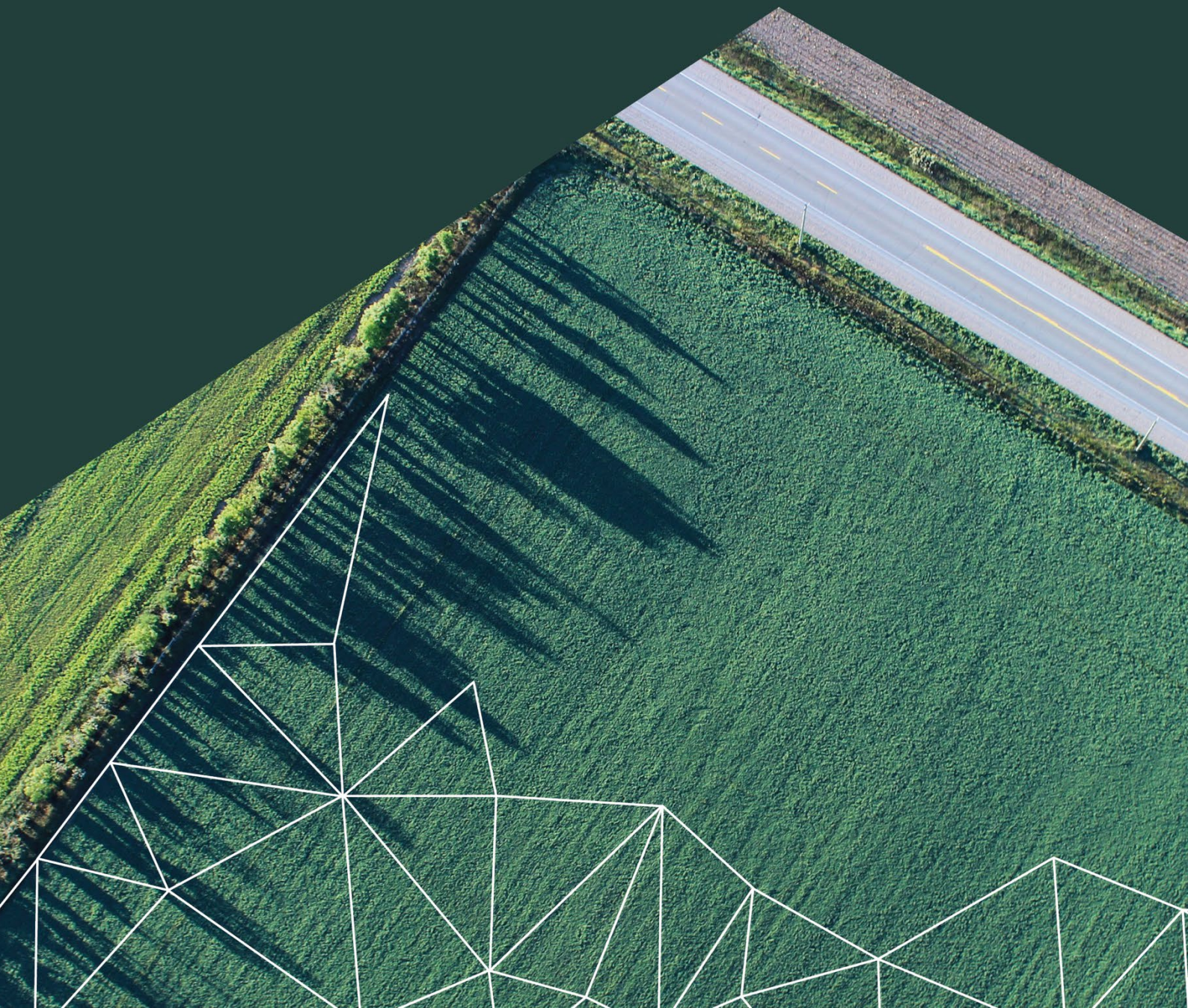




**RESPONSIBLE
COMMODITIES**
SOURCING INITIATIVE

Membership Code

Date of previous version	November 2023
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Responsible Commodities Sourcing Initiative Membership Code

Document owner	Responsible Commodities Sourcing Initiative Secretariat
Date of previous version	November 2023
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General Enquiries

Responsible Commodities Sourcing Initiative (the "Organisation") welcomes questions and feedback on this document.

Disclaimer

This document does not intend to, nor does it, replace, contravene or otherwise alter the requirements of the Responsible Commodities Sourcing Initiative Articles of Association ("Articles") or any applicable national, state or local government laws, regulations or other requirements regarding the matters included herein. This document gives general guidance only and should be not be regarded as a complete and authoritative statement on the subject matter contained herein. The Organisation's documents are updated from time to time, and the version posted on the website supersedes all other earlier versions.



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1. Introduction

1.1 About Responsible Commodities Sourcing Initiative

Responsible Commodities Sourcing Initiative (RECOSI) is an international organisation that operates sector-specific sustainability standards and drives continuous improvement in responsible commodity sourcing¹. Our work paves the way for environmentally and socially conscious supply chain management by cultivating a network of forward-thinking organisations dedicated to actively improving responsible commodity sourcing and supply chain management.

Our purpose is to guide and support our members in their due diligence monitoring of supply chains and support producers to enhance their environment, social, and governance (ESG) performance.

Our Values are:

- Continuous improvement
- Transparency
- Stakeholder engagement
- Risk-based approach

The Organisation has also developed a Theory of Change which defines our long-term goals and short to medium-term outcomes, connected with the Organisation's purpose and values.

1.2 Purpose of this Membership Code

The Organisation is governed by the Articles. These form the legal basis on which the Organisation runs and confers certain powers to the Directors and the Members. This Membership Code specifies what Members, Associates and Participants can expect from the Organisation and what is expected from them. Any organisation which joins the Organisation is bound by the Articles and this Membership Code, as well as by all other relevant documents such as the Governance Manual and the Anti-Trust Policy.

¹ The Responsible Commodities Sourcing Initiative currently operates two sector-specific programmes, one for coal and one for gas. We refer to 'commodities' throughout the Membership Code but this currently refers to coal or gas sourcing or production.



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2 Overview of Responsible Commodities Sourcing Initiative

2.1 Driving Continuous Improvement in Responsible Commodities Sourcing

Responsible Commodities Sourcing Initiative has been working since 2012, originally with a focus on coal sourcing through the Bettercoal programme. Major utilities promote the continuous improvement of sustainability performance in their commodities supply chains. This is undertaken by assessing the performance of their suppliers through sector-specific supplier assessment programmes.

The Organisation develops credible, solid and comprehensive assurance frameworks that support our Members in demonstrating responsible practices and contributing to the United Nations Sustainable Development Goals (SDGs) as well as the UN Guiding Principles.

The Organisation offers assurance to producers and buyers of commodities and gives a voice to other parts of the value chain, including civil society organisations and labour unions.

2.2 Benefits of Membership

Through membership and association with the Organisation, Members, Associates and Participants contribute directly to enhancing environmental, social and governance performance in the global commodities supply chains, by implementing the sector-specific programmes across producing sites.

Membership can help to:

- Build stakeholder consensus on what constitutes responsible practice and performance.
- Incentivise attainment of social and environmental objectives.
- Encourage independent assurance of systems and performance.
- Create more impact on environmental and social issues collectively.
- Bring transparency to supply chains and manage supply chain risks.
- Support compliance with relevant regulatory requirements.
- Reduce 'audit fatigue' and duplication of time and resources through the Organisation's efforts to align with other standards.
- Build partnerships and relationships across the public, private and voluntary sectors.
- Share best practices and collect evidence that will resonate with stakeholders.
- Contribute to developing, informing and upholding the sector-specific standards.
- Enhance reputation through proactive efforts to implement and support standards.



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3. Members, Associates and Participants

The Organisation has three Membership classes: **Members, Associates and Participants**, each with different rights and obligations.

3.1 Members

3.1.1 Who can become a Member

Any organisation which commercially transforms, transports or uses commodities in their supply chain and are committed to the responsible procurement of these commodities can join the Responsible Commodities Sourcing Initiative as a Member. At this time, companies that are solely commodity traders are not eligible to become Members, but this will be kept under review. Members are allocated to one of two Stakeholder Groups depending on their core business activity.

Organisations join as Members of the Organisation and choose the programmes they would like to access, with membership fees that reflect the programmes that companies will access.

3.1.2 Member Stakeholder Groups

Downstream

Your organisation uses commodities in its processes (power production, steel or cement manufacturing, other industrial uses etc.) and is committed to responsible sourcing.

Downstream members who also have upstream operations (e.g., your company produces coal – lignite, subbituminous coal, bituminous coal, anthracite – and/or gas) will have additional requirements, as detailed below.

Business Organisation

Your organisation has commercial links to commodities production or use (other than solely trading), transport or storage of commodities; or provides technical or financial services to commodities supply chains and is committed to the principles of responsible commodities supply chains.

3.1.3 Benefits of being a Member

The Organisation provides a multi-stakeholder forum for businesses and social and environmental organisations to work together, creating value that neither group can create on its own.



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As a Member, you will be at the heart of the Organisation's programme, ensuring that our standards, policies and tools create value for your organisation. Membership demonstrates to customers and stakeholders that you are actively addressing key sustainability issues in your supply chain and production processes.

As a Member, you have the right to:

- Participate in committees and working groups (*for Responsible Commodities Sourcing Initiative and then specifically for the programmes that you elect and pay to access*);
- Access Supplier Assessment Reports (*for the programmes that you access and subject to approval from the Supplier*);
- Nominate a Director to the Organisation's Board;
- Nominate a representative to the Technical Advisory Committee;
- Convene and attend General Meetings (GM);
- Shape actions in the Organisation through voting rights at the GM;
- Be part of the global dialogue on responsible commodities supply chains;
- Participate in Continuous Improvement Plan monitoring activities (*for the programmes that you elect and pay to access*);
- Shadow on-site Assessments (*for the programmes that you elect and pay to access*);
- Use the Member logo and membership messages to show your support for responsible commodities supply chains in your communications in line with our Claims and Logo Use Guide.

3.1.4 Obligations of Members

3.1.4.1 Common obligations

All Members commit to:

- Support the Organisation's purpose, values and objectives, including the Theory of Change.
- Demonstrate commitment to the responsible sourcing and (*where applicable*) production of commodities.
- Comply with the Anti-trust Compliance Policy.
- Comply with the Claims and Logo guidelines.
- Pay membership fees within 30 days of invoicing (with late payment beyond two months, rights can be lost and membership revoked).
- Respects the confidentiality of information protocols.

3.1.4.2 Specific Obligations

We recognise the diversity of our Members both in terms of their main activities, business models and geographical spread. This is why each Stakeholder Group has



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different obligations beyond those common to all Members. The objective behind these obligations is to fulfil our Theory of Change and create a more responsible global commodity supply chains.

Obligations currently differ depending on which programme the Member accesses.

- Bettercoal is a well-established programme, with detailed reporting obligations for Members who access the Bettercoal Programme.
- For Members who access the Gas Programme, there are different reporting requirements for gas, which are determined by the early stages of this programme development. These will be reviewed each year as the programme develops and assessment activity increases.

Downstream Members

Downstream Members use commodities in their processes. As such, the main way in which these Members can contribute to making commodity supply chains more responsible is through responsible purchasing practices.

Downstream Members – Bettercoal Programme

Downstream Members who access the Bettercoal Programme commit to:

- Reporting annually on coal purchasing activities as described in the box below;
- Proactively engaging with their Bettercoal Producers (as defined below) to follow their progress on their Continuous Improvement Plans;
- Promote the use of the Bettercoal Contract Clause in their direct purchasing agreement:

“The Buyer is a Member of the Responsible Commodities Sourcing Initiative and is committed to implementing the Bettercoal Code and making use of the Bettercoal Assurance System in their due diligence processes. The Seller acknowledges the Bettercoal Code as a standard for continuous improvement in the coal supply chain. The Seller shall ensure that the coal delivered under this Agreement is from a Bettercoal Producer. A Bettercoal Producer is an entity with a single coal mining site, or multiple coal mining sites, that has been site assessed by Bettercoal and agreed a Continuous Improvement Plan. Bettercoal Producers may sometimes be represented by their exclusive marketing agents or departments.”



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Downstream Member Reporting Obligations – Bettercoal Programme

Internal Reporting obligation (shared and visible only to the Secretariat)

- Volumes of coal purchased
- Type of contract (direct/indirect)
- Country of origin
- Supplier

Internal Reporting Obligation (shared with all Members who access the Bettercoal Programme)

- % of coal from Bettercoal Producers

External Reporting Obligation

The Bettercoal Programme will report annually aggregated numbers on:

- Total volumes of coal purchased by Members who access the Bettercoal Programme
- % of coal purchased from Bettercoal Producers
- % of coal purchased directly (from Bettercoal Producers and non-Bettercoal Producers)
- % of coal purchased by Members per country of origin

Purchasing commitment, which can include one of the below, without limitation:

- Members commit to purchase a substantial share of Bettercoal coal.
- Members commit to increasing their share of Bettercoal coal on a rolling three-year basis (when the share is below 100%).
- Members commit to only buy Bettercoal coal.

Downstream Member Reporting Obligations – Gas Programme

Downstream Members who access the gas programme commit to:

- Promote transparency with regards to gas in their supply chain.
- Encourage gas producers to undergo the assessment process.
- Encourage gas buyers to become Members.
- Contribute to improvements in the ESG performance of the global gas supply chain.
- Effectively demonstrate responsible conduct by incorporating the gas programme assessment process outcomes into their responsible business practice.



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Downstream Member Reporting Obligations – Gas Programme

Internal Reporting obligation (shared and visible only to the Secretariat)

- Volumes of gas purchased
- Volumes of gas sold to final customers
- Type of contract (direct/indirect)
- Country of origin (*where possible*)
- Supplier (*where possible*)

Downstream Members with Upstream Operations

For Downstream Members that also produce coal and/or gas, they commit to:

- Assessing their coal mining and/or gas operations, in line with the Bettercoal Assessment Methodology and/or the Gas Assessment Programme, within 12 months of joining.
- Carrying out a Re-Assessment as and when required by the Bettercoal and/or the Gas Programme Assurance Process.

Downstream Members with Upstream Operations

Internal Reporting obligation

- Assessment Report
- Continuous Improvement Plan (“CIP”) report
- CIP progress within agreed timeframe
- Sharing of evidence supporting CIPs

External Reporting Obligation (*currently for Bettercoal Programme only*)

- Public Report
- CIP updates

Business Organisation Members

The Organisation recognises the role that other industries play within commodities supply chains, with Business Organisation Members having a significant role in stocking, transporting, or housing commodities at the ports, providing services such as deliquifying gas and distribution, or providing services that lead to improvements in production, financing projects, insuring projects and more.



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For Business Organisation Members, the additional obligations are to:

- Promote transparency with regards to commodities in their supply chain.
- Encourage producers to undergo Assessment against the Bettercoal Code and/or Gas Assessment Programme, as applicable.
- Encourage commodity buyers to become Members.
- Contribute to improvements in the ESG performance of global commodities supply chains.
- Effectively demonstrate responsible conduct by incorporating the sector specific standards and outcomes of the assessment programmes of the Responsible Commodities Sourcing Initiative into their responsible business practice.

Business Member Reporting Obligations

Internal Reporting obligation

- Engagement with producers and demonstrable evidence of contributing to the Responsible Commodities Sourcing Initiative's purpose.

3.2 Associates

3.2.1 Who can become an Associate

Any company or organisation that supports the Organisation's purpose of paving the way for environmentally and socially conscious commodities supply chain management – and does not meet the criteria for membership of the Organisation – can join as an Associate. This includes but is not limited to all existing Associates and **governmental organisations, trade associations, standards bodies and conformity assessment bodies** (but excludes commodity traders).

3.2.2 Benefits of being an Associate

Associates enjoy some of the same benefits as Members:

- Attend General Meetings (GM) but not vote.
- Be part of the global dialogue on working towards environmentally and socially conscious commodities supply chain management.
- Use the Associate logo and membership messages to show support for responsible commodities supply chains in your communications in line with our Claims and Logo Use Guide.



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3.2.3 Obligations

As Associates you will show your support by:

- Supporting the Organisation's purpose, vision, objectives and Theory of Change.
- Not publicly harming the overarching goals of the Organisation.
- Encouraging and recognising the responsible sourcing and production of commodities.
- Complying with the Anti-Trust Policy.
- Complying with the Claims and Logo guidelines.
- Paying fees where applicable.

3.3 Participants

3.3.1 Who can become a Participant

Any company or organisation that supports the Organisation's purpose of paving the way for environmentally and socially conscious commodities supply chain management – and does not meet the criteria for membership of the Organisation – can join as a Participant. This includes but is not limited to **civil society organisations and academic organisations**.

3.3.2 Benefits of being a Participant

Participants enjoy some of the same benefits as Members:

- Attend General Meetings (GM) but not vote.
- Be part of the global dialogue on working towards environmentally and socially conscious commodities supply chain management.
- Use the Participant logo and membership messages to show support for responsible commodities supply chains in your communications in line with our Claims and Logo Use Guide.

3.3.3 Obligations

As Participants, you will show your support by:

- Supporting the Organisation's purpose, vision, objectives and Theory of Change.
- Not publicly harming the overarching goals of the Organisation.
- Encouraging and recognising the responsible sourcing and production of commodities.
- Complying with the Anti-Trust Policy.
- Complying with the Claims and Logo guidelines.



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4. General Meetings

The Organisation convenes a General Meeting **at least annually**. Members can also call a General Meeting. This process is further explained in the Governance Manual.

All Members, Associates and Participants can attend the General Meeting, but only Members may vote. All Members, Associates and Participants will receive an Annual Report on the Organisation's activities and financials.



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5. Fees

Membership fees provide the Organisation with the ability to operate and continually improve its activities and outcomes. A range of membership fees are applicable depending on the type, size and/or purpose of your organisation, as well as the programmes that you access. Membership fees are set by the Board, approved by Members in general meeting and reviewed annually.

The annual membership fees are paid by calendar year, at the beginning of the year, or for new Members or Associates, when joining the Organisation. In case a Member or Associate wants to terminate their membership before the end of the calendar year, the remaining share of the fee is non-refundable.

The current membership fees are set out in the document presented to and approved by Members at the last general meeting, typically the annual general meeting.

Participants pay no membership fees.



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6. Membership Admission and Removal Policy

6.1 Membership Admission

Any organisation eligible to be a Member, Associate or Participant can submit an application for admission to Responsible Commodities Sourcing Initiative.

The Membership Application Form is completed and submitted to the Secretariat. The Secretariat will then review the application. A Know Your Business/Counterpart procedure will be undertaken for each prospective applicant.

Know Your Business (KYB) for membership

- Country of business operations
- Ownership structure
- Public Sustainability commitments

Within 30 days, the application and KYB check will be shared with the Board (who can delegate this decision-making process to a sub-committee). Each Member applicant will be allocated to the appropriate Stakeholder Group.

The Directors (or a specific “membership” sub-committee if formed) have absolute discretion to admit or deny any applicant in accordance with this Membership Code.

On acceptance of any application, a membership fee invoice will be sent – if applicable – based on the appropriate membership category and information provided. Membership fees are payable within 30 days of the date of the invoice.

On receipt of the membership fee or if no fee is payable, the Organisation will contact successful applicants to confirm membership, provide the applicant with logo material and confirm their membership on the website.

Any Member or Associate wishing to terminate their membership must do so in writing at least six months before their annual fees are due.

6.2 Membership Removal

Membership can be removed upon decision by the Board. Any Member, Associate or Participant who has committed a violation of any provision of the Articles, this Membership Code or the Governance Manual and any other rules or byelaws of the Organisation for the time being in force that would result in risk actual or potential injury



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to the reputation of the Organisation may be expelled from membership, subject to the following conditions:

- Written statement of objection on the Member, Associate or Participant in question specifying the cause of its suspension in membership must be served by the Board.
- The Member, Associate or Participant in question will be suspended for a period of three months from the date of service of the statement of objection on it, during which period it can rectify the situation. The Member, Associate or Participant may within the three-month suspension period send a written response to the Board but shall not be entitled to vote (in the case of a Member) at any general meeting held during that period.
- At the end of the suspension period and if the Member, Associate or Participant in question has not rectified the situation to the satisfaction of the Board, such Member, Associate or Participant may be expelled on the passing of a resolution passed by not less than three-quarters of the Directors present at a meeting of the Directors convened for the purpose of considering such expulsion. The Member, Associate or Participant whose expulsion is proposed must be given at least 14 clear days' notice of the meeting at which its expulsion is proposed and must be given an opportunity at the meeting to be heard in its own defence.
- No Director who is a representative of a Member in question may vote on any matter concerning its suspension or expulsion.



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7. Data Confidentiality

The Organisation and its Members, Associates and Participants are subject to the Confidentiality Policy which must be signed and adhered to by them.



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8. Code of Conduct and Anti-Trust Policy

The Code of Conduct aims to support proper and effective governance in the Organisation's international and multi-stakeholder context.

The Organisation, its Members, Associates, Participants and staff are subject to the Code of Conduct.

The Organisation's membership are reminded of the Anti-Trust Statement in all meeting agendas:

Anti-Trust Statement:

"Attendees are kindly reminded that the Responsible Commodities Sourcing Initiative is committed to complying with all relevant anti-trust and competition laws and regulations and, to that end, has adopted an Anti-Trust Policy, compliance with which is a condition of continued Responsible Commodities Sourcing Initiative engagement. Failure to abide by these laws and regulations can potentially have extremely serious consequences for the Responsible Commodities Sourcing Initiative and Responsible Commodities Sourcing Initiative Members, Associates, Participants and Producers. You are therefore asked to have due regard to the Anti-Trust Policy today and in respect of all other Responsible Commodities Sourcing Initiative activities."

All Members, Associates and Participants must abide by the Anti-Trust Policy.



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8. Complaints Procedure

Complaints will be handled in accordance with the Complaints Mechanism.