

Memo

To IRMA Board

CC IRMA Secretariat

From Michelle Smith, IRMA Director of Standards and Assurance

Date June 23, 2022

Subject Resolution of surveillance-audit related questions

The IRMA Board Assurance Subcommittee was convened on June 23, 2022 to review timely considerations related to the outcomes of surveillance audits. Attendees included board members Jon Samuel, Doug Olthuis, Jennifer Krill, and Jim Worthington; and IRMA Secretariat representatives Aimee Boulanger, Lisa Sumi, and Michelle Smith.

The committee was asked to review two primary topics related to surveillance audits. Further information regarding these subjects, including pre-read information and the slide deck, are attached.

Topic 1: Timeline for corrective actions and surveillance audits (IRMA 50 and IRMA 75)

The first subject addressed the misalignment of timeframes currently imposed by IRMA's Certification Body Requirements. The requirements stipulate that a mine site that has achieved IRMA 50 or 75 in its initial audit must ensure that all critical requirements are fully conforming within 12 months of the certification decision (typically noted to be audit report publication date).

Several challenging issues tied to this timeframe requirement were discussed: 1) this could require an unscheduled audit be performed to verify conformity, since the surveillance audit is allowed to occur 12-18 months following the initial assessment; 2) some critical requirements could reasonably take longer than 12 (or 18 months) to close, particularly where coming into full conformity requires action by external parties, or where the corrective action requires significant action and expenditure (such as capital improvement projects).

The IRMA Secretariat proposed that the 12-month closure requirement be suspended and that current sites be given until the next full certification audit to close critical requirements. IRMA Secretariat has committed to further reviewing the timelines for closing critical requirements and addressing these challenges during upcoming revisions of the standard and assurance procedures.

This proposal received unanimous approval by the committee, with the caveat that corrective action plans for critical requirements with minor nonconformities be shared publicly (i.e., in the public version of the surveillance audit report).

Topic 2: Fluctuating achievement levels

The second subject addressed that the potential for achievement levels to fluctuate based on the outcome of the surveillance audit. The current procedures as written allows for a site's achievement levels to go up or down, or be suspended, following changes in performance at the surveillance audit.

This is seen as challenging because surveillance audits are prescribed in IRMA procedures (e.g., IRMA's current Certification Body Requirements) to be limited in scope, serving as a mid-cycle status check, and not intended to be a full-scope audit. Surveillance audits in most audit schemes

are intended to verify that there ongoing maintenance of the performance levels verified during the certification audit, with no major deterioration of performance and no significant changes in operations that would affect performance.

Fluctuating achievement levels also have the potential to create less confidence from purchasers or other stakeholders if the achievement level is constantly subject to change.

The IRMA Secretariat proposed that achievement levels not be subject to change during a surveillance audit. However, the option for Certification Bodies to suspend a certificate after the surveillance audit if performance has materially declined would be retained. Also, a site could choose to execute a fully scoped audit at mid-cycle (instead of a limited-scope surveillance audit) if it wanted to elevate its achievement level.

This proposal received unanimous approval by the committee.

Additional Actions

Note, the IRMA secretariat has committed to including both these subjects in the revision process to the standard and implementing procedures.

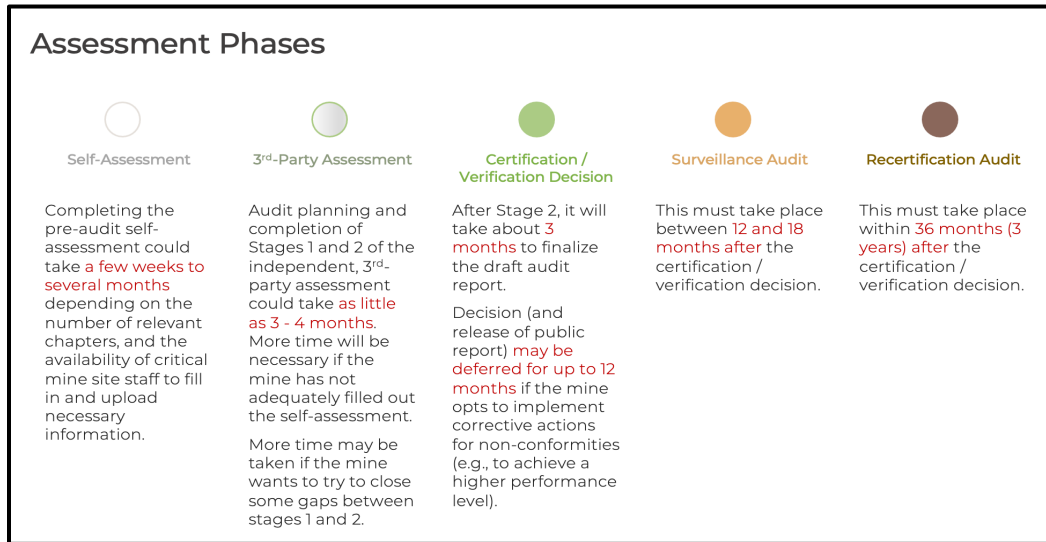
The outcome of this decision will be communicated to the certification bodies currently progressing on surveillance audits.



Pre-Read Materials

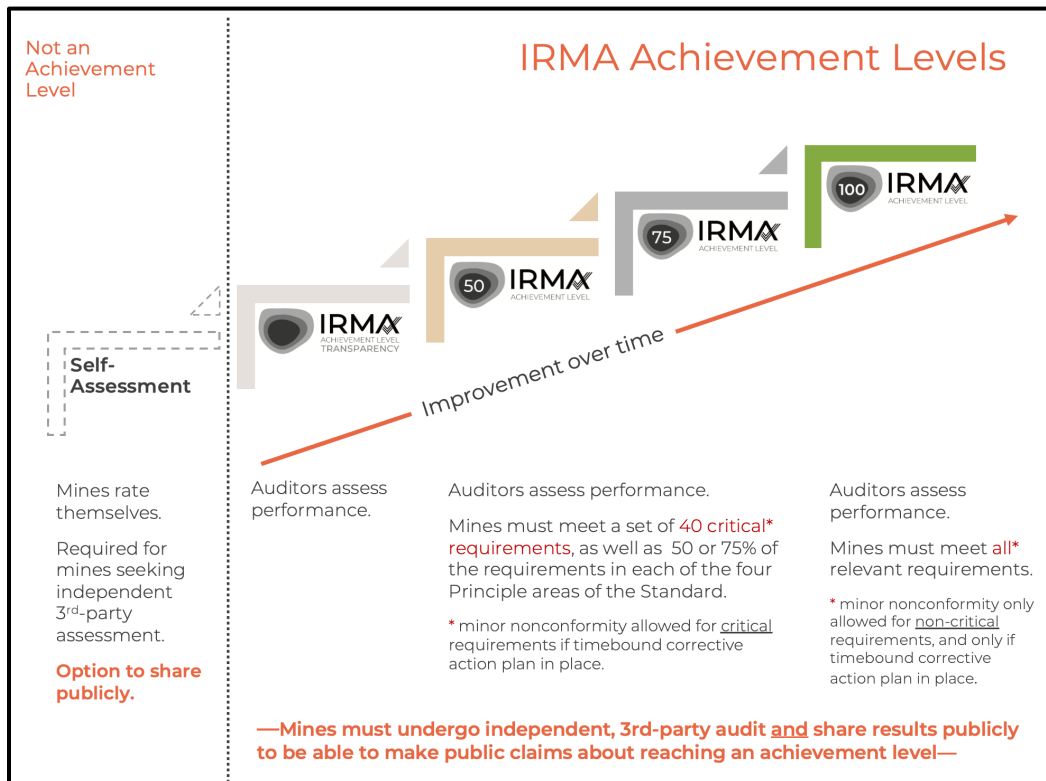
Background Materials, Assurance Committee, 6.23.22

How Surveillance Audits Fit Into the Certification Cycle



How Corrective Actions Fit Into the Certification Cycle

They are triggered for IRMA 50 or IRMA 75 mines, if a mine only “substantially meets” critical requirements. At these achievement levels, mines must have a plan to fully meet the criticals.



Graphic and description on ratings.

1.3.1. Policy Commitment

1.3.1.1. (critical requirement)

The [operating company](#) shall adopt a policy commitment that includes an acknowledgement of its responsibility to respect all internationally recognized human rights.

Notes on this requirement

Fully Meets

The operating company has human rights policy, or corporate responsibility policy, or similar policy or policies that document its responsibility to respect all internationally recognized human rights.

Substantially Meets

NOTE: This is a new rating category. Mines should use best judgment as to whether something is substantially versus partially met. Indicators will be added in time. See ["IRMA Rating System"](#) for general guidance on the difference between substantially and partially meeting requirements.

Partially Meets

The operating company has a human rights policy but it does not include a commitment to respect all internationally recognized human rights.

NOTE: A new rating (substantially met) has recently been added. "Partially met" indicators have not yet been updated, so some may apply to the substantially met rating. Use best judgement and see ["IRMA Rating System"](#) for general guidance on the difference between substantially and partially meeting requirements.

Does Not Meet

The operating company has not adopted a policy commitment to respect human rights.

IRMA Rating System

All requirements under assessment will be rated on their level of conformity. The following rating system will be used, and the general criteria for differentiating between ratings are as follows:

Fully meets:

- Relevant policies, procedures, methodologies, training programs, or work plans, etc. and performance meet the requirement as written or fully meet its intent.
- Stated performance for all elements or sub-requirements is evident with extremely rare exceptions (and exceptions do not affect consistency with the objective(s) of the chapter).

Substantially meets:

- Relevant policies, procedures, methodologies, training programs, or work plans, etc. have sufficient detail or require only minor augmentation. For example:
 - o Many, but perhaps not all relevant personnel are informed of policies and procedures. Work plans are developed and implementation is under way.
 - o Training programs are being implemented, though perhaps not fully or to maximum efficacy.
- Where requirements are performance-based, mine has implemented appropriate actions to meet the performance measure, but is not fully meeting it. Some augmentation or modification required.
- Where sub-requirements exist, the majority of the sub-requirements are being met, but one or a few factors need clarification, augmentation or complete implementation.

Partially meets:

- Relevant procedures, methodologies, training programs, or work plans, etc. are under development; or policies, procedures, etc. are in place but do not have sufficient detail and need significant augmentation; or they are in place but are not being implemented or are inconsistently applied; or implementation is in early stages so difficult to gauge its effectiveness/successful implementation.
- Where requirements are performance-based, mine has taken some actions to meet the performance measure, but there is considerable additional work necessary.
- Where sub-requirements exist, the majority or all of the sub-requirements need clarification, augmentation or implementation.

ISSUE 1: Timeline for corrective actions (IRMA 50 and IRMA 75)

- **Timeframes do not align.** The current timelines for corrective action closure and surveillance audits do not align.
 - **Minor nonconformity corrective action:** Currently, if there are minor nonconformities (achieved *substantial conformity*) with critical requirements, the mine has 12 months to come into full conformity. This would require a review by the certification body (CB) to re-assess and verify.
 - **General audit timeframes:** Currently we stipulate a 12-18 month period for the surveillance audit, with a recertification audit due within 3 years following the initial assessment.
- **Reasonable closure:** Some critical requirements cannot be easily closed within 12 months, or at all.
 - 1) **Some may take longer to come into full conformity.** Some may not be able to move from substantial conformity meets to full conformity (i.e., won't be able to correct minor-nonconformities in a short timeframe), and so their achievement level will be "suspended."
Examples:
 - i) Engineering design, capital improvement
 - ii) Requires action from external party (e.g. community support, regulatory approval)
 - 2) **Some may not have a clear path to full conformity.** Some of our requirements, as written, have proven to be difficult to reach full conformity.
 - i) 1.1 Compliance (revising guidance)
 - ii) 2.6 Financial Assurance (revising guidance)
 - iii) 4.1 Waste Management BAP/BAT (recommend no scoring pending change)

ISSUE 1 RECOMMENDATION

Do not implement the timeline for corrective actions right now. We will fix it for the next revision.

- No one will lose their current achievement level if they haven't moved all critical requirements from substantial to full (they could lose their achievement level if they drop a critical requirement from "full" or "substantial" down to "partial" or "does not meet").
- In the next version of the Standard we will evaluate critical requirements and corrective action timelines.
- Only time-sensitive for two mines, but we'll apply it to others currently being assessed unless revised before their surveillance audits.

QUESTION: *Should we require that Corrective Action Plans for critical requirements that have minor non-conformities be made public (so that stakeholders can hold them accountable).*

ISSUE 2: Fluctuating achievement levels

- **Surveillance audits are limited in scope.**
 - We currently stipulate the specific areas that must be included in a surveillance audit and provide an option for sites and CBs to add other focus areas.
 - We state that surveillance audits shall consist of on-site audits (unlike other mining/minerals standards which allow desktop surveillance).
- **Surveillance audits are intended to be mid-cycle status check.**
 - In most certification audits, there is a presumption that sites will maintain their current level of risk management/management systems. Therefore, a “surveillance audit” is intended to be a check up to ensure that the basic systems that were in place at the full audit are still functioning, and no major changes have occurred at the site.
- **Change in performance at surveillance audit.**
 - Currently we state that if a site’s performance improves substantially at the surveillance audit, their achievement level can go up.
 - Or, if their performance declines, their achievement level can go down and their certificate can be suspended.
 - This means that a site’s achievement level could be adjusted, up or down, based on a limited scope audit, without verifying all aspects of their operation.
- **Market and community perception and impact.**
 - Purchasers could be establishing multi-year contracts for minerals with an understanding that sites have achieved a certain level of performance and the idea that they can fluctuate could create lack of confidence. Similar is true for local stakeholders.

ISSUE 2 RECOMMENDATION:

1. Revise procedure so that surveillance audits cannot result in a change in achievement, because it is not a full audit.
 - a. Keep the provision that *material performance failures* can result in a certificate being suspended (they will have a corrective action period within which it can be reinstated if performance verified).
 - b. Provide guidance to CBs that *material performance improvements* can be recognized in the public report from the surveillance audit, but with no change in achievement until the site is fully assessed at the next recertification audit.
2. Revise procedure to allow mine sites to opt to conduct a full-scope mid-cycle audit to pursue a change in their achievement level; this would result in resetting their certification cycle.



Meeting Presentation

Assurance Committee Review

6.23.22

Critical Requirements and Surveillance Audit Issues

Today's decisions impact current activities

Current Status of Sites Undergoing Assessment

Sites with Surveillance Audits Underway

- Unki (Anglo)—initial audit published Feb 2021
- Carrizal—initial audit published Oct 2020

Sites with Completed Initial Assessments, Reports Pending

- Anglo (6)
- Albemarle (1)
- SQM (1)



“Next Steps”
need to be clear

How Surveillance Audits Fit Into the Certification Cycle

Assessment Phases



Self-Assessment

Completing the pre-audit self-assessment could take **a few weeks to several months** depending on the number of relevant chapters, and the availability of critical mine site staff to fill in and upload necessary information.



3rd-Party Assessment

Audit planning and completion of Stages 1 and 2 of the independent, 3rd-party assessment could take **as little as 3 - 4 months**. More time will be necessary if the mine has not adequately filled out the self-assessment. More time may be taken if the mine wants to try to close some gaps between stages 1 and 2.



Certification / Verification Decision

After Stage 2, it will take about **3 months** to finalize the draft audit report. Decision (and release of public report) **may be deferred for up to 12 months** if the mine opts to implement corrective actions for non-conformities (e.g., to achieve a higher performance level).



Surveillance Audit

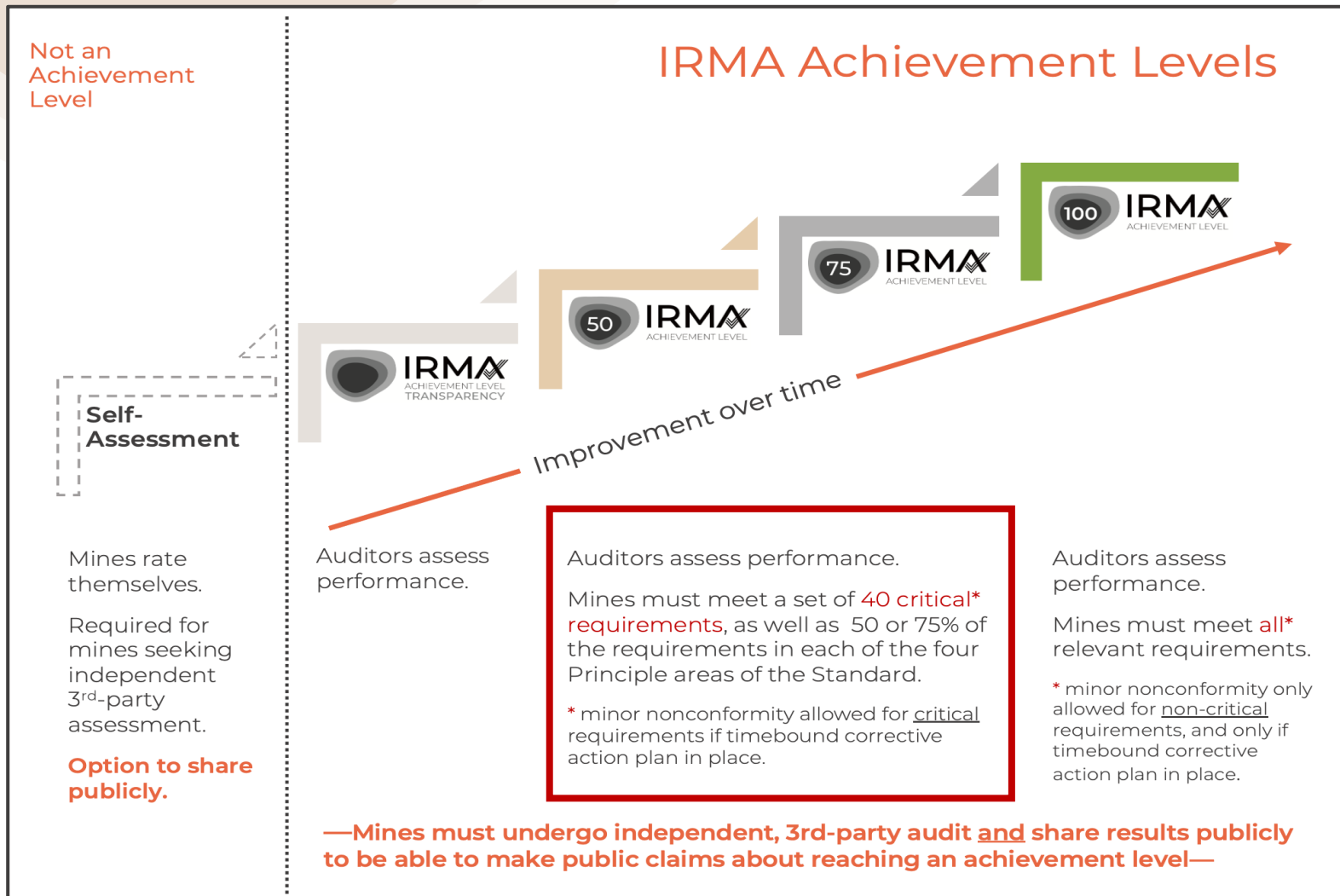
This must take place between **12 and 18 months** after the certification / verification decision.



Recertification Audit

This must take place within **36 months (3 years)** after the certification / verification decision.

Ratings Requirements



Refresher Graphic and Description on Ratings

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ISSUE 1

**Timeline for corrective actions and surveillance audits
(IRMA 50 and IRMA 75)**

Considerations

Timeframes do not align

The current timelines for corrective action closure and surveillance audits do not align.

- **Minor nonconformity corrective action**
 - Sites have 12 months to upgrade all critical requirements to full conformity.
 - Requires a review by the certification body (CB) to re-assess and verify.
- **General audit timeframes**
 - 12-18 months until the surveillance audit
 - Recertification audit due within 3 years

Reasonable closure

Some critical requirements cannot be easily closed within 12 months, or at all. Currently this will result in achievement level being “suspended.”

- **Some may take longer to come into full conformity**
 - Engineering design, capital improvement
 - Requires action from external party
- **Some may not have a clear path to full conformity**
 - 1.1 Compliance (revising guidance)
 - 2.6 Financial Assurance (revising guidance)
 - 4.1 Waste Management BAP/BAT (recommend no scoring pending change)

Recommendations

PAUSE corrective action timeline for critical requirements

- No one will lose their current achievement level if CRs remain substantially or fully conforms (could if a CR drops to “partial conformity” or “does not meet”).
- Only time-sensitive for two mines, but we’ll apply it to others currently being assessed unless revised before their surveillance audits.

Review and update for the next revision

- In the next version of the Standard, evaluate critical requirements and corrective action timelines.

QUESTION:

Should we require that Corrective Action Plans for critical requirements that have minor non-conformities be made public (so that stakeholders can hold them accountable).

IRMA

ISSUE 2

Fluctuating achievement levels

Considerations

Surveillance audits are limited in scope

- Limited scope is stipulated, with option to add by site and CB
- Must include on site assessment (differentiator)

Surveillance audits are intended to be mid-cycle status check

- Presume ongoing maintenance of systems
- Confirms no major changes have occurred at the site

Change in performance at surveillance audit

- Currently site's achievement level can go up or down at surveillance, or even suspended
- Change at surveillance would be based on a limited scope audit, without verifying all aspects of their operation

Market and community perception and impact

- Potential confidence issue with purchasers or other stakeholders without an incentive to maintain achievement level

Recommendations

Revise guidance so that surveillance audits cannot result in a change in achievement

- Because it's not a full audit
- Retain option to suspend for significant deterioration
- Recognize material performance changes in the public surveillance audit report

Allow mine sites to conduct a full-scope mid-cycle audit to pursue a change in achievement level

- This would reset the 3-year certification cycle