carbon” steel and aluminium have been equalized to align with the First Movers Coalition (FMC) and, in the case of steel, the IEA.
- Precision added with regards to the differentiation between pre- and post-consumer scrap for the steel and aluminium recycling indicators. Achieving full points is contingent on the inclusion of post-consumer scrap within closed-loop processes.
- Disaggregated indicators that include scoring criteria relating to industry certification schemes, in order to allow for the application of the point modifier related to third-party certification and accreditation schemes (see 4.1).
- Included material efficiency to the indicator scoring integration of improved recyclability of steel into product design and manufacture.

4.1 Third-party auditing and accreditation schemes

It is common in various industries to use third-party certifications or similar to set standards for industry actors. However, certifications and assurance processes can vary in multiple ways. A recent report from Germanwatch[4] criticised existing voluntary standards, for being “marked by a series of systematic, content-related and methodological shortcomings.” Their study concludes that “industry initiatives contribute to very different extents towards implementing due diligence obligations, and … they can never be applied as a sole instrument to this end.”

Recognising the potential limitations of such schemes and given the differing efficacy of third-party certification / assurance initiatives prevalent in the automotive supply chain, during 2023 a methodology was developed to evaluate the robustness of the different schemes. These include an assessment of the governance of the standard, the veracity and transparency of the certification process, the role of impacted rights holders in the process as well as expectations relating to the content of the standard itself. This assessment is then used to apply a modifier to the respective scores in the Scoreboard related to these schemes, with the aim of raising awareness amongst automakers of the strengths and weaknesses of different schemes, and to encourage automakers to use more robust schemes.

Following the assessment of the initiatives and their respective certification schemes, it remains the case that the use of third-party certifications in indicators’ scoring criteria does not constitute an endorsement of that certification, but a recognition of existing certifications in use and their potential role in improving supply chains. Similarly, the inclusion of certifications does not constitute an endorsement of certifications over regulation.

Finally, while some certifications may currently lack broad civil society endorsement, it is also recognized that companies can and should use their influence and participation to continually raise the standards of such initiatives.

[4] AN EXAMINATION OF INDUSTRY STANDARDS IN THE RAW MATERIALS SECTOR

The full methodology of this assessment can be found in Appendix 3 and the results can be found in sheet 5 of the Scoreboard dataset.

5. Points Deductions

The disclosure companies provide in their reporting can vary year-on-year. In instances where corporate disclosure reflects regression in ambition or implementation, points can and will be deducted in line with the scoring criteria. However, if the scoring threshold for an indicator is not met as a result of changes in disclosure related to an initiative that can be presumed to still be underway (such as investment in a new facility, or an offtake agreement that is still in force), the score will be maintained based on previous disclosures.

6. Analysis of Company Reporting

Companies have been scored solely on publicly available official reporting which has received board level sign-off. Company documents reviewed included (at a minimum):

- Annual Reports
- Sustainability Reports
- TCFD reports
- Supplier Codes of Conduct

The cut-off date for information to be included in our analysis was 19th of May 2024. Press releases and similar announcements do not qualify as official board-approved reporting.

The companies evaluated were provided with an opportunity to comment on the analysis of their documentation. They were able to provide additional information to challenge FoEF's assessment of their policies and/or practices. However, this information was only used to revise a company's score if it was in the public domain by the above cut-off date and qualified as official board-approved reporting.

Climate and Environment

6.1. Fossil-Free and Environmentally Sustainable Supply Chains: Background

It is crucial that companies decarbonise and reduce toxic pollution and environmental impacts in their entire supply chain, from the point of extraction through to final production.

Recognising that Scope 3 emissions often represent the largest portion of companies' GHG inventories, SBTi produced best practice guidance for downstream companies on how they can reduce indirect emissions throughout their value chain.[5] They identify a

[5] BEST PRACTICES IN SCOPE 3 GREENHOUSE GAS MANAGEMENT

number of levers whereby buyers can influence their supply chain, we have identified the following as relevant to this scorecard:

- Supplier Engagement
- Procurement Policies and Choices
- Product and Service Design

These levers are also very relevant to how companies can reduce the broader environmental footprint of their supply chain, including achieving improvements in water management, reductions in toxic pollutants, and reducing biodiversity and land use impacts in their supply chain.

6.2. Fossil-Free and Environmentally Sustainable Supply Chains: Areas of Focus

Building on SBTi value chain guidance, we have grouped indicators into three groups:

- Disclosure of GHG emissions, "other significant air emissions", and water management.[6] Note: this establishes the status quo of a companies' emissions. This is not comparable between companies due to differences in how each company structures its operations and supply chain, and how they are disclosed or not.[7]
- Target setting and progress towards fossil-free and environmentally sustainable supply chains: this measures a company's ambition and progress towards that ambition
- Use of supply chain levers to achieve fossil-free and environmentally sustainable supply chains: this measures the policies and practices that companies have put in place to achieve that ambition, for example through tendering practices and supplier agreements / engagement through to extraction.

In measuring company ambition and progress, we recognise that it is not enough to simply decarbonise mineral and metal production. A fossil-free and environmentally sustainable supply chain would also need to reduce the use of primary materials in order to reduce (in addition to the impacts noted above) biodiversity and land use impacts. This is measured through attention to:

- Recycling and increased use of secondary materials, in order to create more closed loop supply chains and reduce continual extraction.

6.3. Themes: Background, Overview of Indicators and Scoring Methodology

The following is a high level discussion of decisions underpinning the indicators and scoring methodology for each focus area or theme.

[6] The definition of "other significant air emissions" has been taken from the GRI 305: Emissions Standard.
[7] For example: some auto manufactures will have their own battery cell manufacturing plants, while others won't.

6.3.1. Fossil-free and Environmentally Sustainable Supply Chains (General)

These are baseline indicators that apply across all supply chains. They look for aggregate emissions (GHG and other significant air emissions) and water management data and targets. This section also establishes generic tendering practices that companies may adopt to engage and incentivise suppliers to improve their performance on climate and environment indicators. However, supply chain levers are predominantly addressed under the steel supply chain.

6.3.2. Fossil Free and Environmentally Sustainable Steel

The bulk of GHG associated with the production of steel occurs during smelting. As such, the decarbonisation of the electricity used during this process is critical in creating sustainable steel supply chains for the companies. The extent to which companies are supporting the investment of steel suppliers in clean and stable energy sources, such as hydro electricity generation, is critical. This could include long-term purchasing commitments for steel smelted using wholly renewable energy. In addition to the decarbonisation of electricity, the scorecard recognises the importance of shifting away from the use of metallurgical coal in the smelting process and moving towards fossil-free alternatives.

These indicators recognise that it is not enough to set targets; companies must work together with upstream suppliers to encourage them to invest in fossil-free and environmentally sustainable steel.[8] Companies may do this individually (e.g. through purchase agreements) or together with other downstream buyers (e.g. participating in multi-stakeholder initiatives).

ResponsibleSteel is a multi-stakeholder initiative that covers the steel sector. ResponsibleSteel has in turn partnered with the Climate Group's SteelZero, an initiative with the aim of accelerating the industry's transition towards fossil-free steel. PIRC has used targets established by ResponsibleSteel to determine the procurement targets for scoring. Significantly, ResponsibleSteel is the only initiative that includes other environmental factors in addition to GHG emissions in their steel certification.[9] In addition to alignment with ResponsibleSteel companies will receive additional credit for membership of SteelZero[10].

The scorecard also recognizes membership of the First Movers Coalition (FMC) steel group, a coalition of companies levering their purchasing power to support and create early markets. Both SteelZero and the FMC group are viewed as complementary as they cover different elements of steel decarbonisation.[11] Companies that are members of the FMC commit that at least 10% of their annual steel procurement volumes by 2030 meet or exceed the First Movers Coalition definition for near-zero emissions.

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[8] Steeling Demand: Mobilising buyers to bring net-zero steel to market before 2030
[9] SteelZero: Driving the Collective Change for Net Zero Emissions
[10] Building demand for net zero steel | Climate Group
[11] SteelZero (2023), *How demand signals work together to decarbonise the steel market: Overview of commonalities and distinctions between First Movers Coalition, SteelZero and the IDDI-Green Procurement Pledge*

The scorecard applies the following definitions of “low-carbon” and “near-zero emissions” steel:

- **“Near-zero emissions” steel:** the FMC[12] and IEA[13] definition of 0.4 tCO2e/t for primary steel with 0% scrap and 0.05 tCO2e/t for secondary steel with 100% scrap.
- **“Low-carbon” steel:** The SteelZero Low(er) Embodied Carbon Steel 2030 benchmark of 1.4 tCO2e/t for primary steel and 0.2 tCO2e/t for secondary steel.

These two definitions are brought together under the IIGCC Steel Purchaser Framework.[14] Companies can be awarded points for disclosing the percentages of steel in their production cycle that meet either (or both) of these criteria - recognizing the complementary pathways of the SteelZero and First Movers’ Coalition initiatives. However, for the indicator on supplier agreements for the purchase of fossil free steel, only the definition of “near-zero emissions” steel is applied, given the critical role and need of companies to incentivise investment in the breakthrough technologies needed to achieve truly fossil-free steel.[15] Finally, it is important to note that purchases of low emissions steel that has been designated using so-called mass balance methodologies[16] or include offsets will not receive any points as part of the scorecard.

Implementing effective means through which to recover and recycle scrap steel is an important consideration for companies in the decarbonisation of steel supply chains. Increasing the amount of secondary relative to primary steel used in the manufacturing process reduces the embodied carbon of the products. The IEA Guidance for Heavy Industry has recycling, re-use: scrap as a share of input in steel production as 54% by 2030. As such, the scorecard measures company target setting with regards to recycling. Additionally, the scorecard assesses the extent to which companies are integrating improved recyclability of steel and material efficiency into the design and manufacturing process. Finally, there is additional emphasis on the approach companies take with regards the closed-loop processes regarding recycling and recovery of steel. A truly closed-loop process should include both pre- and post-consumer scrap. Scorecard indicators on this issue are therefore weighted towards recycling and recovery of steel processes including considerations for post-consumer scrap. However, companies will still be credited for closed-loop processes utilising recycling scrap from the manufacturing process, albeit to a lesser extent.

Indicator details provided in appendix 1.

[12] https://www3.weforum.org/docs/WEF_FMC_Sector_One_pagers_2023.pdf
[13] Achieving Net Zero Heavy Industry Sectors in G7 Members
[14] Steel Purchaser Framework
[15] Steeling Demand: Mobilising buyers to bring net-zero steel to market before 2030
[16] Emissions reductions relate only to a portion of the manufacturing process, with the final product being designated as lower emissions.

7. Company Selection

Steel is used in every important industry; energy, construction, automotive and transportation, infrastructure, packaging and machinery.[17] FoEF used a mixed methodology to select the companies in order to identify the players that had the most potential to drive change in the steel sector. FoEF also wanted to get an overview of steel supply chains across sectors and chose 11 companies headquartered or operating in Finland from machinery, construction, energy, consumer goods and transport sectors. For the first iteration of the Scoreboard, we selected the eleven companies based on the following criterias:

Four largest Finnish companies in machinery by net revenues in 2022[18]:

- KONE
- Wärtsilä
- Metso Outotec
- Valmet

Two largest construction companies by net revenues in 2022[19]:

- YIT
- Skanska

Two largest consumer goods companies listed in Nasdaq Helsinki by net revenues that use steel in their products[20]:

- Fiskars
- Harvia

Two companies listed on the Stock Exchange that own largest amounts of wind power projects by cumulative power (MW) and that are in the final stages of project planning (Land Use Plan Done - Under Construction)[21]:

- OX2
- Megatuuli Oy (Enersense acquired Megatuuli on 1 February 2022 so we are assessing Enersense)

The largest shipbuilding company in Finland by net revenue, because the other players were not relevant due to their small size:

- Meyer Turku

For consistency, the same companies chosen for the first version were assessed in the second version of the Scoreboard.

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[17] Steel industry facts - worldsteel.org
[18] TE500 | Talouselämä
[19] ibid
[20] ibid
[21] Projects under planning - Suomen Tuulivoimayhdistys

Appendices

Appendix 1: Full list of indicators and score attributions

Fossil free and environmentally sustainable indicators

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
Fossil Free and Environmentally Sustainable Supply Chains (General)	**Disclosure of emissions and water management**	The company discloses total scope 3 GHG emissions due to purchased goods and services.	**100%:** The company discloses scope 3 GHG emissions due to purchased goods and services. **25%:** The company includes scope 3 GHG emissions including purchased goods and services in overall disclosure, but does not disaggregate. Note: the company may achieve additional points under each of the supply chain areas below, if they provide disaggregated emissions against each supply chain.
		The company discloses "significant emissions" in its supply chain.	Based on GRI 3-5, significant emissions include: i. NOx ii. SOx iii. Persistent organic pollutants (POP) iv. Volatile organic compounds (VOC) v. Hazardous air pollutants (HAP) vi. Particulate matter (PM) vii. Other standard categories of air emissions identified in relevant regulations **100%:** the company discloses significant emissions in their supply chain against all of the above categories. **50%:** the company discloses significant emissions in their supply chain against some of the above categories. Note: the company may achieve additional points under each of the supply chain areas below, if they provide disaggregated emissions against each

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
			supply chain.
		The company discloses water usage by key suppliers in its supply chain.	According to GRI 303, water usage includes: - water withdrawn - water consumed - water discharged Companies will need to define "key suppliers" and: **50%:** provide data against some of the above indicators **100%:** provide data against all of the above indicators
	Target-setting and progress towards fossil free and environmentally sustainable supply chains	The company has set and disclosed a scope 3 SBT (must include reference to upstream/purchased goods & not only 'Well to Wheel')	**100%:** the company discloses a validated science-based scope three target that includes upstream/purchased goods, including 2050 and interim year target(s). **75%:** the company discloses a validated science-based scope three interim target that includes upstream/purchased goods. **50%:** the company discloses a lifecycle target that includes upstream/purchased goods, including 2050 and interim year target(s) and/or does not indicate if it has been verified as science-based. **25%:** the company only discloses a 2050 zero emissions target with no interim target and/or it does not specify upstream/purchased goods.
		The company commits to having suppliers provide science-based targets for GHG emissions.	The following scores are absolute not cumulative. **100%:** the company requires all its tier 1 suppliers, and their suppliers to set science-based targets. They also require tier 2 suppliers to set science-based targets. **75%:** the company requires all its tier 1 suppliers set science-based targets. **50%:** the company commits to having at least 70% of its key suppliers by emissions setting science-based targets by 2023.

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
			25%: company commits to having suppliers setting science-based emissions targets, but does not provide a target date or target date is after 2023. **0%:** Company does not have a commitment.
		The company discloses the current percentage of suppliers providing science-based targets.	**25%:** they disclose the current percentage of tier 1 suppliers providing science-based targets. **25%:** they disclose the current percentage of tier 2 suppliers providing science-based targets. **25%:** additional points for over 50% of tier 1 suppliers providing science-based targets **25%:** additional points for all tier 1 suppliers providing science-based targets.
		The company requires all significant suppliers to disclose their water management plan and water usage.	**50%:** the company requires tier 1 suppliers to have a water management plan in place. **25%:** the company requires tier 1 suppliers to set water reduction targets. **25%:** the company requires tier 1 suppliers to disclose their water usage. According to GRI 303, water usage includes: - water withdrawn - water consumed - water discharged
		The company has programs in place to monitor suppliers for compliance with GHG emissions targets and other environmental impacts.	**25%:** The company has a process that includes reducing GHGs and other environmental impacts, but lacks targets as a basis for compliance. or **50%:** The company has a process that includes reducing GHGs and other environmental impacts, and includes targets as a basis for compliance. plus **25%:** the company provides quantitative information of the number of suppliers audited and the tiers that are audited. **25%:** the company provides qualitative case studies of how they have engaged suppliers on their targets.

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
	Use of supply chain levers to achieve fossil free and environmentally sustainable supply chains	The company incentivises suppliers to reduce GHG and other significant air emissions.	**50%:** the company specifies that cost is not the only factor in choosing a preferred supplier. **25%:** the company specifies that GHG targets are included in the tender and contracting process. **25%:** the company specifies that "other significant air emissions" targets are included in the tender and contracting process. As companies are unlikely to publish their contract information, references may be found in sustainability reports, procurement policies, etc.
		The company incentivises suppliers to improve water management	**100%:** water management is explicitly taken into account in the tendering and contract process, and is a factor in choosing preferred suppliers.
Fossil Free and Environmentally Sustainable Steel	**Disclosure of scope 3 GHG emissions due to steel supply chains**	The company discloses disaggregated GHG emissions for their steel supply chains.	100%: The company discloses scope 3 GHG emissions for purchased goods and services, disaggregated for their steel supply chains.
	Target setting and progress towards fossil free and environmentally sustainable steel supply chains	The company has set targets for the use of fossil free and environmentally sustainable steel.	The scores below are not additive. They indicate specific thresholds for getting that percentage of points: **100%**: the company has a commitment to source 100% fossil free steel by 2050 and 50% fossil free steel by 2030. **75%:** The company has a commitment to source 100% Responsible Steel Level 4 certified steel by 2040 and 50% automotive steel that is ResponsibleSteel level 3 or 4 by 2030. **50%:** The company is aligned with First Movers Coalition guidance of 10% ""low-CO2"" primary steel by 2030 AND/OR aligns with SteelZero Commitment to source 100% net zero steel by 2050, with an interim commitment of using 50% responsibly produced steel by 2030. **25%:** the company has a commitment to net zero steel by 2050 and/or a 2030 emissions reduction target for steel that only specifies a percentage of overall

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
			emissions reductions.
		The company publishes progress towards their target by disclosing the current percentage of low-C02 steel in their annual production cycle.	**50%:** The company discloses the current percentage of "low-C02 steel" in their production cycle, namely steel that aligns with the IIGCC Steel Purchaser Framework (steel procured with emissions intensity at or below: a) SteelZero's Low(er) Embodied Carbon Steel benchmark. b) IEA / FMC Near Zero Steel Production emission intensity threshold (equivalent to ResponsibleSteel Performance Level 4: Near Zero). **50%:** the company discloses the current percentage of Responsible Steel certified steel in their supply chain. Note: depending on the level of certification, companies may score points under the first category.
		The company has a target for the use of secondary/scrap steel by 2030.	**100%:** the company discloses a target for the use of recycled steel that is aligned with IEA Guidance for Heavy Industry has recycling, re-use: scrap as share of input in steel production as 54% by 2030 **50%:** the company discloses a target for the use of recycled steel.
		The company publishes progress towards their target by disclosing the current percentage of recycled steel used in its annual production cycle.	**100%:** the company discloses the percentage of recycled steel in their annual production cycle including volumes of both pre- and post-consumer steel. **75%:** the company discloses the percentage of recycled steel in their annual production cycle. **50%:** The company partially discloses the percentage of recycled steel for some elements within their annual production cycle. **NB:** Total recycled/scrap steel volume is sufficient if total steel volume is disclosed.
	Use of supply chain levers to achieve fossil free and environmentally sustainable steel supply chains	The company participates in multi-stakeholder procurement initiatives to collaborate with other buyers to incentivise investment in and production of fossil free steel at scale.	**50%:** the company is a member of SteelZero. **50%:** the company is a member of the First Movers Coalition's sector group on steel.

Theme	Indicator Category	Indicators	Score Attribution (Scores are cumulative unless otherwise specified)
		The company participates in multi-stakeholder standard / certification initiatives to drive investment in and production of socially and environmentally sustainable steel at scale.	**50%:** the company is a member of ResponsibleSteel. **50%:** the company has disclosed purchasing commitments of ResponsibleSteel certified steel.
		Company has entered into formal arrangements with suppliers to incentivise investment in and greater production of fossil free steel.	**50%:** the company states that it has entered into a contractual relationship with steel suppliers to invest in and scale production of low-CO2 steel. **25%:** the company discloses timelines/targets for the development of and purchase of low-CO2 steel. **25%:** Agreement/s align with the FMC and IEA definition of low-CO2 steel (0.4 tCO2e/t for primary steel with 0% scrap and 0.05 tCO2e/t for secondary steel with 100% scrap).
		The company integrates improved recyclability of steel and material efficiency into product design and manufacture.	**25%:** the company discloses that it is implementing a closed-loop process for steel (no reference to post-consumer scrap). OR **50%:** the company provides detail on a closed-loop process it is implementing for steel (must include reference to post-consumer scrap). PLUS **50%:** the company provides detail of how it considers the recyclability in product and/or component design and/or provides detail of how it considers material efficiency in product and/or component design.

Appendix 2: Weighting methodology

Indicator category	% weighting	Normalized weighting
Disclose	100%	1.0
Target setting & progress	150%	1.5
Supply chain levers	200%	2.0

Note: Companies' total scores across both themes were calculated as averages of the two percentages scored for each one.

Appendix 3: Assessment of Third Party Auditing and Accreditation Schemes

Objective

This assessment complements the Leaderboard by serving as a mechanism to assess the robustness of the different third-party audit/certification schemes, which are being used by companies to perform their human rights and environmental due diligence obligations within the automotive supply chain. The context of developing the assessment method was the recognition of the inherent limitations of such schemes and the unsuitability for schemes to be understood as a basis for legal compliance. The methodology sets out a number of core principles and minimum expectations relating to the extent to which an industry standard can be considered robust. These include an assessment of the governance of the standard, the veracity of the certification process where one exists, the role of impacted rights holders in the process as well as expectations relating to the content of the standard itself. Each scheme has then been assessed against these criteria and the results of this assessment have been used to develop a point modifier to the corresponding indicators that referenced these schemes, awarding more points to more robust schemes.

The results of the assessment can be found in sheet 8 of the Leaderboard spreadsheet.

Criteria

The following table outlines the criteria for making the assessment of the relevant initiatives:

1. **Governance -** multi-stakeholder governance and civil society co-creation
Full Credit - 2 points ● Equal governance and involvement of rights-holders and civil society: Affected rights-holders, their representatives and, or civil society organizations are guaranteed 50% representation and decision-making power overall. ● Affected rights-holders, their representatives and/or civil society organisations maintain equal decision-making power with industry regarding the implementation of the standard. ● Evidence of structured stakeholder engagement in the development of the standard.
Partial Credit - 1 point
● Multistakeholder governance where civil society / rights-holders representation is less than 50% overall. ● Evidence of structured stakeholder engagement in the development of the standard.
Insufficient - 0 points
● Participation by industry only without a formal process of stakeholder engagement. ● A formal stakeholder engagement process does exist, but includes no mandatory or binding governance mechanism.

2. **Independent Audits & Accreditation, with Rights-Holder Participation**
Full Credit - 1 point
● The scheme mandates third party audit of practices, including site-level verification. ● The standard requires that the audit process includes participation of impacted rights-holders, ideally publishing advance notice of audits taking place.
Partial Credit - 0.5 points

• The scheme mandates third party audit of practices, including site-level verification • Unclear if certification requires participation of affected rights-holders.
Insufficient - 0 points
• The certification allows for self-assessment against the standard and / or third party assessment that does not include site-level verification

3. <u>Transparency of audit findings</u>
Full Credit - 1 point
• The scheme requires the full results of audits, information on the audit processes and findings of noncompliance to be made readily available, at the very least to impacted rights-holders and other stakeholders (and publishes how engagement took place and details which stakeholder groups were engaged).
Partial Credit - 0.5 points
• The scheme only requires partial disclosure or a summary of audit findings to be made public, indicating the company's performance against key criteria but without further explanation.
Insufficient - 0 points
• The scheme only publishes the overall result of the audit / accreditation process, without any explanation or clarity around which criteria was assessed and the company's performance against the criteria. • The scheme has no requirements with regards to transparency of audit results.

4. <u>Corrective Action Plans (CAP)</u>

Full Credit - 1 point
• The certification scheme standard for CAPs requires rights-holders to be involved in the development, implementation and monitoring of the plans • The standard requires the results of all CAPs to be disclosed publicly, along with a description of the non-conformances needing to be addressed within an associated time-frame.
Partial Credit - 0.5 points
• The standard requires the results of all CAPs to be disclosed publicly, along with a description of the non-conformances needing to be addressed within an associated time-frame
Insufficient - 0 points
• No public disclosure relating to CAPs necessary to achieve certification. • No assessment of whether CAPs have been implemented.

5. <u>Grievance mechanism</u>
Full Credit - 1 point
• The grievance mechanism is independently facilitated • The scheme outlines how grievance mechanism is accessible (details measures taken to ensure it is known by stakeholders, appropriate translation and provision of assistance where necessary) • The scheme ensures aggrieved parties have access to information, advice and expertise • Disclosure is provided relating to grievances received as well as remedial action taken in response
Partial Credit - 0.5 points
• The grievance mechanism is internally facilitated • The scheme provides disclosure relating to recent grievances and the remedial action taken in response.

Insufficient - 0 points
• There is no functioning grievance mechanism

6. <u>ISEAL Compliant</u>
• ISEAL's Codes of Good Practice provide a globally recognised framework, defining practices for sustainability initiatives and their accreditation schemes. The ISEAL Standard-setting Code defines how a standard should be developed, structured and improved over time. The Code addresses multi-stakeholder consultation and decision-making, and ensures the standard contains clear requirements that can be measured and assessed. See here: https://www.isealalliance.org/defining-credible-practice/iseal-codes-good-practice
Full Credit - 1 point
• Initiative is ISEAL code compliant
Partial Credit - 0.5 points
• Initiative is an ISEAL community member
Insufficient - 0 points
• Initiative is neither ISEAL code complaint or a community member

7. Credible standard criteria
The initiative and associated accreditation scheme, where relevant, are aligned with, as a minimum, the following:

Full Credit - 1 point

- Adherence to the UN Guiding Principles on Business and Human Rights.
- Adherence to the ILO Core Convention on the Five fundamental principles and rights at work
- Adherence with UNDRIP and/or ILO 169 and FPIC assessed as part of the certification
- Paris Agreement goal of limiting temperature rise to 1.5 degrees

Scoring and screening

The adequacy of the various schemes will be assessed using the above methodology. The table below outlines how the combined score translates to a points modifier being applied to the relevant indicators with the LtC scorecard. It is important to emphasise that the modifier is applied to individual indicators within the LtC scorecard, for which the scoring criteria is contingent on meeting the requirements of the certification schemes assessed as part of this exercise.

The Global Battery Alliance is included within the scope of this assessment. However, given the initiative's primary accreditation scheme (Battery Passport) has not been finalised, we have not been able to undertake a meaningful assessment. Although analysis is included where relevant, the GBA will not have a modifier applied in the first instance. The scheme will be reviewed following finalization of the scheme.

Total points	Description	Point modifier in scorecard
8 points (full points)	Robust standard that meets minimum criteria for effective governance, auditing / accreditation and implementation of its criteria	Full points
7 points	Robust standard overall that meets nearly all of the minimum criteria for governance, auditing / accreditation and implementation of its criteria	0.8 modifier
5-6 points	Scheme meets most of the minimum criteria but has some significant flaws	0.6 modifier
3 - 4 points	Scheme fails to meet multiple criteria for effective governance, auditing and implementation of its criteria	0.4 modifier
Below 3 points	Highly defective scheme that fails to meet most of the minimum criteria for governance and auditing / accreditation	No scoring possible

Further Details Regarding Credible Standard Setting

Human rights

Initiatives and associated accreditation schemes commit to and recognise responsibility to respect human rights:

- References internationally recognised rights: International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Standards for companies are based on UNGPs obligations to have:

- *A policy commitment to meet their responsibility to respect human rights.*
- *A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights.*
- *Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.*
- *To verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response.*
- *To account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected stakeholders.*

Climate change

- Standard is aligned to a credible 1.5 degree scenario
    - Covers scopes 1, 2 and 3 emissions
    - Is not reliant on CCUS (e.g. IPCC SR15 pathway 1)
    - Outlines short (up to 3 years), medium (3-10 years) and long-term (11+ years) targets

[Based on UNGPs - guidingprinciplesbusinesshr_en.pdf (ohchr.org). This document provides greater details: arp-note-meeting-effectiveness-criteria.pdf (ohchr.org)]