

# Sector Guidelines: Metals and Mining

## Scope and purpose

The overall objectives of these sector guidelines are to promote sustainability performance in our business relations with corporate clients, portfolio companies and suppliers in all jurisdictions where Swedbank Group operates. The sector guidelines are applicable to all companies within the sector and in all stages of the value chain.

## Sustainability impact

Mining is the extraction of geological resources such as metals, industrial minerals and hydrocarbons such as coal, shale oil and oil sands which are often also mined.

The key Economic, Social and Governance (ESG) risks and impacts associated with mining and metals extraction include mining and minerals process, waste management, carbon emissions (both operational and product related), habitat alterations with impacts on biodiversity and ecosystem services, water intensive processing and other physical impacts including alterations to land forms and hydrology, as well as dust and noise generation. Potential social concerns include the displacement of communities and indigenous peoples, labour rights and living wage issues, conflict minerals involvement, occupational health and safety risks, human rights abuses associated with security at operating sites and a lack of accountability and transparency of mineral revenues in host countries and communities. Companies also face challenges regarding ethical business practices such as exposure to corruption risks.

## Expectations and recommendations

Swedbank expects clients, portfolio companies and suppliers to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits. We expect our business partners to manage material sustainability issues in a systematic manner within the field of human rights, labour rights, climate, environment and business ethics. We also recommend that

companies involved in the metals and mining sector:

- Avoid involvement in uranium mining, mountaintop removal mining, thermal coal mining and metallurgical coal mining;
- Conduct independent social and environmental risk assessment and monitoring;
- Have policy commitments that meet responsibilities with regard to human rights, labour rights, environmental protection, health & safety at work and anti-corruption;
- Identify material sustainability aspects and adopt relevant policies, objectives and targets;
- Undertake community consultation early in project life cycles in order to prevent negative impact and obtain social license to operate;
- Respect customary land tenure and usage rights of indigenous people by applying free, prior and informed consent (FPIC) principles;
- Respect artisanal and small-scale mining (ASM), and improve sustainable economic and social development on a local level;
- Prevent discrimination and improve equal treatment of men and women;
- Have environmental and social guidelines in place, which cover ecosystem and biodiversity aspects including protection of vulnerable, endangered, and critically endangered species; and habitat loss;
- Minimise impacts on land, water, air and biodiversity by implementing careful physical planning, and best practice waste management and emissions control systems;
- Assess project impact on water resources with the aim of ensuring high standards of water quality and availability for local communities;

- Have in place robust emergency response plans for significant identified safety, environmental and community related incidents or crises;
- Implement the Voluntary Principles on Security and Human Rights in high risk zones;
- Leverage company influence in weak governance zones in order to minimise corruption risks and ensure benefit flows to local communities;
- Ensure proper decommissioning and ecosystem rehabilitation after commercial activities have ceased, for all extractive industry projects;
- Implement a grievance mechanism process and processes for the remediation of human and environmental impacts;
- Observe zero tolerance of deliberate serious offsite environmental impacts, involvement in conflict minerals, child labour, extractive activity in Ramsar, World Heritage and critical habitat areas, impacts on IUCN Red Listed species, and bribery & corruption;
- Ensure a safe and healthy workplace for own employees and/or on-site contractors, which include responsible management of hazardous substances, explosives, water storage dams, noise and vibration;
- Ensure labour rights including freedom of association, collective bargaining, statutory working hours and remuneration;
- Report transparently on tax payments at group and country level in line with Publish What You Pay and the Extractive Industries Transparency Initiative;
- Conduct due diligence on supplier management of environmental, social and business ethics and integrate sustainability criteria within procurement processes. Verify compliance with company standards on a regular basis;

- Report regularly on material sustainability issues in line with established reporting framework standards, such as GRI.

#### Relevant norms, guiding principles & standards

- ✓ The 10 principles of the United Nations Global Compact<sup>i</sup>
- ✓ OECD Guidelines for Multinational Enterprises<sup>ii</sup>
- ✓ UN Guiding Principles on Business and Human Rights<sup>iii</sup>
- ✓ The Voluntary Principles on Security and Human Rights<sup>iv</sup>
- ✓ The ILO Declaration on Fundamental Principles and Rights at work<sup>v</sup>
- ✓ Initiative for Responsible Mining Assurance Standard<sup>vi</sup>
- ✓ EU Mining Waste Directive<sup>vii</sup>
- ✓ IFC Environmental and Social Performance Standards and Guidance Notes<sup>viii</sup>
- ✓ International Council for Mining and Metals, Sustainable Development Framework<sup>ix</sup>
- ✓ UNESCO World Heritage Convention<sup>x</sup>
- ✓ IUCN Advice note on mining, oil and gas in World Heritage sites<sup>xi</sup>
- ✓ International Cyanide Management Code<sup>xii</sup>
- ✓ Wetlands covered by the Ramsar Convention<sup>xiii</sup>
- ✓ Kimberley Process Certification Scheme<sup>xiv</sup>
- ✓ Conflict Free Sourcing Initiative<sup>xv</sup>
- ✓ Publish What You Pay<sup>xvi</sup>
- ✓ Extractive Industries Transparency Initiative<sup>xvii</sup>
- ✓ The World Nuclear Association Policy Document<sup>xviii</sup>

#### **Implementation**

Sustainability risk assessment is an integral part of Swedbank Group's risk assessment within corporate lending, investment and procurement. The sector guidelines set the context for the risk assessment. In order to comply with our sustainability framework Swedbank shall:

- Ensure understanding of existing and potential clients' and portfolio companies' activities and risks. This means that Swedbank may require relevant documentation such as certificates, impact assessments, procedures and policies in order to understand sustainability governance and performance;
- Evaluate suppliers' sustainability performance and integrate sustainability requirements as a mandatory part of supplier agreements. This means that Swedbank may terminate supplier relationships in the event of non-compliance with our supplier code of conduct;
- Continuously educate relevant Swedbank staff on general and specific Corporate Sustainability trends, issues and opportunities;
- Monitor our portfolios to mitigate ESG risks;
- Manage our portfolios by divesting companies that derive more than 30% of their turnover from mining and producing coal. All divested companies will also be excluded from new financing and trading;
- Not directly finance any type of coal power plants;
- Report transparently on sustainability performance.

<sup>i</sup> The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

<https://www.unglobalcompact.org/about>

<sup>ii</sup> OECD Guidelines for Multinational Enterprises are recommendations providing voluntary principles and standards for responsible business conduct for multinational corporations. The Guidelines are legally non-binding.

<http://mneguidelines.oecd.org/text/>

<sup>iii</sup> The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>iv</sup> The Voluntary Principles are the only human rights guidelines designed specifically for extractive sector companies. Participants in the Voluntary Principles Initiative — including governments, companies, and NGOs — agree to proactively implement or assist in the implementation of the Voluntary Principles.

<http://www.voluntaryprinciples.org/>

<sup>v</sup> The ILO Declaration on Fundamental Principles and Rights at Work were adopted in 1998. The Declaration commits Member States to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

<http://www.ilo.org/declaration/lang--en/index.htm>

<sup>vi</sup> IRMA is developing standards for environmental and social issues related to mining, including labour rights, human rights, indigenous peoples and cultural heritage, conflict response, pollution control and site closure. IRMA expects to begin certifying mine sites in 2016 so that companies can support the mining of minerals and metals that is consistent with healthy communities and environments, and that leaves positive long-term legacies.

<https://responsiblemining.net/what-we-do/standard/>

<sup>vii</sup> Directive 2006/21/EC on the management of waste from the extractive industries (the mining waste directive).

<http://ec.europa.eu/environment/waste/mining/>

<sup>viii</sup> Environmental and Social Performance Standards and Guidance Notes.

[http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes#2012](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes#2012)

<sup>ix</sup> ICMM members are required to implement the Sustainable Development Framework. This includes integrating a set of 10 principles and six supporting position statements into corporate policy, as well as setting up transparent and accountable reporting practices.

<https://www.icmm.com/our-work/sustainable-development-framework>

<sup>x</sup> The United Nations Educational, Scientific and Cultural Organization (UNESCO) seeks to encourage the identification, protection and preservation of cultural and natural heritage. The UNESCO World Heritage List includes over 900 properties forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value, such as a forest, mountain, lake, desert, monument, building, complex, or city that is considered to be of outstanding importance to the common heritage of humanity.

<http://whc.unesco.org/en/list>

<sup>xi</sup> IUCN Advice note on mining, oil and gas in World Heritage sites. IUCN's position is that mineral and oil & gas exploration and exploitation (including associated infrastructure and activities) is incompatible with the Outstanding Universal Value of World Heritage Sites and should not be permitted within these sites. If it is outside the boundaries of World Heritage sites, it should not, under any circumstances, have negative impacts on their Outstanding Universal Value.  
[https://www.iucn.org/about/work/programmes/wcpa\\_world\\_heritage/policies/mining\\_oil\\_gas/](https://www.iucn.org/about/work/programmes/wcpa_world_heritage/policies/mining_oil_gas/)

<sup>xii</sup> The International Cyanide Management Code is a voluntary initiative for the gold mining industry and the producers and transporters of the cyanide used in gold mining. The Code focuses exclusively on the safe management of cyanide that is produced, transported and used for the recovery of gold, and on cyanidation mill tailings and leach solutions.  
[http://www.cyanidecode.org/about\\_code.php](http://www.cyanidecode.org/about_code.php)

<sup>xiii</sup> The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.  
<https://www.ramsar.org/about/the-convention-on-wetlands-and-its-mission>

<sup>xiv</sup> The Kimberley Process is a joint government, industry and civil society initiative to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments. The Kimberley Process Certification Scheme imposes extensive requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free'.  
<http://www.kimberleyprocess.com/>

<sup>xv</sup> Founded in 2008 by members of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative, the Conflict-Free Sourcing Initiative has grown into one of the most utilised and respected resources for companies from a range of industries addressing conflict minerals issues in their supply chains. Also applicable to metals processors or companies partnering with certain miners or metals processors.  
<http://www.conflictreesourcing.org/>

<sup>xvi</sup> Publish What You Pay.  
<http://www.publishwhatyoupay.org/>

<sup>xvii</sup> Extractive Industries Transparency Initiative.  
<https://eiti.org/>

<sup>xviii</sup> World Nuclear Association (WNA) Policy Document Sustaining Global Best Practices in Uranium Mining and Processing. This document sets out principles for the management of radiation, health and safety, waste and the environment applicable to sites throughout the world. In national and regional settings where activities of the nuclear fuel cycle have reached advanced stages of development, these principles already serve as the underpinning for "Codes of Practice" that govern uranium mining and processing.  
<http://www.world-nuclear.org/World-Nuclear-Association/Publications/Position-Statements/Best-Practice-in-Uranium-Mining/>