Certification body guidelines for the Low Emission Steel Standard (LESS)

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1. Short Introduction

The Low Emission Steel Standard (LESS) aims to accelerate the development of a demand for CO_2-reduced steel and to develop first markets. LESS is particularly designed to accompany the transformation of the steel industry with a classification system. This system can be used to map the gradual path to climate neutrality and allows to compare different steel products. The standard offers steel users the opportunity to track the progress made in reducing climate-relevant emissions in steel production based on standardised rules and to integrate it into their own sustainability strategies. LESS can also serve as a basis for simplifying public procurement and promoting the use of low-emission steel by implementing so called lead markets.

LESS is managed and owned by the LESS aisbl (association international sans but lucrative), which is an international and non-profit organization based in Brussels, Belgium.

2. Objective

This guideline outlines the verification process and certification body approval requirements for the Low Emission Steel Standard (LESS). It specifies the procedures and criteria that certification bodies must adhere in order to obtain and maintain approval to verify against the standard. Additionally, it covers the requirements for implementing the related quality assurance systems. Furthermore, this document describes the verification process that the approved certification bodies will use to evaluate the operator.

Verification is carried out in accordance with the:

- Rulebook for the Low Emission Steel Standard (LESS),
- Requirements for LESS labelling,
- Operator guideline for the Low Emission Steel Standard (LESS),
- Certification body guideline for the Low Emission Steel Standard (LESS)

All documents apply in their current version that were published and can be found online: www.lowemissionsteelstandard.org.

The document details the entire verification process for Low Emission Steel Standard programs and the verification of related datasets, covering the planning, execution, and statement.

3. Scope

The procedures and requirements of these guidelines apply to all certification bodies that are approved by LESS aisbl and carry out verification against the standard.

4. Approval of certification bodies and auditor

4.1. Certification bodies

Only certification bodies that have been approved by LESS may conclude contracts with customers for verifications and offer audits against LESS. Every certification body that fulfils the requirements described in chapter 4.1.1 shall be approved by LESS aisbl.

The following defines the requirements and the approval procedure for certification bodies that conduct or wish to conduct audits and seek to obtain or maintain corresponding accreditation for this purpose. This is to occur in a way that allows fully independent approval as well as integration into other (existing) accreditation and approval systems.

4.1.1. Requirements for certification bodies for approval

The following requirements are placed on the certification body in order to be allowed to verify against LESS:

- The certification body must be a legal entity.
- It must be certified according to ISO 17021 with a relevant scope. Accepted are ISO 9001 (quality management systems) and/or ISO 14001 (environmental management systems) by an accreditation body that is a member of the International Accreditation Forum (IAF).
- The certification body must be accredited according to ISO 17029 and ISO 14065 with a relevant scope, e.g. for EU ETS verification with relevant scope.
- The certification body must have sufficient personnel that is appointed according to ISO 14064-3 and has authorisation to perform EU ETS audits with relevant scope.
- The certification body must prove that it has completed at least one audit within the framework of the EU-ETS with relevant scope in each of the last three years preceding the application for LESS approval.
- The certification body must prove that it has completed at least one EU ETS or carbon footprint (e.g. ISO 14067 or EPD) audit at steel producing companies in each of the past three years preceding the application for LESS approval.
- The certification body must have access to an Ecoinvent database with the version required by LESS.

4.1.2. Application process

Certification bodies to be approved must provide the following information and documents in electronic format to LESS aisbl:

- Application form
- Name and position, address and legal representative of the applicant
- Proof of the requirements listed above (see chapter 4.1.1)
- Designation of a person who coordinates all activities relating to the verification of LESS on the part of the certification body
- Commitment to operate in accordance with the requirements of this guideline
- Name a representative and a deputy representative as member of the LESS Certification Committee
- Agreement to reporting obligations
- Approval for LESS aisbl to carry out office assessments at the certification body if required. The costs for the office assessments are covered by LESS aisbl.
- Consent that representatives of LESS aisbl may be present at verifications
- Relevant information and documents about the implementation of the management system requirements
- Agreement to pay the relevant fees to LESS aisbl (see LESS Fee Catalogue)
- Statement to verify against LESS and follow the rules of the standard
- To sign into a formal contract with LESS aisbl

4.1.3. Approval decision and content of contract

Once the above requirements have been met and are complete, the LESS aisbl approves the certification body in accordance with the standard based on the requirements of this guideline. If the certification body's documentation is found to be incomplete, further information may be requested.

If the assessment is positive, a contract is concluded between LESS aisbl and the certification body. This contract must contain the following aspects:

- The certification body undertakes actions to comply with LESS, this document and the LESS rulebook.
- The certification body agrees that LESS aisbl can carry out office assessments at the certification body if required in order to maintain the approval. The costs for the office assessments are covered by LESS aisbl.
- The certification body may not transfer their LESS approval to another legal entity or another business unit within the same organisation.
- The certification body needs to keep their approval mentioned as requirements in chapter 4.1.1. in order to perform audits against LESS. If the certification bodies lose one of their requirements for LESS aisbl approval, they need to inform LESS aisbl within a week and the certification body can no longer perform audits against LESS. Verifications that have already begun in accordance with the LESS may be terminated as contractually agreed.
- The certification body shall participate in the LESS Certification body Committee
- Relevant information related to scheduled audits and successfully completed audit activities will be provided to LESS aisbl (see chapter 4.1.4).

LESS aisbl lists all approved certification bodies on its homepage.

In the event of a rejection of the application, the certification body will receive a written explanation.

The following may lead to a rejection:

- Non-compliance with the requirements mentioned in chapter 4.1.1 and 4.2
- Incomplete provision of the information and documents mentioned in chapter 4.1.2
- Proven false statements.

The certification body can resubmit the application for approval.

4.1.4. Commitments and reporting activities to LESS aisbl

The following commitments to the LESS aisbl are made by the certification bodies:

- Paying a corresponding fee as set out in the document "LESS Fee Catalogue" to the LESS aisbl.
- Regular participation in the LESS Certification body Committee.
- Inform LESS aisbl when an audit has been scheduled.
- Provide audit reports and issued assurance statements to LESS aisbl and all further duties on reporting that are outlined in this document. LESS aisbl provides a certificate based on the assurance statement.
- Inform LESS aisbl on verification withdrawal.

4.1.5. Maintaining of approval

A review of the approval is carried out every 3 years. It will only be granted again if the certification body has carried out at least four verifications against LESS within the last three years and fulfils the requirements mentioned in chapter 4.1.1 and chapter 4.1.2. The certification body has the obligation to report immediately to LESS aisbl if approval expires or requirements for certification bodies or auditors are no longer met. Moreover, LESS aisbl itself keeps track of when an authorisation expires and asks the certification body whether they would like to extend their approval.

4.2. Higher level requirements for conducting audits

Audit activities must be performed in line with the following principles:

Impartiality

The principle of impartiality means that decisions taken are to be based solely on objective evidence and not be influenced by other interested parties.

Threats to impartiality can for instance result from (non-exhaustive list):

- Self-interest: if the certification body or the auditor act in their own interest
- Self-assessment: assessments of self-performed work
- Overfamiliarity/trust: endangering impartiality due to overfamiliarity or inappropriate credulity toward another person
- Intimidation: actual or assumed harassment by the organisation or individual being audited.
- Advisory work that the certification body has done within the last three years for the operator.

Competence

Auditors must have the necessary knowledge, skills, experience and training to perform their activities (see chapter 4.4).

Confidentiality

Confidential information obtained as part of audits is to be secured and not unreasonably disclosed. Emphasizes the importance of protecting sensitive information related to the generation of datasets. The certification body must ensure that the information is only shared with authorized parties and that the appropriate measures are in place to maintain confidentiality throughout the audit process. Auditors commit to confidentiality and impartiality as a matter of principle and for each individual audit. Prior to the audit, the certification body and the operator will sign a non-disclosure agreement (NDA) to guarantee the confidentiality.

Openness

The certification body is to make information about the audit process accessible to LESS aisbl to an appropriate extent. Confidential company data that are explicitly mentioned in the NDA will not be disclosed.

Responsibility

The certification body is responsible for ensuring that the audit statement is based on sufficient, suitable and objective evidence. Responsibility for the data and statements to demonstrate compliance underlying the audit remains with the operator.

4.3. Requirements for the certification body

4.3.1. Audit programme

The certification body must set up and apply a audit programme that complies with the requirements of the LESS rulebook.

4.3.2. Organisational structure

Legal form

The certification body must be a legal entity or a specified part of a legal entity.

Organisation

The certification body is to document its organisational structure and the duties, responsibilities and powers of its personnel who are involved in audits. Certification bodies that form part of a legal person are to document these relationships, including the disciplinary allocation to other parts of the legal person.

Top management

The certification body must designate its top management. This can consist of a board or a group of people.

This top management assumes the overall authority and responsibility for

- Development, definition and monitoring of the implementation of all rules, regulations and processes relating to audit activities
- Definition of the organisational structure, including the delegation of tasks
- Contractual regulations relating to the certification body
- Decisions made by the certification body
- Ensuring impartiality
- Competence requirements relating to the personnel deployed
- Correct application of the LESS rulebook
- Provision and monitoring of human, financial and any other resources required.

4.3.3. Management system

The certification body is to establish, document, implement and maintain a management system that is appropriate to ensure continued compliance with the requirements stipulated in this document. Existing management systems (e.g. ISO 9001, ISO 14001 or ISO 50001) are recognised. This must at least include rules and regulations relating to the following:

- Fundamental rules and regulations
- Responsibilities
- Management review
- Internal audits
- Corrective actions
- Management of risks and opportunities
- Documented information

Fundamental rules and regulations

Provisions are at a minimum to be made regarding the scope and covers all the requirements defined under LESS.

Responsibilities

Definitions regarding the structural and procedural organisation are to be established and documented for all activities as a certification body.

Management review

The managers of a certification body must evaluate the management system at scheduled intervals to ensure its continued suitability, adequacy and effectiveness in meeting the requirements for certification bodies.

The inputs to such management evaluation must at a minimum contain information on any alterations in matters affecting the certification body, achievement of objectives, continuing suitability of the rules, regulations and procedures adopted, status of actions from previous management evaluations, results of internal audits, status of corrective actions, results of external assessments, changes in scope and nature of work or activity, feedback from customers and staff, complaints and objections, effectiveness of implemented improvements, appropriateness of resources, results of risk analysis, results of training measures, other aspects as relevant.

The results of such management evaluation must include all decisions and actions regarding the effectiveness of the management system, improvements, provision of resources, and the need for amendment.

Internal audits (IA)

The certification body must conduct internal audits (IA) on an annual basis. For IA the higher level requirements for conducting audits under 4.2 apply mutatis mutandis.

These internal audits are to provide information on whether the requirements in the management system for the certification body and the requirements in this document are being met.

An IA is to cover all activities arising in connection with audits. Sufficiently qualified auditors are to be involved, while ensuring that they do not audit their own areas of activity.

The certification body must accordingly:

- Introduce, implement and maintain an audit programme that includes definitions of frequency, methodology, responsibilities, and planning and reporting requirements
- Define the audit criteria and scope for each IA
- Report its results to the relevant personnel of the certification body
- Implement improvements and corrective actions, which could be proven by LESS aisbl
- Retain records from the IA and its results.

Corrective actions

The certification body must establish processes to

- Identify non-conformities
- Stipulate how identified non-conformities are to be handled.

Actions are also to be taken as necessary to eliminate the causes of non-conformities and prevent their recurrence. Actions resulting from non-conformities are to be implemented, documented and evaluated in a timely manner in terms of their effectiveness.

Management of risks and opportunities

The certification body must identify risks and opportunities associated with its activities during the internal audit. Actions relating to identified risks and opportunities that are appropriate with regard to the audit tasks are to be defined. These are to be integrated into the management system and evaluated in terms of their effectiveness.

Documented information

The documented information required for the management system is to be managed by the certification body to ensure that it is available for use and adequately protected. Appropriate arrangements for the distribution, access, retention and control of amendments are to be taken into account with regard to availability. Protection is to include, but not be limited to, unauthorised access and accidental or unauthorised deletion or alteration of data. The certification body must retain information that can be used to demonstrate compliance with inherent commitments to third parties.

4.4. Requirements for auditors

Only leading auditors with at least one year of experience in the verification of steel manufacturers and who have already carried out at least one verification within the framework of EU-ETS reporting during the last year preceding the application are authorised to carry out verification according to LESS for approved certification bodies. All auditors need to be appointed according to ISO 14064-3 or according to EU ETS (EU-ETS qualification under the chamber of commerce shall not be excepted)

Declaration of commitment

auditors must enter into a legally enforceable agreement with the certification body in which the auditor undertakes to:

- Follow the certification body’s processes, in particular those concerning the requirements for impartiality and confidentiality
- Disclose past and/or present relationships with operators that may affect impartiality
- Disclose situations that expose auditors to perceived or actual conflict of interest.

Consultancy

Auditors cannot be involved in audits if they have assisted in consultancy regarding creation of the underlying determination models and/or substantiation of classification. Insofar as such consulting activities date back more than 3 years, it is no longer to be assumed that impartiality will be adversely affected.

Commitment to impartiality and confidentiality

Auditors must

- Act in an impartial manner (see principle under chapter4.2.)
- Treat information received in connection with audits as confidential except data that are explicitly required from LESS aisbl (see chapter 9 and chapter 4.2 confidentiality)

Requirements for audit teams

To the extent that skills requirements cannot be fully covered by individual auditors, or insofar as the audit task requires it, audit teams are to be formed that must collectively cover all skills requirements.

One member of an audit team is to be designated as the leading audit. The latter bears overall responsibility to the certification body for implementation of the audit.

5. Overview of the LESS label

The document "Requirements for LESS label" defines the different elements of the LESS label.

The elements are:

1. Classification of the steel production (near zero, A-D)
2. Scrap share
3. PCF[1] or GWP[2] according to EPD[3]

The certification body has to validate and verify the classification of the steel production (1st element) and the scrap share (2nd element) according to the LESS rulebook.

The certification body has not to execute the audit of the PCF or GWP according to EPD (3rd element) themself.

Note: The PCF or GWP are not calculated according to the rules defined in the LESS rulebook, but rather in accordance with other existing standards (see document "Requirements for LESS label").

Certification bodies should only proof that an assurance statement, certificate or equivalent is available for PCF/GWP. The operator itself is responsible for the correct declaration of the PCF or GWP on the LESS label and shall follow the Requirements for LESS label.

If the certification body has also carried out certification of PCF or GWP according to EPD for the operator, there is no partiality.

6. Preparation for the audit process

The following steps need to be done prior to the audit process:

Pre-Engagement

- Certification body: Pre-check (including Impartiality Analysis), acceptance of project request. The contract between the parties should be reasonable, non-discriminatory and proportionate to the cost of the conformity assessment.

Engagement

- Certification body: Contractual Agreement (see chapter 8.2 contractual review). The parties to the contract decide when an NDA should be negotiated.

Planning

- Certification body: selection of the audit team, planning of the Strategic Analysis, Risk Analysis. Inform the operator about the audit plan (date etc.)

[1] PCF: Product Carbon Footprint

[2] GWP: Global Warming Potential

[3] EPD: Environmental Product Declaration

6.1. Application form

The certification body shall require completion of an application form from the operator. The application form is created by the certification body. To enable evaluation and assignment of qualified personnel, the certification body shall require clients to:

- Provide information about the operator, including contact information, production site
- Provide information about the scope of the desired verification, including a description, as specified by the certification body, of the production steps, the products/product groups, the methodology and the classifications to be certified;
- Provide information as to whether another certification body or LESS aisbl has denied or withdrawn assurance statements and or certificates; and
- Provide information as to whether the operator is co-operating also with another authorised certification body for LESS verification.

7. Overview of the audit process

Verification of the classification system against LESS is a multi-stage process. An overview of the audit processes, and their interconnection is shown in Figure 1.

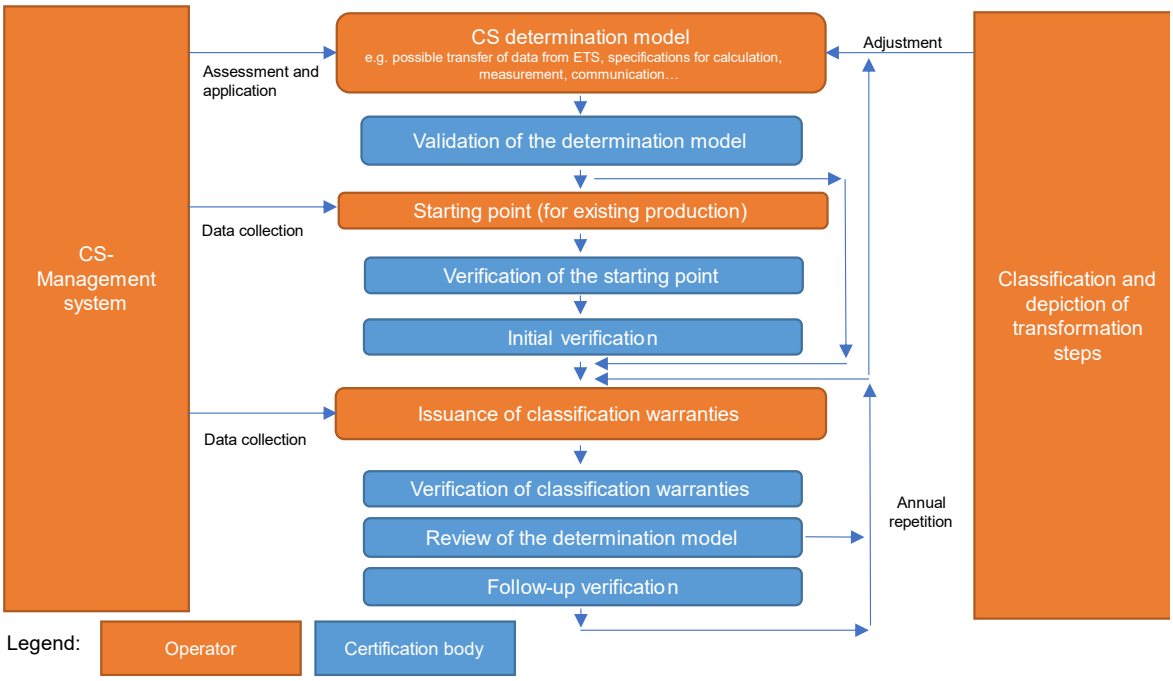


Figure 1: Overview of the classification system audit process.

With reference to the definitions described in the LESS rulebook, a distinction is to be made between initial verification and annual follow-up verification. The individual steps are explained below.

7.1. Self-inspection within the company

Before the operator engages a certification body, it must carry out and document a self-inspection. This is to ensure that the determination model, the data and the documents required for verification are correct and complete. The certification body might proof if the operator has conducted a self-inspection by checking the documentation. There is no

mandatory format for the self-inspection. Operators could use the checklist that is available on the LESS aisbl webpage.

7.2. Determination model of LESS

7.2.1. Set-up of the determination model

The determination model is set up by the operator. It contains the general calculation methodology according to which an operator determines the emissions from its individual steel production routes in accordance with the LESS rulebook. Each operator is independently responsible for setting up the determination model. A short written documentation of the determination model is required.

7.2.2. Validation of the determination model

The purpose of validating the determination model is to establish whether the requirements of the are being correctly and completely depicted within the determination model, and whether the resulting calculations are being performed with sufficient accuracy.

Validation is to occur for the first time after the certification body has been commissioned and is to be repeated in the event of any significant modifications to the determination model. Significant modifications, such as changes in (higher class) calculation methodology or segmentation require revalidation of the determination model (details see chapter 7.3.2).

The continued validity of the determination model is to be reviewed on an annual basis. This is to occur as part of the follow-up verification.

The result of validating the determination model is to be documented in the audit report and made available to the operator.

7.3. Verification process

The operator's verification is focused on the suitability of its management system in terms of monitoring and documenting the classification system (see rulebook for further information). A distinction is to be made between initial verification and follow-up verification. The annual period in which verification must take place is not specified. It is up to the operator to decide when to apply for initial verification and subsequent follow-up verification. It is only necessary to ensure that follow-up verification takes place within upcoming 12 months. Furthermore, surveillance audits may be carried out as outlined in chapter 7.3.3.

7.3.1. Initial verification

Initial verification can be performed immediately after the set-up of the determination model. The effectiveness of the management system can therefore only be assessed to a limited extent, so this review should instead concentrate on completeness of the process descriptions and proper determination of the starting point in terms of the validated determination model. Initial verification also includes initial validation of the determination model and the product groups that an operator has created. As part of the initial verification, the operator must clearly state the LESS classifications (e.g. B, C, D) according to which he plans to manufacture products/product groups until follow-up verification. Furthermore, it must be demonstrated in writing and in a mathematically comprehensible manner how the specified classification can be achieved (e.g. use of PPAs, bio char etc.). This is part of the validation of the determination model (see LESS rulebook, p. 39). The certification body verifies by data sampling (see chapter 8.2) that products/product groups (based on historical data) would have been within the declared classification. Thus, the certification body verifies emission values as well as scrap share by data sampling and verifies that these data would lead to the desired classification by proofing against the relevant threshold value of the classification system.

If there are provable not enough data available from the last year, data from previous years may be used in chronological order (maximum 20 datapoints).

The elements of the initial verification are shown in Figure 2.

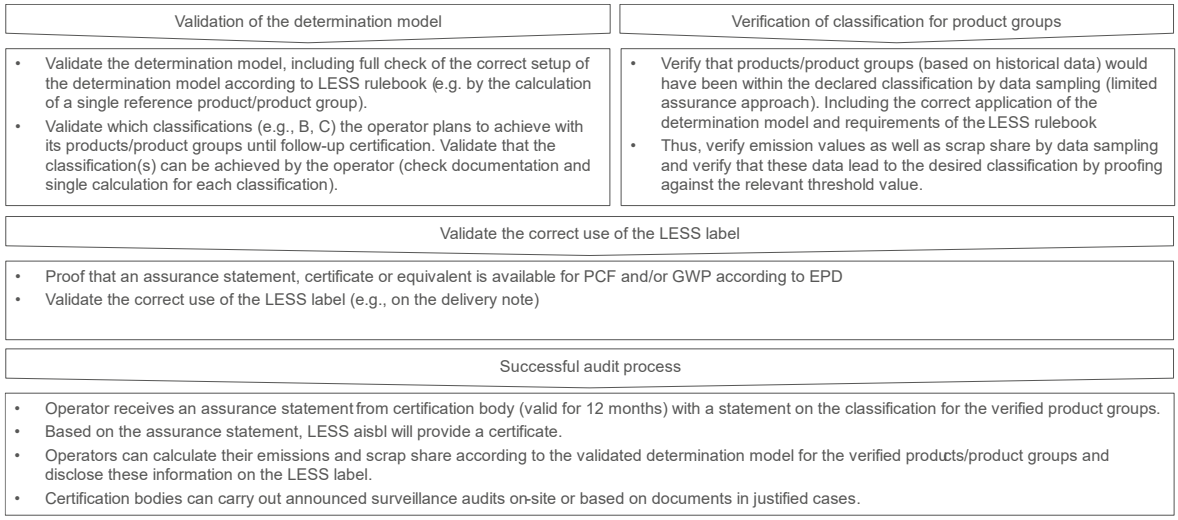


Figure 2: Elements of the initial verification.

The elements of the initial verification are listed below:

- Validation of the determination model for each process route (e.g. BOF, EAF) in accordance with the LESS rulebook.
- Validate which classifications (e.g. B, C) the operator plans to produce until follow-up certification. Validate that the classification(s) can be achieved by the operator (check documentation and single calculation for each classification).
- Execution and, if necessary, conformity assessment of the validation of the determination model
- Verification of the continued application of the determination model and the processes and procedures described therein
- Prove that as far as possible, primary data have been used as emission values for the input materials, otherwise emission factors from the ecoinvent scientific database shall be used. The database version, which is specified in the current version of the LESS rulebook, has to be applied (see Annex of the LESS rulebook).
- Ensuring the appropriate use of adjustment and allocation rules and preventing overcompensation.
- The determination of the scrap share needs to be in accordance with the LESS rulebook
- Verification of a reasonable classification of products within product groups
- The certification body verifies by data sampling (see chapter 8.2) that products/product groups (based on historical data) would have been within the declared classification.
- The certification body verifies emission values as well as scrap share by data sampling (see subchapter data samples and data proof) and verifies that these data lead to the desired classification by proofing against the relevant threshold value.
- Proof if an assurance statement, certificate or equivalent is available for PCF/GWP. This needs to be available prior to the issuing of the assurance statement.

- Validate the correct use of the LESS label (e.g. on the test report, including QR-code that leads to the LESS aisbl webpage), see "Requirements for the use of the LESS label"
- Review of correct application of the determination model
- Execution and verification of starting point and system suitability
- Review of compliance with the participation requirements stipulated in the system
- Data management and quality assurance
- Procedure for managing the production balance within the management system
- Procedures for handling requests for corrective action from certification bodies within the management system
- The certification body has to prepare an audit report and an assurance statement after the internal review has been completed (see chapter 9).
- Inform LESS aisbl about the outcome of the audit (see chapter 9)

7.3.2. Follow-up verification

The elements of the follow-up verification are shown in Figure 3.

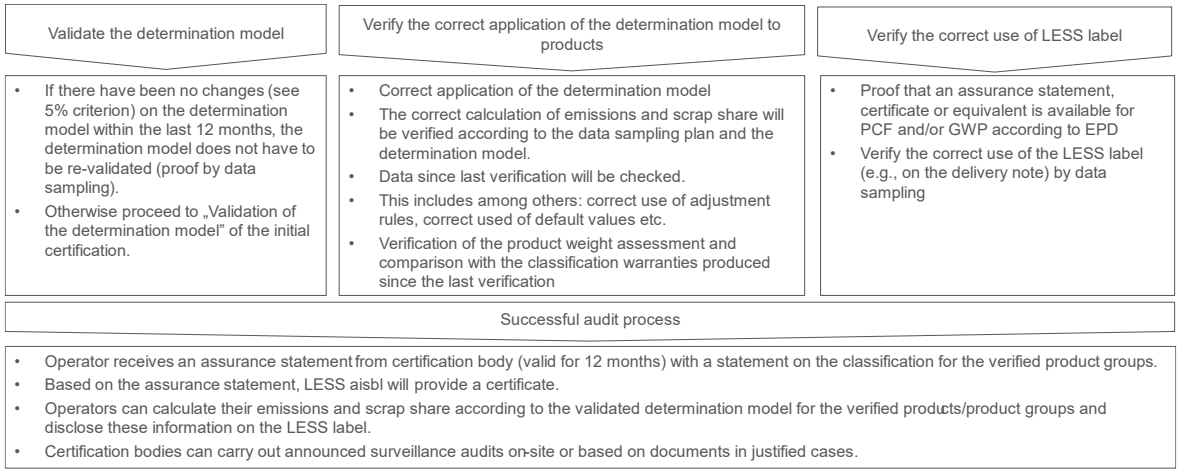


Figure 3: Elements of the follow-up verification.

In addition to the elements of the initial verification, a follow-up verification requests the following elements:

- Review of continued and correct application of the determination model and the processes and procedures described therein by data sampling (follow requirements of initial verification) or re-validate the determination model (e.g. proof of 5% criterion).
- If there are any changes made to the determination model, validate which classifications (e.g. B, C) the operator plans to produce until follow-up verification. Validate that the classification(s) can be achieved by the operator (check documentation and single calculation for each classification).
- Verification of the product weight assessment and comparison with the classification warranties produced since the last verification. A comprehensive mass and energy balance of the total inputs and outputs within the scope of the system must be presented by the operator. The certification body must verify the data. Data that has already been verified according to other verification processes are accepted by this standard, most importantly emissions reports within the EU ETS shall be recognised. The total emissions of the mass and energy balance must correspond to the sum of the emissions

of each product category multiplied with the amount produced within the respective time frame (without considering adjustment rules).

- Review of continued validity of the product groups, changes of product groups can be carried out during the follow-up verification.
- The certification body verifies by data sampling (see chapter 8.2) that products/product groups (based on data since last verification) have been within the declared classification. The certification body verifies emission values as well as scrap share by data sampling and verifies that these data lead to the desired classification by proofing against the relevant threshold value.
- Verification of sales and inventory, ensuring that produced material remains in inventory for no more than 36 months; after this period, the eligibility for classification expires.
- Management of correction and improvement requirements (see non-conformities) from the previous verification. If these requirements have not been fulfilled, verification cannot be carried out.
- Verify the correct use of the LESS label (e.g. on the test report, including QR-code that leads to the LESS aisbl webpage) by data sampling, see “Requirements for the use of the LESS label”.

After the verification review has been completed, the certification body is to prepare an audit report and an updated assurance statement with a new validity period.

Significant modifications require revalidation of the determination model. If significant modifications of the process technology, the operational resources or the determination model have been carried out, a certification body has to revalidate the determination model prior to its utilization and LESS aisbl has to be informed. A revalidation of the determination model usually takes place during the follow-up verification. As long as the modification does not lead to a deviation in the calculated values of more than 5 % or to a change in the respective classification, the modification does not have to be communicated to the certification body or LESS aisbl. The operator itself is responsible for the correct calculation of the 5% criterion. The 5% criterion refers to the emission calculation according to the LESS rulebook. As basis for the calculation of the 5% criterion the data from the last verification shall be applied.

Significant modifications include for example

- Technological changes affecting the determination model
- Procedural changes affecting the determination model
- Changes related to the data source (including measured values rather than default values)
- Changes in classification groups
- Other significant changes

At the request of a system participant, the one-year term can be reset if early follow-up verification takes place at the same time.

If, during follow-up verification, verified data from the Emissions Trading System (ETS) or individual emissions data from energy consumption are not yet available, the corresponding verified data from the previous reporting period can be used (latest data from the electricity supplier) for emissions factors only. This is permissible until new verified data become available. An update must be demonstrated once a year. If the operator can credibly demonstrate that the emission factor used have not changed since last verification or have meanwhile been audited by another verification or certification process (EU ETS, PCF or EPD), already

verified data, particularly from emissions reporting, can be used until a new emissions report is available.

7.3.3. Surveillance audits to ensure the correct use of the label

LESS aisbl reserves the right to carry out interannual surveillance audits to verify the correct use of the LESS label. Certification bodies can carry out announced (to be notified minimum 3 days before inspection) surveillance audits on-site or based on documents in justified cases based on a risk-assessment.

8. Verification and product declaration by independent inspection bodies

8.1. Audit principles

All audits performed under the system should comply with the following audit principles.

Relevance

Selection of the data and methods to be used is to be appropriate to the audit task.

Completeness

All facts that make a relevant contribution to the outcome must be included in the audit.

Consistency

Assumptions, methods and data are to be applied in the same way when auditing the system to enable comparable conclusions to be reached.

Coherence

Methods, standards and, where applicable, associated guidance documents that are internationally recognised should be used to ensure comparability of audit results.

Accuracy

The relevant data is as far as possible to be accurate, verifiable, relevant and not misleading. Distortions and uncertainties are to be reduced insofar as this is practicable.

Transparency

All data and information are to be handled and documented in an open, comprehensive and understandable portrayal. All relevant assumptions are to be disclosed and appropriate reference is to be made to the methods and data sources used. All estimates are to be explained and distortions avoided so that the audit statement contains exactly what it intends to represent.

Acceptance of already certified and verified data

The certification body must accept for LESS verification relevant, certified/verified data from EU-ETS, ISO14067 and EPD that have already been issued by other certification bodies which shall be member of the International Accreditation Forum (IAF). Where the EU-ETS data and the required LESS data overlap, verified EU-ETS data shall be accepted. This is done in order to avoid double work for operators. If an EU-ETS verification report has been submitted by the EU-ETS auditor to the operator and the report confirms the verification of the EU ETS data with non-conformities in writing, EU-ETS data are considered as “verified”. A confirmation from the national authority, e.g. DEHSt, is not necessary at this stage.

8.2. Common elements of the audit processes

The audit process is subdivided into the higher-level process steps described below, which are to be used when conducting all audits (validations, verifications):

Strategic analysis

At the beginning of audits, the certification body is to examine the anticipated nature, extent and complexity of the audit tasks. In doing so, it is to subject all activities relevant to the audit task to a strategic analysis. The certification body is to collate and evaluate the information required to assess whether the audit team has sufficient competence to conduct the audit in a manner that determines whether sufficient resources are available, and the necessary risk analysis can be performed. This is to require examination of the data basis available for the audit (such as verified data from TEHG[4] emission or allocation data reports, requests for electricity price compensation, etc.). The nature, extent and complexity of the processes and material flows as well as the devices and processes used are to be evaluated. Data flow activities, control system, etc. are also to be evaluated according to sub-chapter “data samples”.

Risk analysis

The certification body is to identify and analyse the following so that an effective audit is designed, planned and implemented:

- Inherent risks
- Control activities and control risks.

It may be necessary to revise or to repeat the risk analysis where appropriate considering the information obtained during the audit.

The certification body is to use the results of the strategic analysis to conduct the risk analysis.

Detailed audit planning

The certification body is to develop an audit plan that is proportionate to the information and risks identified during the strategic analysis and risk analysis. The underlying level of assurance in particular and the relevant materiality threshold are to be taken into account. Such audit planning is to include at least the following:

- Audit programme (type and scope of audit activities)
- Audit plan
- Data sampling plan, see sub-chapter “data samples”

Audit activity

The auditor is to conduct the audit activity in line with the audit plan. This usually requires an on-site audit, i.e. within the operator’s premises. The following individual activities are to occur during the course of the audit activity:

- Collection of substantiation – the auditor is to collect from the operator the substantiation envisaged for its warranties. A distinction is to be made here among three types of substantiation (physical substantiation, documentation and witness testimony).

[4] TEHG: Treibhausgas-Emissionshandelsgesetz (German Greenhouse Gas Emissions Trading Law)

Proofs based on systems such as SAP or other measurement data systems are permitted.

- An audit of the data flow activities and the systems used, as far as possible to the lowest level of data aggregation
- An audit of the control activities implemented by the operator
- Application of analytical methods – the auditor is where appropriate to use analytical methods to assess the plausibility and completeness of the data.
- The audit plan can be changed if it is found during the audit that conditions are different than previously assumed or that deviations exist.

Contractual review

The certification body must conduct a contractual review prior to the conclusion of each contract or at the start of a new engagement. The implementation is left to the certification body themselves.

The certification body must accordingly request appropriate information from the operator, unless this information is already known. This includes in particular: The name of the operator, the object of the audit, requirements regarding the degree of certainty and materiality, and, if already available, draft documents to be audited along with appropriate substantiation. The operator shall provide these information the latest three weeks prior to the audit.

Before commencing an engagement, the certification body must ensure that

- The audit task including the requirements for the audit are clearly defined
- The materiality and degree of certainty are determined
- The extent and duration of audit activities can be estimated
- All the resources and skills required to conduct the audits can be provided
- Threats to impartiality are assessed in each individual case
- A timescale can be given for implementation of the audit activities.

Site inspection

Once during the verification process, the auditor shall carry out a site visit at an appropriate time. To check the emissions report of a plant operator, the certification body also use an inspection to check the plant boundaries and the completeness of the material flows and emission sources in accordance with the rules described under “data samples”. The certification body implements its own checklist for the on-site visit and verification procedure.

Measuring equipment

Measuring equipment does not have explicitly to be tested. To ensure functionality of the measurement equipment, certification body can carry out occasional verification on other certificates, assurance statements or the verifications for emission reports for EU ETS. As long as there are quality assurances (calibration, verification) etc., no further testing is carried out. However, the certification body does reserve the right to check this on the basis of individual random samples. Furthermore, the certification body can require a proof that relevant measuring equipment has been authorised during an EU-ETS audit that is no longer than 4 years ago.

If the electricity used in production cannot be explicitly identified by measurement equipment (e.g. meter), the electricity of the entire facility must be taken into account in the conservative approach this may then also include consumption for social rooms or similar.

Data samples[5] and data proof

If an operator has more than one determination model (e.g. for different main process routes like scrap-EAF, BF-BOF), the certification body needs to validate each determination model.

Companies can create reasonable product groups as outlined in the LESS rulebook. The correct determination of product groups shall be proven during the audit process (see chapter 7.3).

For each product group sample-based verification shall be conducted if there are no specific circumstances (e.g., high risk, identified errors) that require a detailed review.

Operators have to archive (for 5 years) their exact calculation input values (including emission factors) used for every single batch if applied. Auditors may proof data during follow-up verification.

The verification against LESS follows the limited assurance approach.

The materiality threshold is set at 5%. Data sets whose cumulative impact on the size to be reviewed is less than 5% are below the materiality threshold and are therefore only checked for plausibility.

If the operator has made misleading statements over the verification period assessed by the certification body, see chapter 9.2.

Non-conformities

Should non-conformities to the LESS requirements be identified during the audit activities, these are to be classified according to their severity, either as “minor non-conformities” and “major non-conformities” The non-conformities have to be documented and communicated

[5] Data samples: A data sample is a subset of data from a larger population/amount of products

to the operator in writing and are part of the audit report. The following non-conformities exist:

“Minor non-conformities”: A rare, isolated, or non-systemic fault with minimal impact on the audit result and the classification of the product/product group that does not lead to a fundamental failure in meeting the classification requirements. While verification can still be granted in the presence of these minor issues, they must be fully corrected before the subsequent audit takes place. A series of minor non-conformities will be considered a major non-conformity if there is evidence that the minor issues are:

- Connected: Relating to the same requirement, activity, or type of non-conformity, or
- Frequent: Showing the same problem throughout the site's operations, suggesting a systemic failure or a lack of controls, or
- Ongoing: Due to ineffective corrective measures aimed at addressing the root cause.

“Major non-conformities": A non-compliance, either by itself or in conjunction with other non-compliances, that causes or is likely to cause a critical failure in meeting the classification requirements. This can include issues that persist over time, are widespread, or affect large portions of the products/product groups. If major non-compliances have been identified during the audit process relevant products/product groups are ineligible for verification. Critical failures may be identified through various types of non-conformities, including the following:

- Persistence: Non-conformities that last for an extended period, indicating systemic issues rooted in similar underlying causes.
- Repetitiveness: Non-conformities that have been previously identified and seemingly resolved, but reappear over time.
- Widespread Impact: Failures that affect a broad range of the products/product groups, which can compromise the integrity of LESS.
- Inadequate Resolution: Issues that are not sufficiently addressed by the operator within the specified timeframes for corrections and corrective actions, highlighting the severity of the situation.

For all identified non-conformities, whether major or minor, the client is required to carry out corrective actions to address them. These actions must be verified by the certification body before verification can be issued. In the case of major non-conformities, the underlying causes must be rectified before the verification can be approved.

To differentiate between a minor and major non-conformity, it's important to assess whether the occurrences are isolated or interconnected, indicating potential common root causes due to weaknesses in the management systems.

The following responsibilities result from non-conformities:

“Minor non-conformities”

- Operators with only minor non-conformities shall be eligible for receiving a positive audit statement and an assurance statement and certificate.
- Operators with minor non-conformities findings shall submit a root cause analysis and action plans to the certification body (within one month). The implementation of these plans shall be verified in the follow-up verification, while the certification body can conduct monitoring activities (e.g. surveillance audits) on an ongoing level.

“Major non-conformities”

- If major non-conformities are found during initial verification, the operator shall not receive a positive audit statement neither an assurance statement or certificate

- The operator is not eligible for verification if risks that lead to major non-conformities (see above) are found in the follow-up verification. Consequently, assurance statements and certificates shall be immediately suspended.
- If major non conformities are found, the operator shall have one month time to implement corrections/corrective actions and present them to the certification body. The certification body has to prove the action plan. Three months after the approval of the action plan, the certification body shall prove in a special audit if the cluster has reduced the major non-conformities to minor non-conformities or conformities.
- If an operator receives in the special audit the same major non-conformities as before, the audit process is aborted. LESS aisbl shall be informed.

Audit reports and assurance statements

The auditor has to prepare an audit report based on the information collected during the audit and taking into account any rectifications made to identified non-conformities. The audit report includes the respective audit tasks (validation, verification). All audit reports are to contain one of the following findings:

- Audit result: Compliant, requirements fully met,
- Audit result: Minor non-conformities, with corrective requirements
- Audit result: Major non-conformities, requirements are not met, audit report forwarded to operator, follow-up audit required.

The audit report must at the very least include the following:

- Company name
- Certification body
- Name of the auditors
- Date and location of the audit
- Validity period of the verification
- Limited assurance approach
- Product classifications (e.g. B and C), validity for the listed classification levels
- Description of the product/product group
- Audit plan
- Audit results, including tested samples etc.
- Information and implemented actions about major non-conformities.
- Statement on the validation of the determination model (when performed)
- Statement on the verification outcome
- Declaration of commitment on impartiality
- Signature of the responsible auditor

Based on the audit report, the certification body has to provide an assurance statement including at the very least the following:

- Company name
- Certification body
- Date and location of the audit

- Validity period of the verification
- Limited assurance approach
- Product classifications (e.g. B and C), validity for the listed classification levels
- Description of the product/product group
- Statement on the validation of the determination model (when performed)
- Statement on the verification outcome
- Declaration of commitment on impartiality
- Signature of the responsible person(s)

Before the audit report and the assurance statement is sent to the operator, an independent review (see in the following) must be completed by the certification body, which ensures consistency. Once the independent review is successfully completed, the audit report and the assurance statement is sent to the operator and provided to LESS aisbl for information.

Independent review

Prior to approval of the audit report and the issuing of the assurance statement, the certification body has to submit its internal audit documentation and the audit report to an independent reviewer for making a decision on the verification issuance. An independent reviewer is an auditor from the same certification body who is appointed according to ISO 14064-3 or according to EU ETS. This independent reviewer should not have performed any of the audit activities, which are the object of its review.

Appropriate action must be taken by the leading auditor if additional corrective action is identified.

As part of its oversight responsibilities, LESS aisbl may periodically request samples of these completed reviewer activities.

Approval and communication

The certification body can issue its approval once the independent review has been finalised. Reports and notifications are to be sent to the system participants, i.e. to the operator and LESS aisbl.

8.3. Responsibility for audit statements

The certification body is solely responsible for its audit statements and must retain sovereignty over them.

8.4. Confidentiality

The certification body must maintain confidentiality with regard to all information obtained during the performance of audit activities. This must be assured by means of legally enforceable agreements. The exception only applies to reporting obligations to LESS aisbl.

8.5. Ensuring impartiality

General information

All audit activities must be performed impartially. The certification body is responsible for ensuring that all decisions are taken impartially. Decisions regarding the granting of an attestation (assurance statement) are not to be made by the personnel conducting the audit.

Declaration of commitment

The certification body must add a declaration of commitment on impartiality to the audit report.

Mechanisms for verifying impartiality

The certification body must monitor its activities and relationships to enable identification of potential or actual threats to its impartiality.

Conflict of interest due to consulting activities

The certification body cannot be involved in audits if it has assisted in consultancy regarding creation of the underlying determination models and/or substantiation of classification.

8.6. Risk assessment

The certification body must assess the risks associated with audits and take appropriate precautions to mitigate those risks.

8.7. Personnel

Availability of personnel

The certification body must have access to a sufficient number of competent and designated auditors to conduct audits.

Assurance of personnel competence

The certification body must have in place a skills management process in relation to its personnel. This process must take into account the following knowledge and skills:

- Fundamental audit skills (collection of evidence, risk assessments, materiality and degree of certainty)
- Steel production processes
- The content and scope of determination models
- Determination of a product's carbon footprint
- Classification warranties
- All other elements of the LESS.

8.8. Complaints and objections

The certification body must have documented processes in place for receiving, evaluating and deciding on complaints and objections. The certification body is solely responsible for these processes, but they must be openly available to all parties involved and include descriptions of

- Receipt and tracking
- How the validity is investigated and confirmed, including collation of the necessary information
- Decisions on actions to be taken, including their implementation.

The receipt of complaints and objections must be confirmed by the certification body. Results and, where appropriate, progress reports must be submitted to the complainant or objector.

The resolution of complaints, their evaluation and discontinuance, and the decision on objections must be performed by persons who were not involved in the subject matter of the complaint or objection. The investigation and resolution of complaints and objections must not result in disadvantages.

8.9. Information management

Publicly available information

The certification body must make the following information publicly available:

- General information about the procedure of the audit process that are not related to any operator
- Its obligation in terms of impartiality
- Its processes for complaints and objections.

Other information

The certification body must provide the following information upon request from the operator:

- The status of commissioned audits of the respective operator
- The resulting costs of the audit for the respective operator, e.g. the offer price
- The certification body must also provide the following information to operators with whom it has a contractual relationship or with whom it is initiating such a relationship:
- Requirements for operators in connection with audits

Duty to provide information to auditors and audit teams

The certification body must make accessible to its auditors and/or audit teams all the information necessary to conduct audits.

8.10. References

The certification body must have rules in place to permit operators to refer to the audit and/or to use the assurance statement, certificate.

8.11. Outsourcing

The outsourcing of audit activities is not permitted. This does not preclude external auditors, i.e. persons not employed by the accredited company, being employed as auditors.

8.12. Processes

The certification body must establish suitable processes relating to all the audit tasks described and must provide appropriate substantiation of their implementation. This includes conclusive internal documentation, which need to be presented to the LESS aisbl if required.

9. Issue and withdraw of certificates

9.1. Issuing certificates

After a successfully audit, the certification body will sent the final audit report and the assurance statement to the operator and the LESS aisbl.

Based on the assurance statement of the certification body, LESS aisbl will provide a certificate to the operator and publishes the certificate on the LESS website.

The certificate includes the following information:

- Certificate issued according to the Low Emission Steel Standard
- Certificate number
- Validity period
- Verified products/product groups and their classification levels (e.g. B and C), respectively
- Name and address of the certification body
- Name and address of the operator
- Name and address LESS aisbl
- Signature of responsible person(s)

After receiving the certificate from the LESS aisbl, the operator can use the LESS label within the validity period.

The operator must adhere to the specifications defined by the LESS aisbl for using the LESS label (laid down in document "*Requirements for the LESS label*").

The assurance statement and the certification will be publicly available on the LESS aisbl webpage.

9.2. Certificate withdrawal

If the verification conditions for an existing verification are not met (see below) by the certificate holder, the certification body withdraws assurance statement for a defined period of time. Consequently, LESS aisbl withdraws the certificate. During the suspension of a certificate, the certificate holder has the opportunity to provide evidence that the verification conditions are once again fulfilled. Until then, the certificate holder's right to use the certificate is suspended. LESS aisbl has to be informed immediately about a withdrawal of an assurance statement.

The certification body shall withdraw or suspend an issued assurance statement if at least one of the following criteria applies:

- Non-conformities from the standard are not rectified during the audit,
- Follow-up verification audits cannot be carried out in the required cycle,
- Information on changes in accordance with the information obligation with a significant influence on the functionality of the management system is not reported to the auditor.

The certification body has to inform LESS aisbl about the withdrawal of an assurance statement within two working days after the decision to withdraw the assurance statement has been taken.

The LESS label can be used for the validity period mentioned on the certificate. After this time period, the operator may no longer market products with a LESS label without follow-up verification. Produced material remains in inventory for no more than 36 months; after this period, the eligibility for classification expires.

If the operator receives the information that an assurance statement is withdrawn, the LESS label can no longer be used from that day onwards.

LESS aisbl reserves the right to withdraw the certificate if the requirements of the LESS have demonstrably not been complied with.

10. LESS certification body Committee

The LESS certification body Committee serves the exchange between the certification bodies to ensure a harmonised implementation of the standard.

The LESS certification body Committee is formed by:

- A representative of each accredited certification body
- At least a member of the LESS aisbl.

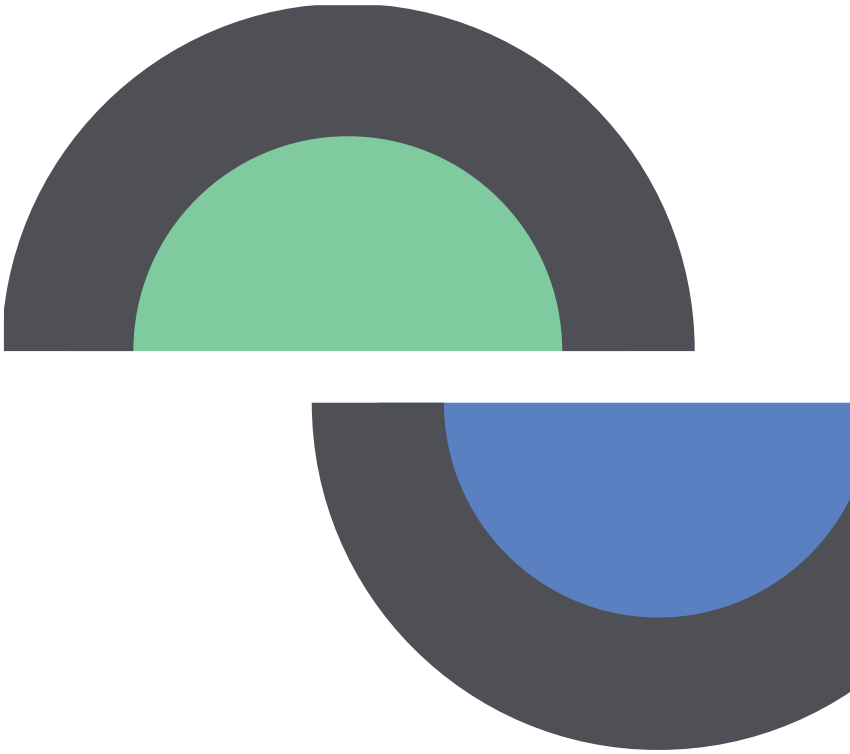
The committee meets if required to discuss and further improve the LESS guidelines related to the certification process. The main contact person or its deputy has to participate in these meetings.

The duties of the committee include:

- Discussion of critical cases in accordance with competition law principles
- Further development of control guidelines where necessary
- Exchange between control centres and LESS, e.g. on improvements in documents related to the certification.

The LESS certification body committee activities are conducted in compliance with the anti-trust guidelines from LESS aisbl. Furthermore it shall not discuss confidential information of individual companies or share information with each other that would allow conclusions to be drawn about sensitive information.

The LESS aisbl should carry out a general assessment of the LESS certification together with the LESS certification body committee as soon as the first certification cycle has been completed.



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